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## How To Determine the Viability of Entering an Online Market Part 1

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### Abstract

The identification of specific online markets is not alone sufficient to prove that they will be viable and profitable to enter. This paper discusses a systematic method by which a fair judgement can be arrived at as to the exploitability and profitability of such niche markets. Using the steps outlined in this paper, the list of previously determined niche markets (refer to IPR0001) can be reduced to two or four in number. Following the isolation of two to four niche markets, there remains yet another statistical method by which certainty can be arrived at regarding the profitability of such markets. In our previous paper we identified the following niche markets:

- owners of the **hummer** vehicle
- people interested in **perl programming**
- **world of warcraft** gamers
- people interested in **krav maga** (martial arts)
- **snowboarding**
- **green tea diet**
- **pet adoption**
- people interested in **shell collecting** as a hobby
- people interested in **scrapbooking**
- people wanting to buy **noise cancelling headphones**
- people interested in **woodworking patterns**
- people wanting to make their own **skin care products**
- **race driving** beginners and enthusiasts
- those interested in **fly fishing**
- **dodge truck** owners
- people interested in **quilting**

In this paper we will take a look at each of these markets from a statistical point of view, and proceed to eliminate all but a few. This paper uses the ProfitLance Niche Research Centre (PLNRC) which can be accessed from <http://www.profitlance.com/pLnrc/>. For the purposes of this paper, you will need to be logged into the pLnrc.

When analysing a particular market, we want to be able to determine the following factors:

- a) is the market large enough, in other words, are there enough people in that market
- b) are there any existing information products being sold to such a market
- c) are people actually buying in this niche

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<sup>1</sup> ProfitLance.Com provides extremely practical, step-by-step guides on implementing profit making strategies in a scientific and methodological manner. The emphasis is on highlighting method and action that is directly connected to proven profit generating strategies.

d) what is the level of competition, if any

The steps outlined below will help us to determine each of these factors. Use has been made of the ProfitLance Niche Research Centre (pLnc).

### A) How to Determine if There is a Significant Market

This procedure should be repeated for each of the markets previously identified. For the purpose of illustration only, this paper will address only one of the above markets, namely the martial art of “krav maga”.

#### Method 1: The Overture Inventory

Overture which has now been taken over by Yahoo, was a pioneer of the pay per click search engines (formerly called Goto.Com). It has some very useful resource tools that are vital to our analysis methods. The Overture Inventory provides statistical details of keyword searches performed for the previous month. From the pLnc Enter the main keyword for the niche market into the search box, and from the drop down box select “*Overture Inventory*”. This will allow us to see how many searches were performed in the last month for this and related keywords. Although these figures do not represent the entire online search data, they are good enough for us to have a fairly decent idea of what is going on online. The screenshot below shows what you should see:



Searches done in December 2005	
Count	Search Term
16831	krav maga
406	krav maga training
296	krav maga technique
294	krav maga video
174	krav maga site myspace.com
153	krav maga video clip
130	krav maga los angeles
113	krav maga dvd
91	krav maga new york
87	krav maga san diego
82	krav maga schools
68	krav maga maryland
66	krav maga and clip

Figure 1: Overture Inventory for “krav maga”.

The results show that 16,831 searches were performed for the main keyword. From the other results, we can see that people were interested in training, techniques, videos and training schools in specific locations.

The figure of 16,831 is a good sign. This shows that there is a considerable interest in this niche. Although it is hard to specify a figure, generally speaking anything over 10,000 searches is a good sign. However, even searches as low as 5,000 should not be dismissed. It is even possible to profit very well from niches with as low as 2,000 searches per month. I currently have a niche product that receives around 3,000 searches per

month and which brings profits in excess of \$1,000 per month. The important thing is at this stage is to just to get a feel of the size of the market, and then to evaluate this further with some of the other factors that are yet to be researched.

#### Method 2: Google Groups and Yahoo Groups

By looking at these news groups, we are attempting to see if there are any dedicated groups for our niche market, and also the size of these groups, if any. From the drop down list, select “Google

Groups” and press submit. There are a number of important pieces of information that we can make use of.



Figure 2: Search on Google Groups

Firstly, we can see that there are 2 matching groups for “krav maga”. The size of these groups is not huge, with 20 members for KravMagaIndia and 12 members for KravMaga. In addition to this, we can see that there are currently around 11,400 results for “krav maga”. This indicates the number of posts currently present discussing “krav maga” in one form or another. Next, we select “Yahoo Groups” from the drop down list and press submit.

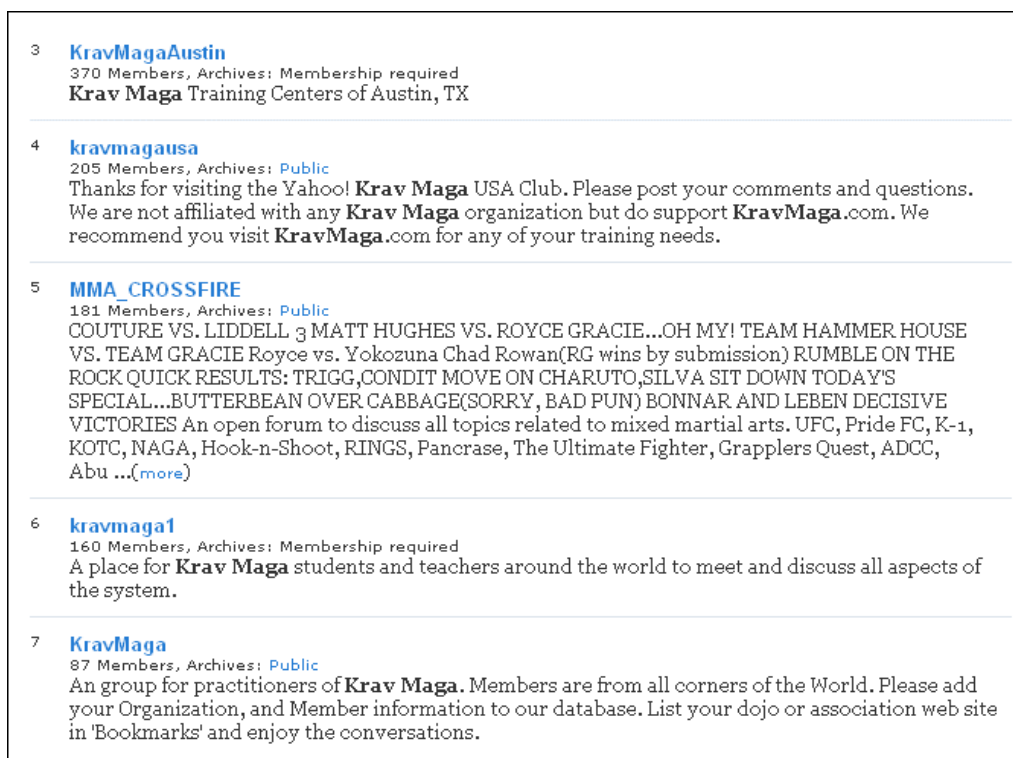


Figure 3: Search on Yahoo Groups

This brings some interesting results. We can see on the first page of results that there are five groups, with memberships ranging from 87 to 370. On the next page of results, we can see another three to four

groups with lower membership numbers. What this establishes that there is a “community” element to this niche market and this is what we are looking to establish. This is a positive indicator.

On the whole, looking at online groups has yielded a positive result.

### Method 3: The Blogosphere

The “blogosphere” is the blog universe and represents what is currently happening in the online web logging world. In other words, what is being discussed, what is hot, what is new and fresh and so on. Fortunately for online marketers there are some great online resources such as blog aggregators and blog search engines. We will make use of Google’s Blogsearch and also Feedster.Com

From the drop down list in the pLnrc, select “Google Blogsearch” from the drop down list and select submit to see the results.

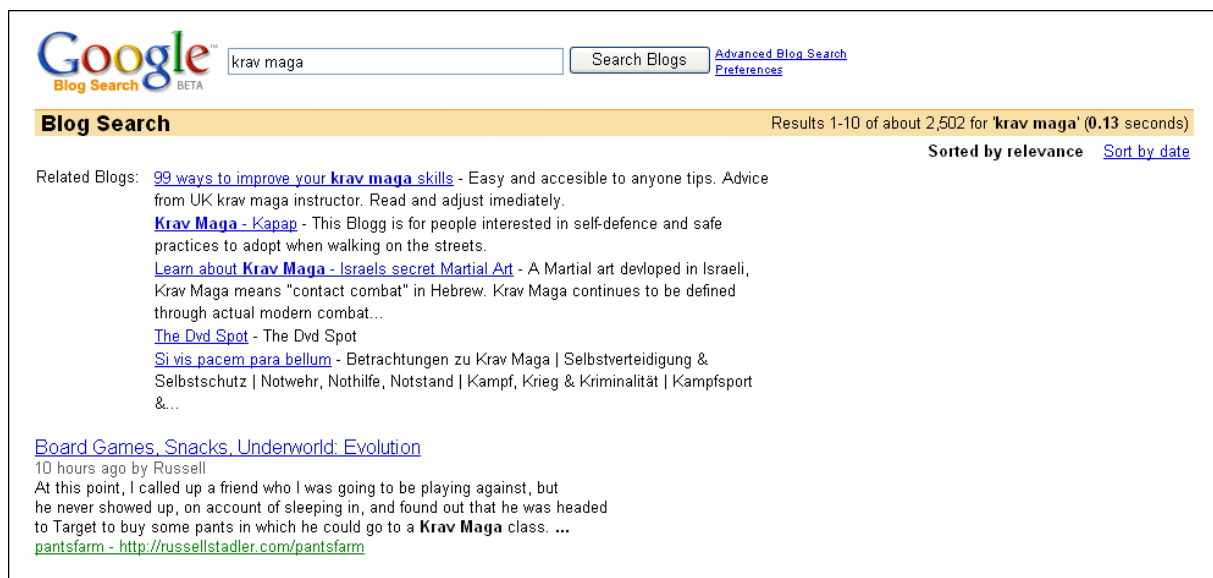


Figure 4: Google Blogsearch

We have some interesting results. There are around 2,502 results for “krav maga”, and the search has also provided us with some related blogs before the main search results. The first link “99 ways to improve your krav maga skills” leads to a blog that is promoting a “krav maga” training sessions, using a direct marketing approach. This should be noted. An important thing to mention here is that at this stage we are just quickly evaluating the size of each niche market, however, if in the process of determining this, we do come across specific websites that are marketing the type of product that we want to sell, they should be noted and their website addresses recorded. So in this example, we would make a note of [www.join-krav-maga-training.co.uk](http://www.join-krav-maga-training.co.uk) for later use.

Next we select “Technorati” from the drop down list and press submit. Technorati is useful because it shows us how many posts there are in total in the blogosphere and how many were made in the last 3 days. The results from Technorati indicate 1655 posts contain “krav maga” and that in the last 3 days 20 posts were made. This last figure is not really a large figure and on its own it would not indicate that

there is a lot of “buzz” around this subject. However, we are using the methods collectively to give us an all-round idea about this niche.

Next we select “Feedster” from the drop down list and press submit. Feedster gives 378 results. An interesting part of Google Blogsearch, Technoratia nd Feedster is that it they indicate how long ago each blog was posted to. This is another piece of information that allows us to determine how much of a “buzz” there is around this niche. More posts within the last 24 hours indicate a greater “buzz” around this niche. This would be another positive sign about the market.

On the whole the blogosphere has given us positive indications about the market. Thus far, we will not eliminate “krav maga”.

## **B) Finding Existing Products Within This Market**

As a general rule of thumb, if we can find at least two or three other information products (or digital products) that are directly related to our specific niche, and also a range of other wider products that are in a related topic, then this is a good indicator. In other words, if we can find at least two or three information products on “krav maga” specifically, and then at least twice this amount of other products or services that relate to “krav maga”, such as training classes, then this is another positive sign. It indicates that this is a healthy market and that people are also buying within this market (see next section). This can be done by searching on Google and Yahoo and viewing both the organic search engine results (on the left hand side), and the sponsored listings as well.

In the case of “krav maga”, no e-books were found, but there were a number of DVD sets for sale by a number of different vendors. In addition, there were plenty of training classes in various locations.

In addition if you can find that there are other people selling a different category of product to the same market, then this is also a positive sign. For example, if we want to sell an e-book product on improving one’s golf score, then if we can find at least 2 direct competitors who are selling a similar e-book product, and then a range of other indirect competitors who are selling golf shoes, or anything else related to the hobby, or sport, then this is a good sign. Although our example here of golf, is an extremely popular sport, and thus there will be a large number of indirect competitors, with less popular or smaller niches, we might not find indirect competition.

## **C) How To Determine If People Are Buying Within This Niche**

The next thing we need to determine is if the people interested in “krav maga” are actually spending or not. Although this is a difficult affair to determine with accuracy, there are some crude indicators, and possibly some concrete indicators (if we happen to come across them during our research), that can give us a good idea about this.

### Method 1: Using the Overture Bid Tool

The Overture Bid Tool provides a list of all of the advertisers for a given keyword phrase and how much they are willing to spend for a single visitor. This information is a crude way and indirect way of finding out if people are spending in this market. The logic behind this is that if the amount being paid by the top three to five advertisers in order to acquire a single visitor is relatively high, then this indicates that they

must be making a profit in order to sustain this type of advertising. The higher the values the better our niche tends to be. And hence, this shows indirectly, that people are buying within the niche. Again, it must be pointed out that this is a crude method. However, it is still a valuable piece of information in formulating our overall opinion regarding this niche.

From the drop down list, select "Overture Bids", and click on submit. On the first occasion of using this tool, you will be prompted to enter the characters displayed in the "captcha" image.

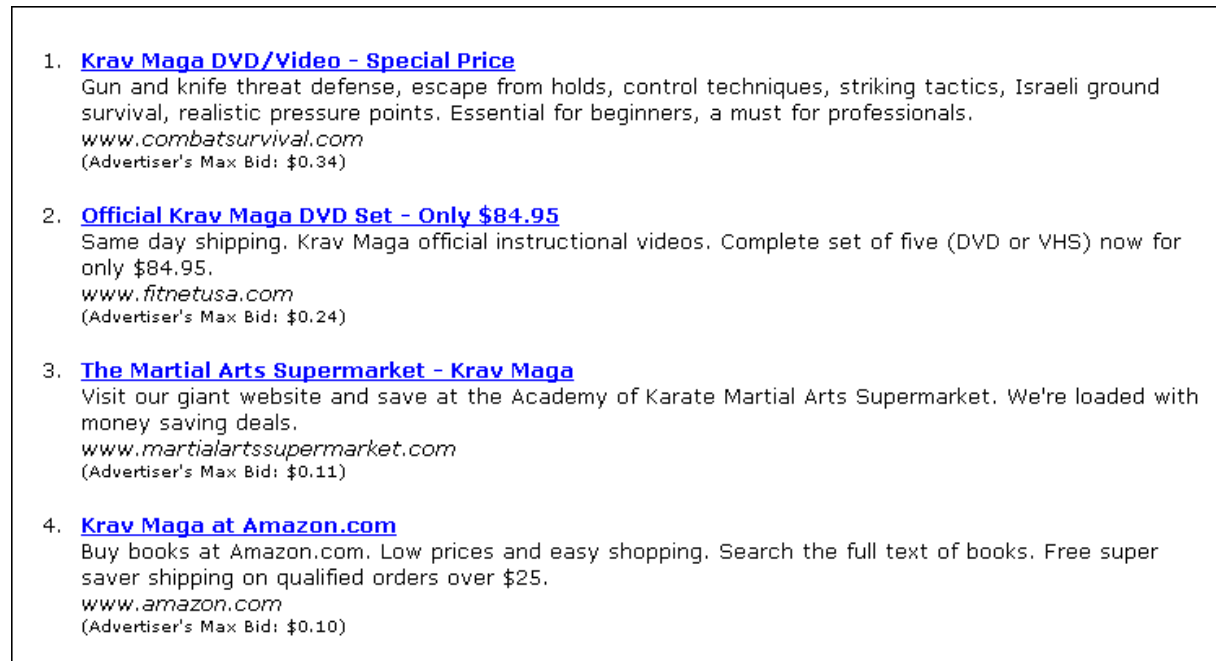


Figure 5: Overture Bids


We can see that the top three bids are higher than the default \$0.10 value, and have an average of \$0.23. This value is fair, but not outstanding. Generally speaking, if you have an average bid of \$0.30 and over for the top three advertisers, this is a good result. However, we must remember that each isolated piece of information in our niche market research should never be used to make any judgements. We are just trying to gather together as much information as possible in order to ensure that make the correct decisions regarding entering certain niche markets.

### Method 2: Using Sales Information

This method is an ingenious stealth method (never before revealed). Using this technique we can get some very specific information as to how much of a product is being sold. However, this information might not be readily available for some niche markets, and you do have to do some digging in order to find it. The method is as follows:

- a) Perform a keyword search on Google for "krav maga" (simply select "Google Results from the drop down list in pLncr, and click on Submit). From the results that appear look at the left hand side, at the sponsored listing section, and find any sites that are selling products in that area.

- b) Visit these sites and see if they accept Paypal as a method of payment. If so, add some items to your basket (if the website has a store), or simply click on the Paypal pay button, if they just sell single items. When you get to the Paypal site, you will need to login in order to go the confirmation page.
- c) When you get to the confirmation page, you will see the following:

**Make Your Payment** [Secure Transaction](#) 

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Review the payment details below and click **Pay** to complete your secure payment.

**Pay To:** XXXXXXXXXX

**User Status:** [Non-U.S. Verified Business Member \(0\)](#)

**Payment For:** Krav Maga Training

**Quantity:** 1

**Amount:** £177.00 GBP

**Postage & Packing:** £0.00 GBP

**Total Amount:** £177.00 GBP

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**Source of Funds**

**Pound SterlingBalance:** £177.00 GBP

[More Funding Options](#)

In this instance, the advertiser (name has been removed) has a seller reputation of zero (0), indicating that no sales have been made to verified Paypal users.

- d) This process can be repeated for searches on Yahoo. See if any of the websites found selling to this market use Paypal. If so, go through the ordering process in order to check the seller reputation. This indicates how many sales have been made by the vendor.

In our example, we did not find any specific information, and in many cases we probably would not find any information. However, it is worthwhile going through this process because on occasions we can find extremely useful information as to how much money a specific vendor is making by selling products to this market. Having this piece of information will help us to make a more informed decision about our niche.

## D) Determining The Level of Competition

Knowing the level of competition is another important and useful indicator. By now, we should already have come across vendors who are selling to this niche market. What we are interested in is how many vendors are selling information products, such as e-books, or digital items such as DVDs and MP3 audios within this niche. There are two ways in which an idea can be formulated regarding this:

- 1) This first method only gives a general idea of competition. View the Overture Inventory for the niche keyword phrase (select Overture Inventory and press submit). Add up all the search count values returned. In our case of "krav maga" we have approximately, 21,000. Next select "Yahoo Results" from the drop down and click submit. Yahoo shows 928,000 results for this search

term. The demand is 21,000 and the supply is 928,000. If we divide the total number of results shown for that keyword phrase (928,000) by the total search volume (21,000) we get a value of approximately 44. This number gives us a general idea of supply and demand, and the lower this value, it is better. Anything less than 100 is a fair value, and anything less than 50 would be a good sign.

- 2) The second method will give us specific information on competitors. Do a search on Google and Yahoo within the pLNrc and view both the organic results and also the sponsored listings. See how many people are selling information products within this niche. If you have at least two and anything up to six to seven different vendors, this shows that there is competition, but this is healthy competition. This indicates that there is a market, and people are buying in this market. If there are between eight to ten vendors, this indicates that it might be harder to make a profit, due to the increased competition. Going upwards from ten different vendors indicates increasing difficulty in making a profit. In the case of "krav maga" we found no one selling an e-book style product.

## Putting All the Information Together and Analysing the Results

We can summarise our research so far on "krava maga" as follows:

Overture Inventory	16,831 for main keyword
Yahoo and Google Groups	Around 10 active groups found
Postings Within Groups	11,400 in Google Groups containing "krav maga"
Blogosphere	Blogsearch (2502), Technorati (1655), Feedster (378)
Existing Products	No e-books found
Overture Bids	(\$0.34) (\$0.24) (\$0.11) = (\$0.23) average
Specific Sales Information	None found
Competition (products)	No e-books found. 2 to 3 DVD products.
Competition (supply / demand)	928,000 / 21,000 = 44.19

## Analysis for Krav Maga

The monthly search capacity for the main keyword phrase "krav maga" is 16,831 and around 21,000 for all related keywords. This is a good size. Together with the number of active online discussion groups and results found in the blogosphere, this indicates that there is a market out there, and that there is an element of "buzz". Unfortunately, no e-books were found. This is probably explained by the fact that the nature of our niche subject is that it can only most effectively be learned through direct instruction or by way of DVD videos. The only products selling that were found were DVD videos. No specific sales information was available. From the supply / demand ratio of 44.19, we can determine that this is a market in which there is still scope for supply of product.

## Conclusion

Since, there were no e-book products found, and only one direct sales website which was selling training classes in physical locations, it has been decided that creating an e-book would not be an option for this market. The reasons for this are that no other vendors have been found who are doing

this successfully, and secondly, this market is more favourable to video products<sup>2</sup>, which would be outside of our scope at this stage. For this reason we will eliminate “krav maga” from our list of potential niches. This, however, does not mean that we cannot make money from this niche. It is still possible to make money if we can find existing sellers of products to this market who have an affiliate program. This will be covered in later papers.

The niche subject of “krav maga” was used only to illustrate the process. It is recommended that you perform this research using the pLnc (<http://www.profitlance.com/pLnc>) for each of the niches you have identified.

In the next paper, we will provide summarised results for a selection of the other niches in our list, in order to further illustrate the process.

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<sup>2</sup> It is still possible to enter this market with DVD videos, however, this requires considerable more time and expense than an e-book type product. Since we are only interested (at this stage) in e-book type formats or whatever is low cost, we will eliminate “krav maga” from our list of potential niches.