

# Selecting Profitable Niches

*Terry Gibbs*

*Interviews*

*Michael Holland*

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Hi, this is Terry Gibbs, and I'm here with another Mastermind interview. In this issue of the Mastermind Series, I have something a little different for you.

When I first started teaching eBay selling skills, the most common question was, "How do I put pictures into my auctions?" Today, very few people ask about pictures, because eBay has made adding photos easy.

Instead, the most common question is, "Where do I find products to sell on eBay?"

Back then, almost no one asked about finding products. It just wasn't a consideration, because we were all collectors and dealers selling used items.

Now, everyone wants to know how to find products to sell on eBay, and eBay has become all about products. With the release of eBay Express, eBay is trying to become a marketplace like Amazon.com, where people go to buy new things. eBay has even added pre-filled item specifics for sellers with the most common new items. This makes listing items easier for sellers and helps buyers compare and shop for new items.

But there's a problem. This is product-focused, not people-focused. Maybe that's why so many people ask where to find products.

I think a better question is, "How do I identify groups of people who want to purchase items?"

So today, Michael Holland and I are going to talk about niches. Are you there, Michael?

**Michael:** I'm here, Terry. How are you?

**Terry:** I'm doing well. You're an expert on niches. Is that right?

**Michael:** Well, I like to think that I am. Niche marketing is certainly the buzz phrase going around the internet these days, and it's certainly where I make my money on the internet.

**Terry:** Okay, you don't sell on eBay, you're more of an internet marketer?

**Michael:** Yeah. I've been on the internet now, full-time, for 5 years. I probably started part-time a couple of years before then. But mostly, I do internet marketing. I offer products that are how to sell and market online. And then I have other websites that are product and service and information-related.

So, kind of a myriad. I just do my research and whatever I find interesting, what I enjoy talking about or if I find something that others might enjoy getting more information, services or products about, then I'll create a website for it.

**Terry:** I'm going to have to ask you all about how you do your research a little later. But right now, can you tell us what a niche is?

**Michael:** Yeah. Very simply, a niche is a specialized area of demand for a product or service. Let me give you an example of that. And the interest is on specialized.

If I were to tell you, "I'm going to create a website about automobiles, my guess is that would conjure up about 50 different things in your mind. Because you wouldn't know if I was going to start a website about new cars, used cars, collectible cars, car parts, or some type of service related to the car industry.

But if I were to then say, "I'm going to create a website about car audio speakers," very clearly you know what my site is going to be about and probably what it's going to offer.

So, car audio speakers, very specialized, that's the niche that you pull out of the automobile world.

**Terry:** So, that would be an example of a category and then a subcategory, where the category would be automobiles and the subcategory would be audio, radios, stereos and stuff.

**Michael:** Right. Car audio systems, car audio speakers. I think one of the misconceptions that often comes up, a point of confusion for people, for example, is a website about just car speakers a niche and is a website about all car audio, is that a niche as well?

If I were to talk about car audio systems and I could get into CD players and MP3 players and all sorts of things related to car audio systems, whereas a niche about just car speakers may only just focus on various manufacturers of car speakers, whether it be Panasonic, Sony, etc.

The answer to that is they're both niches. And what really determines whether one is better than the other is what I tend to look at when I'm doing these things is I kind of look at who I'm going to be targeting.

So, for example, car audio systems and car audio speakers. When I do my research, I might say, "What's the level of demand out there? Are there tons of people searching for car speakers? And if there are just a handful of those

people every month, I might then expand that a little bit and maybe then maybe take a look and see what the numbers represent for car audio systems.

Obviously, that's going to have a higher audience reach.

But what I then begin to ask myself is, "Is the same customer profile going to be likely to look for car audio systems as well as car audio speakers?" And if that answer is still, "Yeah," if a person is on the internet and they're looking for some part about their car stereo, the profile is going to be the same.

However, if I tried to expand that and say car transmissions or car tires, it's probably not likely that the same person looking for a car audio system is going to want to come to my website to buy car tires. It doesn't fit.

So, car speakers, car audio systems can both be on the same equal footing, although if I did the research and I found that car audio speakers, which is an even tighter niche, if I found that there were hundreds of thousands of people just interested in speakers, then I'd probably create a website just for car audio speakers.

**Terry:** When I think about this, I visualize this as a target with a bunch of rings on it. And then, say that it's a big rectangular target, like for archery, outside of the circles you would write "the universe." That's everybody, regardless of whether they're interested in cars or not.

Then you'd have a circle, and the first circle would say, "People who are interested in cars." And then, a smaller circle inside there that is, "People who have cars." And then a smaller circle inside there, "People who have cars and spend money to customize them." And then, a smaller circle inside there that says, "People who are customizing their car who care about audio systems." And then, a smaller circle inside there that would say, "Car audiophile people, who are interested in speakers" would be that smaller circle. And then, they're in that circle. And then that circle, and this is what you're talking about with the niches, that circle, the car audiophile, the second one out from the middle, that would be car audiophiles.

And then inside there would be a little circle, which is actually the target, but it's divided into segments like car stereos, car speakers, car amplifiers, and not knowing much about it but listening to the cars drive around is probably even car woofers, which would be a subset, whatever they call it, a subset of the speaker set.

But you divide that up, and it would look like maybe a peace sign on that interior one, with smaller segments. And then you pick one of those little segments. Or,

based on what you're saying, if the speaker market isn't big enough, you step out to the next ring, which would be car audiophiles.

**Michael:** That's exactly right. And the reason you could make that judgment is because you could step back, and the phrase I coined is called niche erosion. And what I mean by that is if you expand your initial target to include that next ring, how significantly would you delete that customer profile?

And if it's not significant, then your niche erosion number or amount would be fairly insignificant. Therefore, if I start with that very core target of audio speakers and I then just expanded that a little bit to say car audio systems, I'm probably talking to the same group of people, as opposed to if I expanded that to car brakes or car parts, or something like that.

**Terry:** Those would be based on the circular diagram that I explained.

**Michael:** Correct.

**Terry:** That would be an entirely different center and one or 2 rings out, because the universe, people who like cars, people who own cars and people who customize cars, those would always be the same. And then once you got into that inner range, then you'd start changing.

Nowadays, they're into putting those chips in. So that might be, when you drilled down, you're into the performance people, which would be a different ring than the people who care about the audio. It would be the people who care about performance. And there would be overlap between those 2 groups, but it would be entirely different in terms of your target.

**Michael:** Exactly. Exactly. And each one of those could be niches, as you drilled down. And what I look at to determine where to stop is what does my research tell me, as far as number of searches. If only 3 people a month search for that core target, then I say, "Gee, I'm not going to make any money doing that." So, I may come up a notch to be maybe more inclusive, without losing too much on the overall theme of what I want to do.

**Terry:** So, a niche is basically a group of people that are all interested in one specific topic, like you said car audio. And then, even further, taking them into a sub-topic, speakers. Because if they're in car audio, they're probably into the speakers and the amplifiers...

**Michael:** CD players and everything else.

**Terry:** Those 3 things. And yet, and this would be in your research, I would bet that the first thing somebody does when they buy a car and they want to start

messing with it, is that they buy speakers or they buy an amplifier, or they buy the receiver. Maybe, if they're rich, they buy a package.

**Michael:** Exactly.

**Terry:** That would be part of your research, would be what steps would they take. And then later, as you got involved in it and you realized, "Okay, they're going to buy speakers first or they're probably going to buy that damned woofer thing. But they're going to buy that first, then they're going to go buy an amp to make the thing louder. And then, they're going to realize it sounds like crap with the original radio, so they're going to buy a receiver with the CD or maybe one of those disk changers, or whatever. And that would be the path that they go through.

**Michael:** Right. And you want to be there, standing in front of that audience, to give them everything they need to accomplish what they want to accomplish in that car audio market.

**Terry:** And from my point of view, and this is an important thing to mention, I have my car, it's got the original stereo in it. It's actually even got a cassette tape player in it. It doesn't work all that well.

**Michael:** Okay, I won't tell anybody.

**Terry:** And I just don't care to go out and rip the thing out. It's not 20 years ago, when I was building custom Volkswagens. Yeah, then I had full stereos in them. But today, I don't care. And the fact that I don't care doesn't mean that my neighbor, the 23-year-old kid who drives me nuts with his stereo, doesn't care. And that's something that's always important when we're talking about selling anything. I'm not my audience.

**Michael:** That's exactly right. It's not about you. It's not about you.

**Terry:** So, what are some of the advantages of dealing with a niche, rather than dealing with products?

**Michael:** Well, the really key thing about a niche is that it allows you to focus your marketing and to focus your thinking. And you'll make more money with a niche.

Let me toss out another example again.

Everyone's heard of Wal-Mart and Target and some of these other large retailers, and they have websites as well. Go to Wal-Mart, and they sell everything from toothpaste to video games to audio, car systems, to clothing.

You're just never going to compete with Wal-Mart. You can forget it. Don't even try it. Stay at home.

However, let's say Wal-Mart, in their car audio department. Well, stores like that, they tend to sell horizontally. What I mean is they sell across different product lines and types of products. They're more commodity oriented. But they're not really vertically oriented. In other words, you're really not going to go to Wal-Mart and find just a huge myriad of different types of car audio speakers and brands and the type.

So, while you can't compete with them on the horizontal level, you can certainly blow them out of the water on the vertical end.

So, I can create a website that is just so focused on car audio systems, and I can talk about the various brands and I can write articles and I can give reviews, such that when people who are interested in that type of product, when they visit my website and they read the reviews and they read my recommendations, they are more likely going to listen to me because I'm going to come across as an expert.

If they go to Wal-Mart, there's not that level of confidence that they're going to have. If you're just going to buy whatever they're offering, as opposed to if you are providing a niche service, you have a niche website, you can provide a level of expertise and knowledge that a Wal-Mart is just not going to deliver.

So, I think that's the main thing. It allows you to focus your marketing. Let's face it, you're not going to be able to create all of the marketing material to compete on lots and lots of things anyway, that a Wal-Mart might offer. Even if you tried to create a website about car parts or something, soon you'd find that you're losing the battle, rather than winning.

**Terry:** One of the things that I really dislike about Wal-Mart – I like their prices – is I dislike the fact that when I walk in there to get something, if I don't know where it's at, it's very difficult for me to find things because they don't have experts. If I'm lucky, I can find the person that's stocked that area and can point something out to me.

But, for the most part, people don't know anything about it. They can't say, "Yeah, this one's a better one than that one."

Wal-Mart actually has a niche. Their niche is they cater to people in the lower-middle class and lower-class. These are income demographics. They cater to those people, and they sell products to them, so the person who wants the high-quality stereo, but can't afford it, goes to Wal-Mart and buys – I don't know stereo brand names, so I won't mention one – whatever piece of crap Wal-Mart has in a

package for \$100, instead of the people that you would want to cater to in your audiophiles. You're going to cater to somebody who will pay a couple hundred dollars apiece for his speakers or buy the expensive wire to connect them together, and all of those little accessories.

Wal-Mart doesn't cater to those people. Wal-Mart caters to people who want something, but don't have the money to go out and buy a high-quality item, so they're buying something that's cheaper.

**Michael:** Right. That's what I mean that they don't have that vertical depth. As you mentioned, they're going to have kind of the low to moderate price, and it's going to be a very select number of items that they sell in a specific price range.

Whereas an audiophile who really wants to make their car hum, no pun intended, they really want to get an understanding of what's out there in the audio car world.

So, they'd rather, "Let me go talk to this guy, he's an expert, and I want him to tell me all about it and why I should pick this system over that system, over another one.

So, your point is well made. When it comes to a level of depth and knowledge that someone wants to get before they make a purchase that is going to be some fairly significant chunk of change, then they would much prefer to go to an expert who can give them a report and some real good information about what they should be buying.

**Terry:** One of my friends and I wrote a proposal a couple of years ago, on how to compete with Wal-Mart. It was going to be a book all about what you're talking about, differentiation, you don't compete based on price, you compete based on having the vertical product mix, and that means cheap items up to expensive items. You compete based on service, all of the things that Wal-Mart doesn't do.

We didn't get the book thing approved. The agent shopped it around for a while, and most of the publishers said that because Wal-Mart sells so many books and might get aggravated about it, that they wouldn't take it. So, we never did it.

And we identified Shane Co as an example of a jewelry store. I think they're kind of regional, so maybe some of the listeners haven't heard of them. But they do that whole educational thing and they have a wide variety, whereas Wal-Mart has the cheaper stuff. We found that in everything we did.

We were looking for specific case studies of different retailers, like Whole Foods sells organic foods, and they cater specifically to people who are into natural



foods, organic foods. And the whole thing was designed for them. It was not designed to steal people that go to Wal-Mart. It was designed to appeal to that specific demographic.

One of the companies, and we actually wrote this chapter, was Anna's Linens. Anna's Linens targets Wal-Mart demographics, people that are into the cheaper spenders, the people without that much money.

But, what they do is they concentrate on just the stuff that goes in someone's bathroom and bedroom. So, they have a huge selection of all of this stuff, and then they have it set up so that people come into their store, and they buy things and they come back. It works very well for them. That's that whole vertical integration thing, which means that you have low-priced products, middle-priced products, high-priced products. And then, standing next to the vertical integration, you have the knowledgeable sales staff that can help people make the best decision.

**Michael:** You're exactly right. And I think, to take that a little further, a lot of people get excited and anxious. Over the last year, I've seen various reports that come out from the various internet marketers, so-called gurus. They'd say, "All of the niches are going to be taken. And they're going to be dominated by a few players online." And I read that and I go, "Oh yeah, that is just total rubbish."

If you look at the way markets work and the fact that there are opportunities to create a niche on just about anything out there, that there's always going to be this opportunity. If you use some level of creativity and imagination, you can compete on so many different markets, it's not even funny. There are just many thousands and thousands.

There's a book out, that's been out for a while, called *The Long Tail*. And if you ever read that book, and just how the guy lays everything out, it will be so clear to you that there's just no way that a few players are going to come in and somehow take over every niche, and the small guys like us are going to be left out in the cold forever.

It just doesn't happen. The world is just moving too quickly. There's so much innovation going on, that the opportunities are just going to be bountiful for as long as you want them to.

**Terry:** I tried to do a joint venture with a guy a couple of years ago who published books and videos about toy trains. He competes against Amazon, if you think about the fact that they're books and videos. But, in fact, he doesn't

because the books he publishes, he has his own publishing company, they're not available on Amazon.

So, he has carved out a very tight, specific group that he sells to. So, he does very well, even though Amazon is sitting over there, selling all of his competitors' products and everything else, like kitchenware and books about things other than trains. But he does very well because he just sells the train publications. And when people want a book about trains, they're going to come to him.

He also sells books to Amazon, a couple of his cheaper titles. Those are lead generation and Amazon sells them. The people get the book, they read the book, it talks about his website, and they end up at his website. So, he's actually capitalizing, in that way, on Amazon's ability to reach markets in order to get people to come into his market.

I think one of the biggest advantages that I see in my sales stuff is focusing on a niche, rather than a specific product, helps me build relationships because I know more about what I'm talking about. I've learned about it.

That makes it easier to address the audience, it makes it easier to build relationships because I'm back dealing with the same people over and over again, and, like we talked about before, they might buy a speaker and they might buy an amplifier, and then it comes down to buying the wire, those things, having that knowledge allows me to say, "Okay, people who buy the speaker, they're going to need this wire. And if I present it to them correctly, they'll buy this wire, too. Or, people who already have these speakers, if I tell them that this wire will help them get higher-quality sound out of their speakers without changing their speakers or their amplifier, just this 6-foot-long piece of wire, I can sell that wire.

If I wasn't involved in the niche, I wouldn't know it.

**Michael:** That's correct. Or, if your website sold everything under the sun, then they wouldn't necessarily trust you. But because you have a very tight niche website and you are doing those things, when you tell them something, when you recommend something, they're going to be more apt to listen to you and to purchase from you because you've built up a level of trust that keeps them coming back again and again.

**Terry:** That's the credibility factor that comes from our knowledge of stuff. And one thing I want to mention about that, and we're going to talk a little bit about the researching, when I built my first big website, Train99.com, which has pretty much been ignored by me for years now, when I built that, I wrote all about my classic era toy trains. To collectors, classic era means 1924 to 1936, basically.

And then years later, when I started learning about search engine optimization and researching the market, stuff we're going to talk about in a couple of minutes, I realized I had screwed up. And what I had done is I called all of my stuff classic era – freight cars, classic era this. People don't search based on that. The other collectors, the people who aren't in my group or circle, they call them pre-war trains.

So, here I had built this whole website about classic era trains, and people were going to search engines and searching for pre-war trains.

All of my stuff was about pre-war trains, but I just used one word or 2 words, pre-war versus classic era, and that screwed me up.

Although, because I was early in the market, I was able, back then, to compete anyway. And I didn't realize that until it became more competitive from a search engine point of view.

Let's backtrack a little bit. Let's talk about doing some of the research stuff like that.

First of all, let's talk about how to identify. Is there specific things you can do online easily, in order to find niches?

**Michael:** I'll tell you, when it comes to just finding niches, there are things that you can do online. I think, for example, Yahoo has a top 10 listing of sites that are visited. I think also there's the Lycos top 50 most searched phrases.

So, there are things that you can do online, and those are certainly out there.

But I can tell you, for me, the best way that I come up with niche ideas is I start by just looking at the world around me. Obviously, it starts with my hobbies, interests, passions, and those types of things. But I also just kind of on television. Let me give you an example.

Many people, especially those in the United States listening to this, there's a television show that's called Dancing With The Stars. I had saw this a couple of years back. But dancing with the stars, that's a television show where they take professional dancers who team up usually with some star who's a little bit washed up, a B- or C-listed television actor or some sort of athlete, and they take them and they compete on this dance show.

But anyway, there are probably 20-million people who watch that show every week. What they do is what's called social dancing, ballroom dancing, the cha-cha, the waltz, the meringue, and all kinds of things.

I remember looking at that, and I did some research, and I just happened to – and we'll talk about it – I went on to Word Tracker just to see what the numbers look like, as far as people interested in that. And the numbers are just simply huge. They are off the charts.

I did some other research and found that one thing about this sort of social dancing or ballroom dancing phenomena is it's very grass-roots. Probably in every town in the country, there's probably some studio or some teachers, classes, etc., that teaches stuff.

So, that's an example where I kind of watched the television. I watch, also, 60 Minutes. We can talk about something that I saw there. Or, if I go to the mall, I'll notice where are people congregating. Which stores/shops? What bags are they carrying around? What's hot?

But that's kind of where I start.

**Terry:** So, you're basically looking at the world around you and you're also thinking about the things that you already have knowledge about or already are interested in, which would be like me with the trains.

Then, you're also watching what other people are buying, in order to come up with ideas.

**Michael:** Right. And it can also be, in that same vein, in addition to their passions, they shouldn't forget their pains. For example, if you were a smoker and you found a sure-fire way to quit smoking, that you thought was a no-brainer, and you wonder why no one ever thought about it, that could be some type of product.

**Terry:** You mentioned Word Tracker. Can you tell us what that is?

**Michael:** Word Tracker is a service. And what this service does is they actually capture and track all of the keywords that surfers like you and me from around the world enter into the various search engines.

What you can do is you, as a subscriber to that service, you can go in and you can see how many times those phrases were searched upon by all of the web surfers over, I think, a 60-day lag. So, you can see, for the last 60 days, how many times was "car audio system" entered into Google by all web surfers. That gives you some idea of how interested people are in that particular phrase. They're either looking for information, a product or service about that particular keyword.

I think it's \$260-something for a year or \$7 or \$8 for a day, something like that.

**Terry:** I use a free version of Word Tracker, because I don't need it all that much. I have bought the daily use a couple of times on some projects that I was working on. But for the most part, what I use Word Tracker for, because I already have the niches that I'm in, I'm not really researching new ones, what I use it for is to find the specific words that I should be using. Like I mentioned earlier, "pre-war" versus "classic." That's one of the things I like about Word Tracker.

So, if you went to Word Tracker and typed in the word "automobile" and then looked through the results for everything that came up that had something to do with audio or car stereo or something like that, and then you flow through and you'd probably find like car stereo speaker, car stereo woofer, and it would tell you all of the different phrases related to your main phrase. And you could drill down through that.

**Michael:** Exactly.

**Terry:** To me, that is so powerful, although you can't stop there. I tell this embarrassing story about one of my mistakes every now and then.

Years ago, my dad had this dog. It died last year. But this dog had gas like you wouldn't believe. Clear the room. It would even get up and leave the room itself.

So, I started talking to this guy that I know who's a vet. And the guy goes, "The problem is that the dog's eating wheat or there's something you're feeding the dog that he can't process. It's like people are lactose-intolerant or they have wheat allergies. It's going to be one of those compounds." I was like, "Oh, that's not a bad idea."

So, I started going online and looking, and I did a search. I went over to the free thing that I use, that shows Word Tracker and Overture, which is just the Yahoo results. And I typed in "dog gas," figuring maybe I could find a report about how to stop the dog from farting.

I see that 1.2-million people had searched for the words "dog gas" the previous month on Yahoo. I looked at that and I called the vet that I was talking to, I talked a little bit with this nutritionalist that's explaining some of this stuff about what causes the gas. All I need to do is put that together and write a book. There's millions of people that have problems with their dogs farting.

So, I went out and bought a domain name, and I'm getting ready to do this. And then, I go in and I decide I need to actually go and start looking and searching for the peers and the competitors, discussion boards, things like that. I start doing that, and I found that there was a website DogFarts.com that was a porn website.

So, near as I could figure, people were typing in dog farts in the search engine, so they didn't leave histories or whatever. I'm not too clear on how to not let your wife know what you're doing, because I don't have a wife.

But it turned out that it wasn't all about the dogs farting, it was all about getting to a porn website. People were typing the name of the website in the search engines.

When I got into the additional research, I noticed that because there weren't any peers. We're going to talk about that now, what do we look for in a niche. There weren't any peers. There wasn't anybody else selling information about how to make a dog stop farting. There were lots of people who were selling information about training dogs and things like that.

But there weren't any competitors. There wasn't anybody out there asking questions on discussion boards about pets, saying, "Hey, my dog has bad gas. What causes this?" There weren't any newsletters about dog nutrition. So, there was like a discontinuity there. I looked at it and I'm thinking, "No, this isn't going to work," and made a decision not to go ahead.

From my point of view, I've learned that having other people involved in a niche makes it so much easier because then I can do joint ventures with them, I can have them promote my product, I can promote their products.

So basically, to me, it's kind of like clustering. I'm looking for clusters where I can go in and take one segment and say, "Okay, I'm going to do this," like in the eBay niche. I talk about things other than antiques and collectibles, but I specialize in antiques and collectibles.

I fit in with the rest of the people, because I'm not the drop-shipper guy. I'm not the how-to-create-your-own-products guy. I'm not the whatever, how to sell a penny e-book on eBay. I'm the guy in antiques and collectibles on eBay, and I'm different.

**Michael:** Right. Right. Right. That makes total sense.

**Terry:** Let's talk a little bit about some of those things, like peers, competitors. And those would be what do you look for in a niche, other than the people that are buyers?

**Michael:** I follow a system whenever I'm sort of thinking of creating a web business. One of the points that you made just a few minutes ago, about entering that keyword, you saw that number of searches out there and you got very excited, I think that's what many people do. They say, "Oh wow, that looks

like lots of keywords and lots of searches for that particular keyword, so I want to go after that.”

For me, that is usually just the first step in the overall process. Just because there’s lots of searches for a particular niche product, it doesn’t mean that you can make money at it. It just simply tells you that it looks like there’s a market for it.

So, it gives you that first smile. In other words, if you had gone out and done that search and you would have seen that maybe only 50 people a month, and I’ve tried every which way to enter keywords about this particular niche but all I could come up with is 50 searches a month, then that would tell you, “You know what? There’s no market for this. I’m just going to move on to something else.”

If you enter those keywords and keyword variations and you see that there are thousands upon thousands of people a month, that tells you, “You know what? There might be a potential market.” But it doesn’t tell you you should jump and create a web business for it.

So, that’s the first thing to keep in mind. Now that you know there are people searching for information services or products related to that particular keyword, that’s your first step that you may be onto something.

But what you have to do after that is you have to do exactly what you said, Terry. You have to identify problems and products. And in order to do that, I would go into discussion boards and forums. You can go to places like Yahoo Groups. You can ask people around you, who are passionate about a particular niche. You can ask some questions and get their feedback.

But what you want to do is you want to begin to glean from them what problems they are experiencing in that niche. For example, someone might say, “I was doing some research about car audio systems, but I could never find this particular manufacturer. I couldn’t find their products.” An maybe your research has shown that there’s lots of demand for that. So, you jot that down, “People are looking for this particular manufacturer, but can’t seem to find a lot offering, even though there’s lots of demand.”

So, you find out some of their problems, and then you identify the products that they want, and then you begin to do some research as to what is the level of demand for those products and what is the level of interest in solving those problems. And that’s the next step that begins to tell you whether or not you should be creating a web business for that.

**Terry:** How do you assess the demand? Is there a way that we can find out if people are buying items?

**Michael:** One of the ways that I do it, and I think you and I talked about this a little bit, briefly, one of the ways that I do it is I actually use eBay because, in my mind, that is the ultimate marketplace.

So, one of the first steps that I do, if I'm thinking that I want to promote a product or drop-ship a product or something like that, then I'll go to eBay and I'll see what is the ultimate marketplace saying about this product? Is there a category for it? Are there lots of auctions for it? What is the level of interest for it?

So, you begin to see that activity on the commerce side. Say you do your Word Tracker research and you see there's sort of lots of search demand on the search side, and I think that begins to give you that first step in letting you know that I'm beginning to see a lot of interest surrounding this particular item.

**Terry:** On eBay, there's actually a company called Terapeak. I believe it's Terapeak.com. Terapeak keeps track of all of the eBay auctions, sell-through rates, average sale amount, how many sellers are active in the category, things like that. So, that would be a great resource for what you're talking about, Michael, because you could go in and find that within say the car stereo speakers, and I would bet there is a category for that on eBay, car stereo speaker category, that maybe there are 1,200 sellers. And of those 1,200 sellers, 200 of them are constantly active. And of those 200 sellers, they have an average monthly sales of this much, they run so many auctions at a time, do they run their auctions with fixed prices, do they have them as an auction, are they with a reserve.

Look at all of those things, and that would be a way to assess the demand right there.

**Michael:** Right. Right. There's one other way, as well, Terry. It has to do with Google Ad Words. I think most people are familiar with Google Ad Words. But you go to AdWords.Google.com.

If you go to the Google search engine and you see those little classified ads on the right-hand side of a search listing, when it comes up, those are paid little classified ads that people place bids in order to secure a certain spot on the front page or in the second position. It's a bid system.

But anyway, if you have a Google Ad Words account, there are various tools in there. There's a keyword analyzer tool. But you can actually also enter a keyword, "car audio system" or "car speakers," and when you enter that keyword



and have it do its thing, it will actually come back also with keyword variations. And you can actually request it to show you the bids associated with those particular keywords.

Now, if you see that the bids are 10¢, 20¢, and that's about as good as it gets, then that's kind of another tool or another analysis that you should keep on hand to say, "You know what? People aren't really bidding to be at the top of these keywords, which is an indicator that advertisers aren't really kicking out a lot of money to pay, which is an indication that they're probably not making a lot of money in that particular area."

But if you were to go there and you see that gee, they're spending \$1, \$2, \$3, \$10, \$20, and some of these things even go beyond that, then that tells you no one is spending \$5 a click on an ad unless they're making at least \$5.01 on that ad, which tells you that if they're willing to pay \$5 just for one click on an ad, that's something I need to keep in mind because there's probably some demand for that product. And not only is there a demand for that product, but people are actually buying it.

Again, no advertiser's going to pay \$5 a click unless they're making back that \$5.

**Terry:** Actually, and when I explain this to my students and we just went in and played with the Overture results, or Yahoo bids, because I can do that without logging in, I did this on my Thursday night coaching session, where I can show the people what I'm doing on my desktop and go out online, the thing that I have been telling them is when you're looking at these, first of all, what you said, if everybody's down 10¢, 20¢, it gives you a good indication.

The thing about the higher prices, if you go in and you see \$5, \$4.90, and then the drop is huge, that might mean that the people that are paying the higher dollars aren't doing very good tracking.

So, I tell my students that they need to look not just at the top, but at the range between position one and position 5, in order to decide if that's worth doing.

With the search engines, and specifically the pay-per-clicks, I also think that there are specific items that come out, that are extremely popular, where people will do that. I don't want to mention the name of one of the most recent ones, but there are people, and this happens mostly with e-book sellers, where in their e-books they'll say, "Hey, you can make money promoting this book. Go advertise it on Google."

And I've been watching one of these people, he's got a constant stream of people bidding up the pay-per-click on Google and Yahoo, trying to promote this

book. And after a week or a month, those people are gone and they're replaced by a new set of them.

**Michael:** You're absolutely right. If you see the first position is \$5, and then the second position is 30¢, and the third position is 10¢, then you're absolutely right. If you see that consistently across many words. It should give you pause to ask more questions.

**Terry:** If it comes down to, as we're doing this research, it's not just I got big results for the word "dog fart," the phrase "dog fart," and that got me on the scent. And then, I looked at other things. I don't think there was anybody advertising with pay-per-click for dog farts.

I looked for discussion boards, I looked for forums, and it wasn't just one thing that allowed me to say, "This is no good." It was a group of looking at all of these different areas and then making the decision.

**Michael:** Right. Terry, let me add to that. What I always advise folks is if you're thinking of starting a niche on something and you can't find a discussion forum that addresses that niche idea that you have in mind, I'm guessing that it's probably not going to be that profitable for you. Usually, most things that are profitable, people are talking about it somewhere, in some forum, in some discussion group, whether it's knitting. You can find knitting, you can find comic book discussion groups.

So, really, if I can't find a discussion group or I can't find where anybody's talking about it, like you said, where it's dog farts, and you've gone to the dog training discussion boards and no one has even mentioned this and you can't even find where it comes up, I'd be very leery. I'd be doing more homework before I decided to start a niche business on that.

**Terry:** In one of the coaching sessions, a woman said that she was interested in doing something with beadwork. This would be like purses, I guess, little beads all sewn together.

I went out and I found 8 different newsletters. I found websites about beadwork. I found 3 different people successfully selling beadwork patterns on ClickBank. These are books that they would download.

And then, when we did the keywords and related keywords, I found that there were 14,000 searches a month for beadwork patterns.

And at that point, the woman said, "What I want to do is sell my patterns." I told her, "This looks like a good thing for you to do. But one thing that I want to

recommend,” and this goes for the listeners, too, “is start small. Because you don’t want to go out and pay somebody \$500 or \$1,000 to build a website for you. You don’t want to shovel a bunch of money into doing something. You want to start small. And the reason is it lowers your risk.”

I’ll give you an example of one of my products that went through all of this research and shows itself to be something that should sell well, that doesn’t. And that’s my book *Profitable Guarantees*, which is all about how to use guarantees in a sales letter in order to increase your sales. Basically, it explains things you can do in order to lower your refund rate. It also talks about how to track refunds, and everything.

This fit everything except the keywords. Nobody was buying keywords based on guarantees.

I looked at that and I’m like, “Man, this is something people want to know, because I’m seeing questions on discussion boards almost daily.” “I’m getting refunds. How do I lower them?” and all of that.

I went ahead and wrote that book, and it doesn’t sell. I think the reason it doesn’t sell is because the people are more interested in complaining because somebody asked for a refund, than they are in actually lowering their refunds.

**Michael:** Right.

**Terry:** So, I’m looking at that, and to me that’s an example of no matter what I do and how bright I think I am, I’m going to end up with dead launches. I’m going to have things that don’t work out.

I see so many people do stuff that they spend years setting up. For example, I used to sell a lot of screensavers, pictures of my trains, and there was a guy who ripped off my whole deal on how to sell screensavers, all the way down to he took my ads, everything. But he also spent 2½ years making his screensaver.

Whereas me, I bought my digital camera on Friday, shot a bunch of pictures on Saturday, ran it through the compiler program Saturday night, and then made disks on Monday. So, I had the thing done a couple of days later. And he ripped my whole deal off and spent years working on it. And while he was doing that, I killed the market.

So, he’s thinking he’s going to get rich doing that, and spent all of this time and money buying all of this software and everything else, when the truth is the market is very small and decreasing. It was not bad in ’99 and 2000. By 2001, when he started copying me, it was pretty much over.

But he didn't see that. He spent years building this, because it had to be perfect. And that's so important. Just jump in, get something out there, see if it sells, see if you're doing affiliate promotions, see if you're getting some traffic through and clicks on that, and get it all rolling instead of trying to put everything together perfect.

Even with what I'm doing now, if I'm hitting 40% of the products that I release are successful, that's good.

**Michael:** Sure.

**Terry:** So, while I have expectations that everything I do will be fantastically successful, that's not true. And in terms of selling products on eBay, don't go out and buy a pallet-load or a truckload of items. Buy a few.

**Michael:** You might be left with your garage full of junk.

**Terry:** What we're talking about now is once you've selected a niche, what steps do you take to start selling to the group? And we mentioned you start slowly.

**Michael:** Once I've decided on a niche, I've done my competitive research and I've decided kind of on which products I want to sell, the first thing that I do is I don't sell anything. The first thing that I do, I'm big on creating content for the websites because I like free traffic. There are some people out there who don't mind spending \$X a month trying to get loads of traffic through Google Ad Words or in other ways, but I like free traffic so I create a content-driven website.

The first thing that I do is I start going after traffic. Because if I'm not getting traffic, I'm not going to sell anything anyway.

So, I start writing articles. I put articles out there. You can submit them through Yahoo Groups. There's a company website, Isnare.com, where you can submit an article and they'll blast it to a bunch of websites, Article City and some of these that actually want articles submitted. So, I'll do that.

Sometimes, I'll buy a little traffic just to prime the pump, if I'm selling a hard good, especially, just to see what my conversion rate might be and give me some idea if I want to change things around.

But the first thing I do is I start creating content for that traffic.

**Terry:** And with the content, that could be something as simple as a blog.

**Michael:** It could be a blog, articles, and sometimes with the search engines these days, because the buzzword is the Google sandbox, where what Google

has done is every site that's created these days is kind of on probation, so your pages don't rank highly for a few months.

Google, I guess over the last few years, has been so inundated with the push a button to create junk websites or spam content, scraper websites, that this is the word out in the marketplace, that Google has created this new system to kind of quell that a little bit.

So, every websites supposedly goes into this sandbox, whatever that is. But, in other words, the web pages or your content don't start to really buoy up into the rankings for your keywords for a few months, all the way up to 7 or 8 months. No one knows why that is happening, but it's called the Google sandbox phenomenon.

So, I do a lot of focusing on creating lots of content that's right there on the website, content that goes out to other websites that want articles. I spend lots of time getting links to my website, because link popularity is becoming more and more critical for all of the major search engines. And I'll create a discussion forum, and get some postings to that.

So, I spend a lot of time, between links and getting content out there, to get traffic. Those are the first things I do, as far as any type of selling.

**Terry:** Those that sell on eBay, they would be selling on eBay. And the one thing that you left out, Michael, is the newsletter. And that's the way that you get the traffic to keep coming back. Would you also put that in there?

**Michael:** A newsletter is a great way. Any website that you create, you should definitely have some type of opt-in box, where people can sign up for your newsletter. With that opt-in box, the mistake a lot of people make when they put that opt-in box out there, it just says, "Hey, sign up for my newsletter and you'll get something."

What you really want to do is when you create that opt-in box, even though it's a free newsletter, you want to put enough marketing copy in there that makes people want to sign up for your newsletter.

So, you want to sell your sales letter, in effect, even though it's free. But you definitely want to build a list, because going back to what you were saying before, Terry, by building that list you can then sell people, you can promote.

There's the old adage that you've got to reach people 7 times before they'll buy from you. That number doesn't work for everyone, but they say that's the average. So, by having a newsletter, it gives you an opportunity. And you can

do this by having people sign up for your free mini-course, and a mini-course is nothing. You can get someone from Guru.com or eLance.com to write some mini-course related to your niche. People sign up for it, and it's a 7-part mini-course, and it gives little tips and ideas, and they sign up for that.

But in that course, you could be advertising your particular product or affiliate program or e-book, or what have you. So, it definitely pays to have some type of newsletter.

**Terry:** On IWantCollectibles.com, in the news section, there's an article called "Building An Opt-In List On eBay," and it explains a lot of what Michael was just talking about.

Michael said to go to Guru and eLance and pay somebody to write for you. You can also just go to these article sites and take articles off there, as long as you put their links in. Anything to slowly build that up.

The articles that you send out, if you write them yourself, you can then use them on your website. You can then submit them to other websites, in order to drive traffic to yours. So, it's not like you're going to do all of this work and then have no use for it. You're going to do the work and leverage it, so that you can get the maximum benefits from everything that you do.

**Michael:** You know what, Terry? Let me interrupt just for a second, because you just brought something to mind.

The point that you make is so true, because what people often do is they'll create their content website, and maybe it contains 50 pages, and they think, "I don't have anything now for my newsletter. What am I going to say?"

Well, what people generally don't realize, and I see it in my stats all of the time, but the typical visitor to at least my website, I think it was like 2.6 pages when they come to visit.

So, I might have 50 pages of content out there, but the average visitor is only coming to check out a couple of pages.

So, I could take that same content, for that content on my website, what I'll do is if I take it off and I submit it as an article, I'll change it a little bit because I just want it to be a little different, and I'll submit that as an article. Fine.

Also, I'll take some of the content on that website, from those 50 pages, and I can make a little mini-course out of this. I may tweak it a little bit, shorten it, whatever, but I can make that into a 20-part mini-course. But usually, it's around

5 to 7, because that's the norm. And within that mini-course, I can promote whatever.

So, that content that's on your website or that you use some other place can be used for multiple purposes. So, don't be afraid to use it.

**Terry:** When I take articles off of my website, in order to submit them to Article City or eZine Articles, those are the directories where you can submit an article and others can use it as long as they include their bio box and a link to your website, when I move those over, I go through and remove the keyword phrases.

So, say I wrote an article that was set up where I'm trying to get if someone searches for eBay selling tools, and those are the keywords in the article, I'll go through and I'll remove or de-optimize it, so that it won't show up and compete with stuff on my site.

That's something that some people don't do.

Another thing that I started doing about a year ago is every time I submit articles, I change something in the article, so that I can track where the people are getting them from.

**Michael:** That's always a good thing.

**Terry:** I didn't know to do that when I first started, and didn't even think about it. And then later, I started doing it, because there's literally thousands of these article directories out there. Some of them are worth using, some aren't. It takes time to submit to them.

Usually, what I do is I just change the wording of the last paragraph in some small manner and then put it up there, and I have an Excel spreadsheet that lists the article I submitted and the specific phrase that I'm using for that one. And then, I can go back in and search by taking the sentence that I changed in different versions and pasting that into Google with quotes around it, and I can find everybody using that article.

That's how I was able to lower my list of article places to submit to.

**Michael:** There's another little thing that I like to do with articles. For example, one of my sites is a home decorating website. So, kind of an article that I have is "10 Things That You Can Do Over A Weekend, To Redecorate A Room In Your Home," or something like that.

What I'll do is I'll take that article and I'll change the title. I may say, "10 Things You Can Do For Spring, To Makeover Your Room For The Holidays," "10 Fall

Ideas That You Can Use To Makeover Your Home.” And I will use basically those same 10 recommendations in the article, I may switch them around. I may make number one, number 7, and I may change the wording a little bit by throwing in the word “spring,” “fall,” “summer,” things like that. But I’ll reuse the same article, by just changing up the words a little bit so it will be a little bit fresh to the search engines. And then, having more websites say, “Oh gee, here’s a new article for the spring, for the fall, for the summer.” Spring cleaning ideas, same 10 things, and more and more websites pick that up.

**Terry:** That brings an important point up, and that is the power of lists. I love to write things that are listed, because they’re easy – 9 ways to do this, 10 common eBay mistakes, 5 ways people get ripped off on eBay, 22 ways to spot a good deal on eBay, blah, blah, blah, blah, because they’re so easy to write.

So, if people are listening, who haven’t got a couple of years of writing under their belt, that’s the way to start is with lists, because it’s so easy to do.

We pretty much talked about niches quite a bit, and we’ve veered off on other things, which is good. But we’ve run out of time.

So, Michael, how can the listeners contact you?

**Michael:** Well, a lot of people probably haven’t even heard of me. But if you visit my website, NicheMastery.com, you can learn a bit more about what I do, as far as niche marketing. As I mentioned earlier, I’m a believer that when you’re creating an online business, one of the things you want to do, you want to focus on creating a system, and you want that system to consist of certain specific steps that you can replicate and you can follow every time that you create a website, so that it becomes habit.

One of the mistakes people often make is they’ll create a website, and the next one they create will be different. Wait a minute! Before you move on to the second website, get the first one going. Make sure you know what you’ve done to get it successful, and then just do that same thing. Make that the blueprint for the next site.

So, on the NicheMastery.com website, there’s a course that I talk about. And it kind of goes through some of the things that we talked about here, where the steps that I really focus on in my system, and then have little sub-steps and tasks associated with that, step one, I talk about how to find and evaluate a niche. Step 2, I talk about how to identify problems and products associated with your niche. Step 3, I talk about how to assist the profitability of your niche. And step 4, I talk about laying out your website and creating content. The 5<sup>th</sup> step, getting



targeted traffic. The 6<sup>th</sup> step, creating information products when you're ready to take your business to another level. Step 7, I talk about selling and marketing techniques for your products. And step 8, I talk about monitoring and growing your web business, as you are ready to make that type of move.

So, I'm a system-driven person, and I find that you'll save a lot of time, money and frustration once you have a system nailed down and a solid foundation beneath you, that you can use to then create one business and expand that into multiple businesses or a larger business of that same.

**Terry:** This would be helpful to somebody regardless of whether they want to do internet marketing now or if they just want to do one website right, with the best chances of success.

**Michael:** Absolutely. In fact, you shouldn't create the second website unless the first one is running and you can see that it's getting traffic and making some money, and you're monetizing it.

So, the course says, "Okay, let's start from day one." And I actually use one of my own websites in the course of saying, "Here's everything I did. Here's how the idea popped into my head, and then here's how I evaluated it." I actually show you here's where the money is coming from and traffic's coming from.

So, it's one of those step-by-steps where you're actually sitting on my shoulders, seeing one of my actual websites and how I took it from just an idea to a moneymaking business.

**Terry:** And they can find out more information about your system in your course at NicheMastery? Is that it?

**Michael:** That's correct. NicheMastery.com.

**Terry:** Okay. Alright, Michael, I want to thank you for being on the call with me.

**Michael:** It's been a pleasure.

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