

The Power of Niche Sales

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Many successful organizations have survived turbulent economic conditions and fierce competitive environments by consistently nurturing a niche, and the loyal consumers in the niche community. It is possible to expand and grow business in addition to the niche. Unfortunately, several other organizations have lost their identities in an effort to copy the competition, rebrand themselves, or casually jettison a loyal constituency due to change in focus. Let's compare and contrast a few recognized examples.

You've got questions, we used to have the answers

There was a time when car audio enthusiasts would flock to Radio Shack for speakers, wires, radios, antennas, and a variety of other electronic components to install, replace, or upgrade the audio in old cars. This helped many transition from eight track tapes to cassette tapes, and cassettes to CDs. It also helped many to upgrade the basic systems that were originally installed in the automobile. Gradually the new models of automobiles that rolled off the assembly line had much improved audio systems. Demand for car audio upgrades diminished significantly, and the stores stopped carrying the components for do-it-yourself audio enthusiasts. However, the demand will remain as long as there are aging vehicles on the roads, and cycle as frequently as new technology is introduced. Broadcasting the availability of such components at Radio Shack could have been a way to retain this niche of automotive audio enthusiasts, and the ongoing sales, if Radio Shack had retained consistent to this commitment.

The car audio components are only one small part of a sweeping change that occurred at Radio Shack. The devoted tribe of Ham Radio Operators were suddenly without a resource, as Radio Shack virtually abandoned the product. In an effort to rebrand the company and become more like Best Buy or Circuit City, Radio Shack dropped many products and brands. Once known for wires, fuses, transistors, resistors, and all of the ingredients for electronic home cooking, Radio Shack stores replaced many of the component shelves with commodity consumer electronics like cell phones, televisions, and DVD players. The lesser known, and lower cost brand name products that once adorned the shelves, were replaced by the same brands that could be found in Best Buy or Circuit City. The once loyal customers of Radio Shack realized that the lesser known brands had actually been manufactured by the same factories that produced the famous brands, and did not mind paying a little less for a different label. After all, the loyal fans of Radio Shack were audio, video, and electronic enthusiasts, who proudly distinguished themselves from the flocks that followed brand names in retail stores. How bitter it must have been to bring questions, only to be betrayed as the Mecca of answers was turned to the dark side of commodity consumerism, brand names, and retail aisles.

Radio Shack enjoyed a period of rebirth and renewed revenue growth as a primary distribution mechanism for cell phones, and cell phone accessories. Indeed, for a period of time, it appeared that the rebranding and consumer retail strategy was working. The stores enjoyed significant profitability as demand for cell phones exploded. And then came the sweeping and devastating change, as cell phone companies began to open their own stores. Suddenly Radio Shack was competing with the cell phone companies, and competing with cell phone stores that could give away phones, accessories, or cherished free minutes. The Golden Age of cell phone dominance diminished, and the revenue disappeared with it.

Unfortunately, as the wave of cell phone dominance subsided, it revealed a very weak underlying commodity strategy that could not replace the revenue. Having introduced similar brands and products as Best Buy and Circuit City, the differentiation was gone. Why shop at Radio Shack for

the same products, and less selection? That was a consumer question for which Radio Shack did not have any answers. Many of the devoted following of audio enthusiasts, Ham Radio Operators, and do-it-yourself home electronics experts had already been forced to find other resources. The niches had been lost, and as a result of not having anything to go back on, many stores were lost too.

The good news for Radio Shack is that it may not be too late to return to the Golden Age of Gadgets. The economy is cyclical, and we are in a period that many consumers would eagerly consider a lower cost, lesser known brand. As each generation continues to live longer, there is a growing appetite for niche products designed for different age groups. It is much easier for local stores to supply these niche products, if the local stores leverage a well executed supply chain solution to minimize inventory and maximize access.

Thinking differently

Let's contrast the Radio Shack strategy to the Apple way. Apple computer company has long been surrounded by fierce competition. The battle for market dominance has taken many forms, and used many allies. Operating systems, software solutions, accessories, microprocessors, and a host of other tactics have been used to wage this ongoing war of technology and formats. Despite overwhelming dominance of market for personal computers, the competitors have been unable to eliminate Apple. In spite of the competition, Apple has not only survived the bitter struggle, but is enjoying a magnificent period of renewed growth.

How is it that Apple could not be eradicated from the computer landscape? The most commonly recognized understanding is the fanatical loyalty of Apple enthusiasts. Graphic artists, musicians, and several paradoxically-challenged IT administrators remained devoted to the imperishable brand. Some of the devoted claimed loyalty for the stability of the operating system, and some for the utilities. With the introduction of the flavor-colored iMac computers, the loyal following surged with new masses who simply appreciated the ability to choose a color. The combined design and marketing campaign may have been as transparent as the colorful casings, but it was at least equally as effective.

Expanding on the foundation of success, Apple introduced the iPod. Once again, a tremendous flood of new and loyal believers converted to Apple. Even the traditionally proud Personal Computer devotees could be spotted with bright wires connecting them to their favorite iTunes. Apple quickly became the dominant force in personal portable audio entertainment. Even as new consumers contemplated converting to Apple, the company has never lost focus on the devoted and loyal followers that helped it survive and thrive. Even going so far as to partner with the perceived enemy of Intel, Apple has expanded technology, without sacrificing the operating system or any of the niche staples embraced by loyalists.

Not satisfied with returning to glory, or dominating the niche of personal portable audio entertainment, Apple used the newfound experience to aggressively attack another area of technology. Just as cell phones contributed to the second Golden Age of Radio Shack, the iPhone is a strong foray into the area of personal portable communication for Apple. Fortunately for Apple, the iPod niche remains strong, and the niche of devoted Apple computer users continues to grow stronger by the day. The iPhone may be a flash in the pan, or a long term strategic success, but in either case, Apple continues to expand niche support and a foundation for continuous success.

Question your niche, and think differently

You have a niche too, perhaps several of them. Your product, brand, or services have a following. It may be based on loyal consumers who appreciate specific features that you provide. It may be

a niche following based on geographic region, age group, or some other demographics. The niche may be a result of association with a brand, as with Nike, Mercedes, or Polo. The niche may be the result of unparalleled services, as with the Automobile Association of America, or the National Service Alliance. In any case, identify and nurture your niche of loyal clients, because those customers are your foundation.

The necessity to support your niche is not limited to the consumer environment. On a much more personal level, you may be in a very competitive environment in your place of employment, in government, or in an association. Be aware of the niche of loyal constituents, friends, supporters, and followers who have a personal interest in your success. You should be equally interested and invested in the success of your supporters. This mutual awareness and continuous effort can result in a sense of loyalty and commitment that survives challenge, and is the future for your success.

PS - Good luck Radio Shack, and best wishes in the search to rediscover your niche. Your loyal consumers look forward to your next Golden Age of Gadgets

Words of Wisdom

"The ability to focus attention on important things is a defining characteristic of intelligence."
- Robert J. Shiller, Irrational Exuberance

"The key to realizing a dream is to focus not on success but significance - and then even the small steps and little victories along your path will take on greater meaning."
- Oprah Winfrey, O Magazine, September 2002

"It's really hard to design products by focus groups. A lot of times, people don't know what they want until you show it to them."
- Steve Jobs, BusinessWeek May 25, 1998

John Mehrmann is author of [The Trusted Advocate: Accelerate Success with Authenticity and Integrity](#), the fundamental guide to achieving extraordinary sales and sustaining loyal customers. This revolutionary book applies peak management techniques and leadership skills, with common sense and practical applications to grow business, sustain loyal customers, and use personal talents for personal success.