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Saturation points—know your market before you jump

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Saturation points—know your market before you make it to your market

What may appear at first glance as a growing industry in your area with substantial opportunity may in fact be an industry with too many players already in that market.

Iwant to start a restaurant. Lots of restaurants have opened in my community; it must be the way to go, right?

This has been the viewpoint of small business clients I have worked with. They see growth in a particular industry and translate that into a potential opportunity. Growth might be occurring within a particular sector – in this case inside the restaurant industry – however we need to dig a little deeper to understand the advantages and pitfalls of this growth. Let's go back to the restaurant example. If lots of restaurants have popped up recently is the market saturated? Can another business survive in a crowded market?

Market saturation combines many facets that you should consider, no matter what industry you are interested in. Take a look at the demand and supply of your product or service to find out if there really is market share you can capture. What may appear at first glance as a growing industry in your area with substantial opportunity may in fact be an industry with too many players already in that market.

Your market research options

- Option One—contact Nebraska Business Development Center. We have premium market research reports with valuable data you can use—and we can help you figure out what it all means.
- Option Two—conduct your own research. Go out into the market and ask consumers, lots of consumers, their viewpoint about your product or service.
- Option Three—start looking on the internet. An abundance of free data is out on the web, find it and use it!

Where are the workers?

Next, consider available labor. Nebraska is fortunate to have a robust economy and low unemployment rate, but that presents issues. Low unemployment can be a risk indicator for potential saturation in the labor market. The number of available, qualified workers in your area might be limited. Estimate how many employees you will need and conduct research to determine if there is an available pool of individuals with appropriate skills for your business.

Why did that business close?

What if more than one business in a related industry has closed recently? Does that mean the market is saturated? No, not necessarily. There could be other factors outside of the demand and supply for that product or service that made the company go under. Often times the reason a business has closed is due in large part to inefficiency of operations: cost control, management, or use of staff. Poor management skills and poor customer service will turn your employees and customers away.

Location, location, location

Location also plays a large role in the success or failure of some businesses. Certain industries require high traffic and high visibility to stay top of mind for customers. Because of this, the right location is critical for success. Selecting a location with more favorable rent rates, but less visibility may save you money in the short run, but it could end up costing you dearly over time.

What is important to remember is to do your homework. Understand your market before you launch. Get to know the competition and how you differ from them. Define your competitive advantage. Select an appropriate location for your business. And most importantly once you have opened your door provide friendly, reliable customer service to keep your customers coming back for more. Even in highly competitive markets, you can find success.



About the author

Sara McMillan is a business consultant for the Nebraska Business Development Center. She has completed her Economic Development Finance Professional certification from the National Development Council and has obtained the CVA, CEPA and CBPA credentials in business valuation and transition planning. In 2014, she was recognized by the Association of Small Business Development Centers as the State Star for Nebraska.



About the Nebraska Business Development Center

NBDC is a cooperative program of the U.S. Small Business Administration (SBA) and the College of Business Administration at the University of Nebraska at Omaha (UNO). NBDC partners with the University of Nebraska at Kearney, Southeast Community College, Wayne State College, Mid-Plains Community College and Chadron State College to provide consulting and business support services from offices in Omaha, Lincoln, Kearney, Grand Island, North Platte, Wayne, Auburn, Scottsbluff and Chadron. Learn more about NBDC at nbdc.unomaha.edu

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