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Finding a Niche

Becoming an expert in one category can significantly boost your business.

By Marcia Layton Turner | October 30, 2006

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Sure, the flexibility of being able to sell anything and everything on eBay sounds appealing. But specializing--carving out a niche in a particular category or type of product--can yield even greater rewards.

For starters, explains Michael Miller, author of *Making a Living From Your eBay Business*, you'll know your market and your products more thoroughly than you ever could as a generalist. "You can sell on eBay and not specialize, but it's more hobby than business," Miller observes. "The biggest eBay sellers I know do one or two things well." Knowing a lot about one or two areas, vs. knowing only a little about many categories, can make the difference between being profitable and being very profitable.

Seeking out what sells

Case in point: Steve Weber, 46, owner of Weber Books (eBay User ID: weber-books), a Falls Church, Virginia, reseller of used books. Although he made \$300 or \$400 on eBay the first month he began selling from his own bookshelves, Weber's sales took off when he zeroed in on specific types of nonfiction books that were in demand. In 2005, four years after Weber started his business part time, the now full-time enterprise sold \$335,000 online--more than 100 times what the business was initially generating. It all came down to finding a niche.

At the outset, Weber worked part time in the evenings selling books he no longer needed. "I wasn't an expert in book values," he admits, but he did notice that nonfiction books tended to be more valuable than fiction, and science and math tomes in particular sold for far more than he anticipated. So he began going to library and estate sales--"the two best ways to get inventory"--in search of science and math guides. His efforts paid off when he purchased a box of books at a sale for a whopping \$10. In the box was a book titled *Curves and Their Properties*, which Weber was able to sell for \$200.

"The way to make money is to find a specialty," says Weber. "It's helpful to start with a niche because you can learn a specific product area and you're not re-inventing the wheel all the time--you quickly learn what sells." He recommends that anyone interested in selling books on eBay start with used merchandise because "there's more profit potential."

However, Weber cautions that mass market books, such as *The DaVinci Code*, may not necessarily sell for more than what you paid because there are already so many of them in circulation. On the other hand, more unusual books that appeal to a limited audience may take a little longer to sell on eBay, but they can sell for more (sometimes much more) than the original cover price, even if they're not in pristine condition. With such quirky titles, "condition is not as important as the information they contain," says Weber.

Approximately one-third of Weber's time is spent finding books, with big pushes during January and August, the two biggest bookselling months of the year. Each month, he buys at least 5,000 used books to resell, in addition to the new books he's been selling since 2003. Through wholesale sellers online, such as Book Depot (www.bookdepot.com) and Kudzu Books (www.kudzubooks.com), Weber finds that he can buy overstock for 80 percent off retail and then resell the books profitably over the next several months. (You can find more potential product sources in "Finders, Sellers" on page 22.)

The strategy has worked for Weber: "I'm making more money than ever," he says, "because I keep getting better and better at [selling certain types of books] within my niche."

Another advantage niche businesses have is standardization of processes and materials. For example, Weber needs to stock only a few sizes of boxes and packages for shipping his books rather than hundreds of varieties. "Back-end efficiency, such as with packing and shipping, and effectiveness improve with a niche," confirms Miller. You can set up a routine, a type of assembly line, which reduces the time it takes to complete a sale and increases your profitability.

Through experience in his category, Weber is also much faster at setting prices. He uses auction-style listings for some hard-to-find books in hopes that bidders will drive the prices up, and he sells others at fixed prices using "Buy It Now" when there is a general agreement about the value of a particular book.

Pump Up the Volume

While Weber Books expanded from used books into new ones, Curvy Girl Clothing (eBay User ID: curvygirlclothing) has always been about new merchandise. The company focuses on new special-occasion wear for plus-size women, says Laura Poorman, 31, co-founder with her twin sister, Lisa Toton, of the Portland, Oregon, company. Poorman and Toton began their eBay careers as buyers, with Poorman scouting convertible cars and Toton on the hunt for a wedding ring set. Both found what they were looking for on the site and, inspired by the potential selling opportunities, began discussions about running their own eBay Store filled with stylish plus-size clothing.

To amass some inventory, the two headed to Los Angeles' fashion district, near Toton's home, and stocked up on trendy tops, dresses and skirts for women size 16 to 32. In the three-mile area that makes up the fashion district, Poorman and Toton discovered numerous stores willing to sell clothing to them at great prices. "We only had to buy a few items" in each size, says Poorman.

Although they didn't have experience selling on eBay, what they did have was knowledge of their market. As curvy women themselves, Poorman says, "We know what's going to work for plus-size women, so we're able to pick better styles." And because they deal only in new merchandise, they can buy in larger volumes rather than offering single items, as with used pieces. "You can buy something [used] for \$5 to \$20 and sell [it] for \$60, but you only have one," she points out, "so it's harder work." Selling used items next to new ones also devalues the new items, which is why Curvy Girl stays focused on its new-clothing niche.

The twins started doing business on eBay in summer 2005, and in October, they had their first \$10,000 week in sales. By the end of their first year in business, sales are expected to reach \$350,000.

Poorman says one of the keys to their success thus far is "not losing focus." By establishing their niche and sticking with it, Curvy Girl Clothing is building a brand that draws eBay buyers back regularly because they know exactly what they'll find there. Says Poorman, "People like that we only do plus-size, stylish occasion wear."

"Each category is like a little pond where you can be a big fish," says Mary Margaret Gibson, 61, president of Mirrors and Light Gallery (eBay User ID: maam1945), based in The Colony, Texas. Mirrors and Light specializes in unique, artist-made kaleidoscopes and jewelry. "Our plan was to have more and better kaleidoscopes than anybody else out there," says Gibson. "There aren't many who sell kaleidoscopes on a regular basis [on eBay]," or in the volume that Mirrors and Light does. At any particular time, the company typically has 100 or so kaleidoscopes available through eBay for hobbyists, collectors and fans, ranging in price from \$700 to \$3,500.

Because its products are much more expensive than typical eBay merchandise, Mirrors and Light has worked hard to develop a level of trust with buyers, especially the 30 percent of its customer base that is overseas. Gibson knows that overseas customers may be wary of sending several hundred dollars to an unknown seller in another part of the world. To address any reservations, Gibson went so far as to write a book, *The Kaleidoscope Collector's Guide*. She also communicates frequently with the company's core audience about its artists and products.

Gibson explains that the kaleidoscopes being sold are either from private collections, self-representing artists, or a family or broker selling off an estate. And in some cases, Gibson acts as broker, helping research and evaluate individual pieces, and selling kaleidoscopes on eBay for individuals unfamiliar with them.

Starting from scratch in 2004, Mirrors and Light expects to hit sales of just under \$150,000 in 2006 from its online sales of kaleidoscopes and new jewelry.

No Limits

Interestingly, choosing a narrowly defined niche does not prevent those outside your core customer group from buying from you, say Jennifer Basye Sander and Peter Sander, co-authors of *Niche and Grow Rich*. Rather, as a niche seller, you will have an easier time establishing yourself as the source for a particular type of product and still attract new buyers. For instance, if your niche is vintage Hermès scarves, your products will be presented to buyers who search for that exact phrase as well as to buyers simply looking for "scarves," "vintage" or "Hermès." Creating a niche doesn't limit opportunities; in fact, it often results in more business. You won't limit your buyers, and specializing in a particular product category will frequently make you a preferred seller to your target customers.

Scratch That Niche

To zero in on a niche that's not only profitable, but also fits your interests and background, check out these eBay tools.

The eBay "Hot List": A report provided by eBay and accessible from the "Sell" area of the site, the "Hot List" (<http://pages.ebay.com/sellercentral/whatshot.html>) identifies categories with the greatest increase in listings over a certain time period. Because people list more often in a category when demand is increasing, it's a useful gauge of demand, says John Bodine, product manager for eBay Market-place Research.

eBay Pulse: For a quick look at what buyers are searching for, eBay Pulse lists the top 10 search terms on the site (<http://pulse.ebay.com>). If you subscribe to eBay Marketplace Research, you can see the top 20 terms.

Keyword Search: Anyone can use this simple tool to search for types of products and see how many are already listed--essentially, how much competition there is. Search completed listings to determine the typical selling price of an item. Most important, say eBay sellers and experts alike, is finding a niche you love.

Gold Mine or Land Mine?

If you think you've found a winner, ebay marketplace research can give you the following information to help you determine whether your proposed niche will make you rich.

Size of The Opportunity: Using eBay Marketplace Research, you can search by product category to find the average selling price of products you're interested in. Then you can check the number of items sold in that same category. Multiply the average selling price by the number of items sold, and divide by the number of months reported (either two or three, depending on your subscription level), and you have the approximate size of the sales opportunity per month, explains Nick Donelson, product manager for eBay Marketplace Research.

Trends: You Ultimately want to enter a category with increasing demand and a rising average selling price, says Donelson. You can use eBay Marketplace Research to chart category performance by day or by week and to spot upticks in demand and price.

Sales Forecasting: To determine how long it takes for a type of product to sell, look up average selling price and success rate. This will give you a ballpark idea of how long it will take to sell something. For instance, if 200 listings for McDonald's memorabilia ended and 100 items sold, you can infer that 50 percent of the listings in this category are completed. Based on that information, you can opt to drop your price to sell your product faster, or you can expect to have to list your goods twice for them to sell, says Donelson.

The cost to subscribe to eBay Marketplace Research varies according to the term length, which ranges from two days to a month. A Fast Pass provides two days of access for \$2.99 and up to 60 days of historical sales information. The Basic level costs \$9.99 per month for 60 days' worth of data, and the Pro level costs \$24.99 per month but provides up to 90 days of historical data and detailed information to help optimize your listings.

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