



A Recipe for Success in Microenterprises

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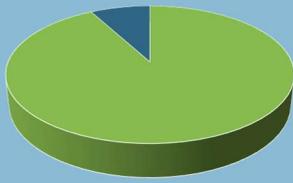
A Recipe for Success in Microenterprises

Rasmussen: A Recipe for Success in Microenterprises

By Rebecca Rasmussen

Did you know that in 2014, according to the Association of Enterprise Opportunity, microenterprises constituted 92% of all companies in the United States?¹

U.S. Companies



■ Microenterprises ■ Other Companies

Since then, the number of microenterprises has continued to increase, largely because of specialty websites like Etsy and Amazon Handmade. According to E. Mitchell Church from Coastal Carolina University and Richelle L. Oakley from the University of North Georgia, these websites facilitate the rise of microenterprises because they make “it possible for small businesses to reach an ever-growing number of customers.”² Unfortunately, about 90% of these new microenterprises will eventually fail; they have to shut down because they do not have enough customers to generate a profit.³ This statistic can be daunting for those wanting to start their own microenterprise, but research suggests what makes a microenterprise more likely to succeed. Good chocolate chip cookies require special ingredients, such as eggs, flour, butter, and of course, chocolate chips. Similarly, there are ingredients that help a microenterprise succeed. This article will examine the following ingredients and how they form the recipe for success in a microenterprise:

- **Niche markets**
- **Hyper-differentiated products**
- **Education and entrepreneurial competence**
- **Networks**

Microbusinesses are defined as enterprises with fewer than five employees, including the owner



Niche Markets

Like flour in cookies, a critical component in successful microenterprises is competing in a niche market. “Instead of offering similar products or services in the same price range to the same customer segments as their competitors,

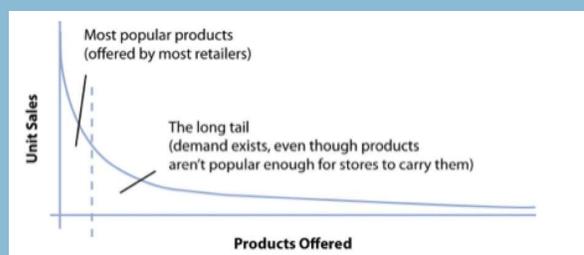
microenterprise owners should identify new marketplaces with limited or even no competitors.”⁴ If microenterprises try to compete in normal markets, they have to “go head-to-head with large companies, which have hefty financial and human resources.”⁵

By finding niche markets, “microenterprise owners can identify opportunities in unexploited markets with a limited number of competitors.”⁶

This strategy of finding niche markets has two names. The first is the Blue Ocean strategy, which was coined by Chan Kim and Renée Mauborgne. It is called the Blue Ocean because it compares finding openings in the market where there are no competitors to finding a vast, open ocean. “A critical component of the Blue Ocean strategy is to understand that, like the real ocean, is always moving and never static. It is important to continue to look for new opportunities, create new value for customers, and swim towards the Blue Ocean.”⁷

The second name for the strategy of finding niche markets is the long-tail strategy, which was created by Chris Anderson, editor-in-chief of Wired magazine (see Figure 1). The name references finding the long-tail in a distribution curve of customers and marketing to that tail. Selling in the tail is profitable for microenterprises because customers in the tail are looking for unique products not sold by mass producers, so they are willing to pay top dollar when they find that specific product.⁸ Basically, “the whole key to entrepreneurship is to find a need and fill it.”⁹

Figure 1



Hyper-differentiated Products

Once a microenterprise has found a niche market, its next step should be to hyper-differentiate its products. A product that is hyper-differentiated is personalized and customized for the customer; it is not something that can be found in a major retailer like Walmart or Target. Often times this means that a product is handmade or made-to-order. Though this seems like more work for the microenterprise, “hyper-

Education and Entrepreneurial Competence

In addition to having a niche market and a hyper-differentiated product, the entrepreneur starting the microenterprise must be educated and competent to create a successful business. How educated an entrepreneur is has been shown to be “one of the most consistent predictors of entrepreneurial performance.”¹² It predicts success because a well-educated micro-entrepreneur is more likely to be able to:

1. Deal with complex problems
2. Make sound management decisions
3. Identify opportunities and returns¹³

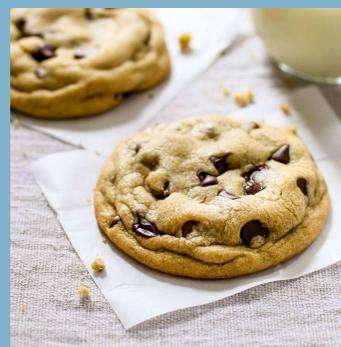
Entrepreneurs must also be competent and understand what it takes to start a business because this is no easy feat. “The success of a business is dependent on the entrepreneur’s competencies as they relate to the individual’s ability to envision and pursue opportunities, work long hours, and endure the intense effort.”¹⁴

Networks

The last key component of a microenterprise is creating a network. “Scholars have asserted that connecting to community, business, and social networks to access resources and improve skills helps to facilitate microenterprise success.”¹⁵ In a survey of 10 entrepreneurs, three participants named networking as a primary factor of their success.¹⁶ This study shows the importance of networking when starting a business. Nikoa Evans-Hendricks, a successful entrepreneur, says that in order to be successful, you have to “be part of a community and connect with other entrepreneurs.”¹⁷ So, creating a network is an essential component for building a successful microenterprise.

Conclusion

Niche markets, hyper-differentiated products, education, entrepreneurial competence, and networks are some of the most important factors for creating a successful microenterprise. Without these components, the likelihood of a microenterprise succeeding diminishes. For those looking to start their own entrepreneurial endeavor, make these four ingredients the foundation of your business. Just like how you can’t make good chocolate chip cookies without eggs, flour, butter, and sugar, you can’t make a successful microenterprise without niche markets, hyper-differentiated products, education, and entrepreneurial competence, and networks.



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