



PAUL R. HYDE
EA, MCBA, ASA, MAI

HYDE Valuations, Inc.

**We Value Both Real Estate and Businesses
Including Machinery & Equipment**

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THE SECRET FOR SMALL BUSINESS SUCCESS: DEVELOPING A NICHE

APPRAISERS:

PAUL R. HYDE, EA, MCBA, ASA, MAI
SHAWN M. HYDE, CBA
BRIAN D. HYDE
JOSEPH PHELON, CBA
MATTHEW A. BURTON
PAUL HUTT, CBA, BVAL

In order to be successful, particularly in tough economic times, small businesses and professional practices must develop a niche, i.e. a way of differentiating themselves from the competition in such a way that customers or clients see the clear benefits of their product or services. This often requires a considerable amount of thought and planning. In today's world, competing on price alone is not enough to be successful as an incredible amount of products and services can be found over the Internet and customers and clients can "shop" almost anything, anywhere, at any time.

An example of a company that has found a niche is Grover Electric and Plumbing Supply. This company has been in business since 1954 and they have a total of seven stores in Idaho, Oregon, and Washington. They are a relatively small business competing in a huge market against the big boys (including Home Depot and Lowes). I remember when both Home Depot and Lowes came into the Boise area market – it wasn't long until many smaller lumber and hardware stores went out of business. They simply couldn't compete with the lower prices offered by national chain warehouse supply stores. Yet, Grover Electric and Plumbing Supply continues to thrive, even now. In my opinion, the reason Grover is successful is their niche – while they supply all types of electrical and plumbing supplies for reasonable prices, the key to their success is that their staff is very knowledgeable and they pride themselves on their ability to assist customers both by explaining how to do an electrical or plumbing job and by helping them find all of the appropriate items they need to complete the job. This service contrasts with a big box supply store where customers are lucky to be directed to the appropriate aisle where they can be overwhelmed by the electrical or plumbing supplies available without explanation. As a result, Grover Electric and Plumbing Supply continues to thrive and will likely do so well into the foreseeable future.

Wal-Mart has successfully penetrated most market areas throughout the country. Its success has resulted in the virtual disappearance of what used to be called the "general store." With such a giant around, one wonders how is it possible for the small retail store to compete? Actually, they can compete fairly easily by developing a specific niche. A good example is a store specializing in fly fishing equipment. Wal-Mart and numerous big box sporting goods stores sell fly fishing equipment. However, a true fly fishing enthusiast realizes that the flies (often made in China) you can purchase in a national chain store are not going to be useful in a specific regional stream or lake. Instead, a specialty shop such as Idaho Angler exists and does well by providing fly fisherman with assistance to match the local insect hatch at various times throughout the season, as the fish are looking for those insects they recognize as food.

A few years ago virtually everyone that had any income not on a Form W-2 went to an accountant, usually a CPA, to get their taxes done. Now, there are many online services that compete for tax preparation dollars. CPA firms must convince their clients that their professional expertise and experience is valuable and that they can do a better job for them than some cheaper service. In talking with CPAs, I often ask them what they do to differentiate themselves from the competition. The main

things I hear are things such as: “find an area that you particularly enjoy and become very good at it”, “be proactive – meet client’s needs”, “develop a personal relationship with clients”, and “help clients plan ahead rather than simply reporting the past.” These are examples of finding a niche.

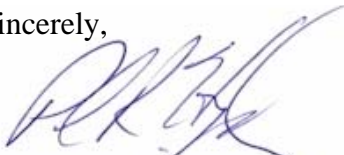
Similar to accounting, there are many legal services are also available online today. In addition, there are a large number of law firms in virtually every market. Attorneys must provide services and expertise in such a manner as to attract clients to them. In talking with attorneys to see how they differentiate themselves from the competition, I also hear things like: “Become recognized as an expert in a specific area” and “develop personal relationships with clients.” Once again, defining and embracing a niche roll in the market is key.

In our case, we have developed a specific niche of expertise in business-real estate combinations. Very few appraisers are qualified or have the certifications and licenses required to handle both business (including machinery & equipment) and real estate. We also are known for providing high quality work at a reasonable price. Instead of pursuing work for lenders (where work is bid and the lowest bidder typically gets the job), we have pursued work for litigation or potential litigations (such as for the IRS) where high quality is important, as opposed to simply providing something to meet a requirement for a loan file.

I think it is critically important for professional advisors dealing with small businesses and professional practices to help them realize the importance of developing a niche if they have not already done so. Professionals also need to find or develop a niche in order to remain in business themselves.

Valuations play a part in strategic transactions, tax, and many litigation matters. For additional information or advice on a current situation, please do not hesitate to call. **We value both real estate and businesses including machinery & equipment.**

Sincerely,



Paul R. Hyde, EA, MCBA, ASA, MAI
Enrolled Agent – Enrolled to Practice Before the IRS
Master Certified Business Appraiser
Accredited Senior Appraiser – Business Valuations
Designated Member – Appraisal Institute (MAI) & Certified General Real Estate Appraiser
Accredited Senior Appraiser – American Society of Agricultural Appraisers (Personal Property)

504 Grove Avenue • P. O. Box 9 • Parma, Idaho 83660 • (208) 722-7272
www.hydevaluations.com Email: prh@hydevaluations.com