Gap In The Market

Idea In Short

Often, a business based on a gap in the market is remarkable. Such businesses have been able to see something they can provide that no one else did. Market gaps are opportunities disguised as voids. A gap in the market is a place or area that current businesses aren't serving. For example, Netflix has filled several market gaps over the years. First, with its initial mail-order movie rentals and then with its online streaming platform. Likewise, Whole Foods fills the market gap when health-conscious consumers wanted a central, convenient place to shop for organic, healthy, and natural food products. Every successful business you can imagine serves some sort of market gaps.

Whether you are starting a business or looking for growth opportunities in your current business, a market gap can be an amazing source of inspiration for your next big idea.

Gap in the market business model

A gap in the market is a business opportunity. It's when you've identified something that customers need, but it isn't currently available. The gap in the market is a specific area. An area where you can dominate. An area where are few possibilities for someone else to exceed your domination. The gap in the market might be providing a product or service in a completely different way. Tom Peters calls this creative swiping, where you take an idea from someone else, and give it a good twist to make into something new. LoveFilm rented DVDs; they captured the market by sending them through the post, rather than using the video shop model. This approach delivered convenience to customers, while offering a huge list for consumers to choose from. Today, this business model is out of date because Netflix and Amazon deliver films instantly through online streaming and have taken over this space in different ways. Gumtree provide classified advertisements that local papers have made money from for centuries. However, today, they have changed the model by making 99% of the ads free and putting it all online.

Gaps in the market for selling to consumers

While finding the gaps in the market, there are definitely business opportunities in niche areas, especially when your core business model involves directly selling to end-consumers. For example, there a significant demand for personalized or non-mainstream products and services. For example, business models on consumer well-being, such as helping people to sleep or feel better have demonstrated themselves as viable business opportunities. Although there are a number of gadgets and apps for consumers to choose from, this is an ever-green market that continues to have a high demand for innovative ideas. Recently, there has been a huge demand for vegan foods, including vegan alternatives to milk and dairy. Some of these targets mid- to high-end consumers with offers on raw and healthy vegan food. Others are mass market offerings, such as vegan burgers sold in the freezer aisles in the supermarkets. There's lots of space for developing business opportunities here. However, these opportunities come with big risks involved in running a food-based business.

Gaps in the market for selling to businesses

Businesses are run by busy people who don't always have time to do everything. There are several services-based businesses that you can offer to entrepreneurs and corporate customers. Such services address the things that they wish to have time to do, but don't. For example, business owners do not have time to go through the learning curve of using the latest social-media marketing techniques, applying new ideas to their business, or even putting the right messages out on online channels. Such opportunities create great business opportunities, doing interesting things, helping people and making a good living. The bottom-line here is to identify the niche gaps in the market.

Strategic implications

The link between business strategy and product / service development is two-fold:

1. The business strategy defines what markets you are in (industry sectors, customer segments, geographic locations etc.). These shape your product and service offerings
2. To engage target customers, you need to provide them with the solutions they want and are willing to pay for

Hence, the product-market fit is a core challenge that many businesses, including startups struggle to articulate or achieve. A great product or service concept is worth nothing unless there are customers who want it and are willing to pay for. Usually, you aim to offer the product or service as designed i.e., out of the box. However, customer preferences diverge. This implies that you should factor the need for customizations in your business model to accommodate the range of customers you intend to serve. Hence, your business model should also consider such adaptations into your pricing strategy. In addition, you may need to pivot your business model, product / service offering through the course of your business journey to achieve the product-market fit.

Market Research

Many business consultants engaged in market research (primary or secondary) can provide evidence-based market sizing data. Furthermore, they can also help determine the propensity of the market to buy and invest in a particular product and service. Usually, these assessments are based on 3-point estimates (optimistic, pessimistic and most-likely scenarios). Often, businesses and management consultants take market share and volume data from their market research to develop market forecasts, budgeting, margins and profit forecast. However, with market research and data analysis, you can predict likely successes based on:

1. Past experience (sales history)
2. Customer feedback (solicited and unsolicited), and
3. Environment scanning (what are the social, business and technology trends)

However, past performance is no guarantee of future returns. This is especially true of new, innovative ideas that create new markets. What is important are insights regarding the Total Addressable Market [TAM] today, your obtainable market share [SOM], and how the markets will grow in the fullness of time. These insights are particularly relevant if it is a new market entry or a new product or service development. Hence, the saying: it's not the gap in the market that is important, but the market in the gap

Strategic Options

Replicating a proven business model

The easiest way to find your gap in the market is to copy someone else. LoveFilm copied the original US Netflix business model. Likewise, Gumtree copied Craigslist and transferred these business models from the US to the UK. The German startup incubator, Rocket Internet, consistently generates billions of dollars per year by identifying successful international companies and legally imitating their business model. So, you could research what your industry peers and [potential] competitors are doing in different markets (continents, countries, cities, etc.) and identify the gap you can fill through your product / service offerings. Ideally, you should do this before whatever you're copying is public knowledge. Else, you will find a plethora of start-ups that are:

1. Launching at the same time as you are
2. Aiming to fill the same gap or address the same customer pain point
3. Pursuing the same customer base with similar offerings, and
4. Aiming to capture a small share of the market

In short, this is a red-ocean strategy, which you should avoid at all costs to ensure organic growth through positive customer conversion and cash flows.

Appraise your strengths

It's not just the right idea you are looking for. You must also find the right idea for the right person. It doesn't do you any good to find a gap in the market that you can't take advantage of. So, before you start to look for market gaps, it only makes sense for you to know exactly where your strengths lie. Start by making a list of your perceived strengths. Use past experiences to guide you. Think about what you're most happy doing. Think about what you have the most success doing. Revisit old critiques or performance reviews to pick out anything that might give you some insight. If you are a solopreneur, reach out to colleagues for honest feedback. These insights can help you figure out your specific strengths that you could leverage and bring your offerings to the market. Consider taking a professional aptitude test that can help identify your strengths and weaknesses in a controlled environment.

Monitor environment trends

You can discover viable and sustainable business ideas by monitoring the trends and evolutions in business and technical thinking. Furthermore, it pays to track developments that happen in the different markets. The business and technological world is rapidly

evolving. Today, due to the increased globalization and Internet connectivity, the technological and economic forces are more powerful and fluid than they ever have been before. Hence. the appropriate posture is to research into certain areas, especially those that are not altogether obvious. If you have your finger on the pulse of current trends, consider what is missing. Deliberate on the products that you wished existed, but are unavailable in the market. Reflect on the conversations you had with your professional, personal or social networks. Think whether you heard of any services that you felt compelling. Keeping in touch with those in your industry is a great way to monitor current trends. Those in the industry are closer to the problem and are seeking a solution. Take advantage of such opportunities when they arise. Establish a systematic method to trap items and ideas.

Consider niche markets

Businesses and consultants often think too broadly when they think of markets. However, it is always better to think small when it comes to gaps in the market. The more specific your market, the more likely you'll be able to effectively target it. Nonetheless, you should ensure that the market is big enough to sustain growth. It should have many existing products because that shows you that there is demand in the market. There should also be an easily identifiable customer base. Without those things, your niche market is not big enough to support a business. Niches markets are also great places to copy a market gap. If you see that someone has successfully filled a gap in the market in one industry, then you could recreate that success in a different, but similar one. For example, if something has worked in female clothing, consider applying that to children's clothing. If something has been successful in one subset of medical supplies, try it in a different area or change the construct. The quote from Frank Underwood in House of Cards during Season 2 aptly summarizes this recommendation: If you don't like how the table is set, turn over the table.

Leverage legislative or regulatory mandates

Often, industries go through significant transformations due to legal and regulatory reasons. Local, state or federal legislations and regulations create market gaps. These gaps force an entire industry to implement the changes that would, otherwise, have not been possible. Think of Glass–Steagall Act, SOX, BSBS 239, GDPR, etc. If you can forecast such mandates and successfully prepare yourself, you can leverage such market gaps early on to your advantage. By staying abreast of industry laws, you can keep up with the proposed legislations. You can also sign up for updates from trade organizations. These updates often

track the pending legislations and notify subscribers, thus offloading you of the monitoring heavy-lifting efforts. At the least, create Google alerts for certain keywords. You'll get emails each time they appear in the news. These notifications could potentially direct you to unforeseen market opportunities that you can grab!

Identify unsolved problems

When you distill a market gap to its essence, an answer to a problem is one that is currently not solved or addressed. Hence, solving an existing problem will endear you to consumers and enable your products or services to practically sell themselves.

Elicit customer feedback

As easy way to discover hidden gaps is to elicit feedback from your prospects and current customers. Uncover what they are missing in the current market. You can do that by researching industry trends. Customer surveys may provide a lead in the right direction. You could also do some research into current customer gripes by simply going over the worst reviews of the competitors. That can give you some insight into what your competitors aren't doing right and give you the chance to do it better. Do you routinely get feedback from your current and former customers? If not, you may be missing a golden opportunity to offer something new (and profitable) to a group of individuals who already value your work. Maintain regular contact with your customers. This has the additional benefit of keeping your competitors at bay, ensuring brand recall i.e., your company is fresh in their minds as well as creating a natural pool of potential charter clients for anything new you launch. Often, clients will tell you what you want to hear. Hence, a 3rd party may help execute some client interviews, offer a different set of ears and surface unmet needs or new opportunities that your customers may not (willingly or unwillingly) have expressed.

Evaluate competitors' offerings and differentiate yourself

You should know who your major competitors are and what they are offering. Else:

- How would you distinguish yourself from their offerings?
- Are you offering products or services that provide more (value, service, convenience, etc.) to your customers?

Ensuring that you, not only know your competition, but also your differentiators will help you

gain better control of your market share and identify any potential gaps. Outside perspectives and interviews with clients and prospects can immensely help here by providing an unbiased viewpoint and / or data.

Adapt an existing product or service

You might already have an existing product or service that, with some changes, could grow into an even more profitable asset. Netflix, the entertainment giant, successfully identified a market gap that its competitors were not filling. Instead of wading through the aisles of a brick-and-mortar video rental store, Netflix customers could browse its impressive array of DVDs online and receive them via mail. However, they didn't stop there. They expanded their offerings to include streaming services. Recently, they are producing blockbuster TV shows, such as House of Cards, based upon their own customer viewing data. Deliberate whether you have a current product or service that can be adapted to better fit the market. Or, do you have a competitor whose product or service you can do better? -Subsequently, evaluate the product-market fit.

Think globally

Sometimes the best idea has already been developed into a successful product in another part of the world. Perhaps, an international company holds the keys to helping you identify a gap in your own market. If so, get in touch with them and explore collaboration opportunities.

Hire external consultants to do your market research

If you're having trouble identifying and taking advantage of a market gap, you might want to engage a professional. External professionals can help you by perform an unbiased market research, identify potential customers, obtain [unsavory] customer feedback on product ideas, provide objective input on your current direction, or even employ a specialized network on your behalf.

Summary

Reduced costs of technology and the abundance of data analytics means it should be easier

to market test new prototypes, running proofs-of-concept or A/B testing different business models. But what that can mean for some startups is that they end up trying to replicate a winning formula, simply in order to capture market share (and therefore raise capital), and in pursuit of customers, they sacrifice revenue and profit. Focusing on a market gap also helps you make sure you avoid diving into a market that is already oversaturated. After all, a saturated market is often a dead-end for new businesses. So, with these tips, make sure you identify and describe your target market and reasons for choosing it in your business plan.