

Narrow Your Niche to Create Higher Profits

Resisting the urge to offer more products may be your best move.

BY MATT GOULD



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Our company, Kidsport, spent five years in the custom athletic uniforms and apparel business, offering just about anything that the customer requested. It took a thorough analysis of our products and services to find that this was not necessarily the best business decision for us.

Narrowing our niche (and moving to a different building type and location) turned out to be the best business move we could have made. Even though our sales figures went down slightly, we realized an increase in our profit margins by about 15%. We are confident that our bottom line figures will continue to rise, since we are now able to target the market and produce our goods more effectively. It's true, selling less can actually mean making more money. Here are some ideas on how you can narrow your niche.

Analyze what you offer

When narrowing your niche, the first and most important step is to analyze all the products and services that you offer. This is a good business practice to do even if you don't plan on narrowing your niche. You will want to compare profit margins, customer demand, seasonality of product, production control (do you contract out

all our own digitizing and embroidery in-house, and although winter is the heaviest season, there's still a steady stream of customers throughout the year. There is local competition, but our Web site, www.JacketBack.com, allows our customers to completely design their jacket online, including embroidery text and custom full-back designs. Our Web site's "Live Designer" tool completely separates us from all competition.

Target higher profit items

Just as we did with our letterman jackets, the whole point of the analysis was to know what products and services are returning the highest profits. Quite simply, you want to narrow your niche toward the items that yield the highest profits. When determining profits, you typically look at what a product costs to produce vs. what you sell it for. Other than the obvious cost of the physical product, such as the T-shirt and the cost for printing materials, make sure to factor in the shipping cost, the time it takes to work with the customer, labor costs and your general overhead cost expenditures percentage (rent, insurance, utilities, office products, association fees, etc.).

After doing the math correctly you will see which products you should move your niche toward and which products you should stay away from. At Kidsport, we crunched the numbers of a somewhat typical job of 12 screen-printed T-shirts that a customer needed for their end-of-the-season baseball party. We found that this job's profit was roughly \$25 – a figure we were not happy with. Since then we have decided to change our screen-print job minimum to 37 pieces. We also sold our manual screen-print machine and now contract out all of our screen-print work.

We then analyzed a typical embroidery job of 12 polo shirts with left chest embroider for a small-business customer. We were much happier with the profit for this job, which was roughly \$120. The numbers gave us the focal point of embroidery for our niche, and also showed us that we had to reformulate how we offered screen-printed products to our customer.

What are your location needs?

Your location and facility type should be a factor in narrowing your niche, as well. You need to subjectively

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the work or do you produce it?), employees required and competition. We analyzed our eight main product/service categories and found that limiting ourselves to three main areas would be the most beneficial for our business success.

Our custom full-back embroidered letterman jackets were at the top of our list. The profit margins are high, there is a constant new supply of customers three or four times a year when varsity blocks are handed out, we do

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determine if your current location and facility is conducive to the sales and production space needed. The price per square foot you pay will vary depending on if it is a retail or industrial space. If you have a destination-type business and need production space, then going with an industrial-type facility can help to lower the price per square foot. If you need a high-traffic area but will be narrowing your product line, then you may be able to move into a smaller retail storefront facility, which will lower your monthly payouts.

Since we were bringing in more embroidery equipment at Kidsport and no longer needed the high-volume foot traffic for the product lines we were now offering, an industrial/retail center was a great fit for us. Our previous retail storefront had limited production space, and the constant walk-ins for one or two T-shirts were no longer the customers we could afford to serve. We are now a destination-type business and often make appointments with clients. Our new facility gives us a separate room for all our embroidery equipment, a small showroom to display products, a client meeting area, two separate offices and a small warehouse with roll-up door. The overall square footage is about the same as our retail storefront but the price per square foot is lower and the layout is much more beneficial for our new business plan. The high-traffic retail storefront was necessary when we first started our business, but now we have a great customer service reputation and customers are willing to visit us at our new location.

Showcase your niche using technology

Every business should have a Web site. The site does not have to be very complex and can cost only about \$30 per month to maintain. Most providers, such as Yahoo Business, have templates that make creating and maintaining your own Web site fairly easy. Informing

potential customers 24/7 about your products and services is a must in this day and age.

We already had a main Web site for our overall business (*www.KidsportAthletic.com*), but an important part in making our niche successful is that we created a second site to publicize it. JacketBack.com focuses just on our niche of custom embroidered letterman jackets. Having a picture gallery on our Web site of customers wearing our custom products is a great selling point for potential customers.

JacketBack.com also has a design tool and shopping cart options so that customers from around the world can purchase custom jackets online 24/7. We use the “LiveDesigner Suite” by Melco to facilitate our orders. There is nothing better than getting to work in the morning and having confirmed and paid orders waiting for you.

Use your niche to partner up

Once you have your niche narrowed down – and can produce a particular product at a lower than standard cost or offer a certain service very efficiently – you can possibly offer contract services or wholesale your products to other retailers. Your tricks of the trade can have a high value to other businesses in your industry. Although you normally wouldn’t work with your competitors, creating a business relationship with a company outside of your market area can be lucrative.

Kidsport has offered our JacketBack.com embroidery services to other retail businesses, such as embroidery shops, trophy and award shops and promotional product suppliers. These businesses may not have the proper equipment, staff or know-how to stitch a letterman jacket with a custom design on the back consisting of 150,000 stitches. Some of these businesses are capable of doing what we do but cannot do it as efficiently, while others simply do not want to tie up their 14-head embroidery machine on one custom jacket design. Shops can set themselves apart from their competitors and create more foot traffic for their store by offering JacketBack.com’s services.

The ultimate goal of almost any business is to offer a desired product or service to your customers while keeping your cost down and profits up. You need to create a high-quality product as efficiently as possible. Your company can hit these goals and find success by narrowing your niche. ■

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Starting an apparel program from scratch isn’t easy, and we’re here to help. In “How to Build an Apparel Program,” you will learn the steps to position yourself as a skilled apparel program designer with the latest decorating techniques and the hottest style and graphic designs. Be sure to check out this session at the ASI Holiday & Incentives Expo, which runs September 15-17 in Las Vegas.