



Target a Narrow Customer Base for Franchise Success

Most franchisees believe that a business that appeals to as many people as possible is the surest path to success. While one can find plenty of validation for this model — who doesn't love a Baskin-Robbins cone? — there are also many benefits to targeting a narrower customer base for your franchise.

For starters, limiting the scope of your franchise will provide you with market separation and a way to distinguish yourself. You'll also likely be offering a unique service to an underserved population.

There are two concrete advantages to launching a franchise that sells a particular product to a specific subsection of the public:

Advantage #1: Less competition

Most beginning franchisees are after the same thing — seed money. Securing the necessary funds to start a franchise can be an agonizing experience, no matter how linear and well-presented your business plan. One thing investors and banks love is specificity. Most franchisees think in the most general terms possible, which investors see as financial risk. By focusing on a particular and specific customer base, you'll have much less competition; if you can prove a demand for your product or service is there, obtaining the proper financing will be that much easier.

Advantage #2: More time and money for marketing

Another great advantage of a narrowed focus is the added time you'll have to market and brand your product or service to a specific demographic. Rather than attempting to grab the attention of the entire general public and to separate your product from the competition, you'll have a single group of customers to attract. As you solidify your appeal to this core group, word of mouth about your franchise should spread, and your business will grow.

Step #1: Do your due diligence

When starting out, first determine whether or not a specific need for your product exists. Conduct interviews and studies on the population you wish to target. This should involve monitoring the progress of any potential competition, no matter how indirect that competition may be. Create a list of all businesses with whom your business would be competing. Search the Yellow Pages and call the close matches. Are a good number of them still in operation? If you make a list of 20 businesses and 10 are still up and running, you're on the right track with your future franchise.

Step #2: Investigate

Investigate the competition's annual earnings. You can most likely do this at your local library. How have their earnings changed from one year to the next? If you notice a steady year-by-year climb in their revenue, you now have another reason to move ahead with financing. If your competition is quite well established, they might not view your presence on the block as a threat. In fact, they may even see your entering the marketplace as a blessing that will help create additional demand.