

Beat: Business

Is “find a niche“^[1] still sound advice for entrepreneurs? Is the niche market

Entrepreneurs and Niches

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USPA NEWS - Special business editorial piece- Are entrepreneurs and companies still able to find niche markets in today's world?

Now as an entrepreneur I've often heard the advice “find a niche“^[1]. Now that's good advice, but it's easier to say and harder to do.

Why exactly is it good advice? Well there are many reasons. The first being cost. It simply costs more to both develop and launch a product for the mass market. In terms of advertising, the cost is astronomical because you're competing with companies that pay for primetime television ads.

The other reason is that when you have a niche market, you don't need to compete with the market as a whole for price and quality. You see, the way the economics works behind the scenes is that most products fight on the world stage for consumers by changing price and quality. Say for example you have a car that you're trying to sell.

What are the two main ways you can make your car competitive against other car producers? You can either price it competitively by lowering the price tag and work with a lower profit margin or you can produce a higher quality car so when you go sell at that price point it stands out.

Before we go further, what about the color of the car? Because some people buy cars just because it looks the way they want it to look. Well I left this out because this is no longer the Henry Ford era of car making. Everybody already offers customization and personalization of their products, and this alone no longer offers a strategic advantage.

So then there are the features of the car. Basically, there are questions such as: does the car drive itself? does it have power steering? does it have a moon roof? And so on.

Now this is the playground where most startup companies find themselves. They find competitors who offer that power steering. Next to them, they've got bunch of other guys who offer that moon roof. And then straight ahead they've got that behemoth that offers the self driving car.

This is essentially the sum of the mass market.

So now let's say you're an entrepreneur. You know what, let's say I'm an entrepreneur and I don't want to play on that playground. There are a lot of bullies there and there's so many players it scares me. Maybe it doesn't scare me per se, but I feel as though I could more wisely pick and choose to fight my battles elsewhere.

I want to find a niche market.

So now that we understand the mass market, we're able to identify and potentially penetrate the niche markets. So what are the niche markets?

Well consider the car that the designers go, “You know what? Let's just make a car go really fast and appeal to the people who like really fast cars.“^[2] So then you have the sport cars as a niche market. Cars that just go really fast.

And then you have the designers that go, “You know what? Let's make a car just for soccer moms and appeal to soccer moms.“^[3] So then, you have the SUV as a niche market. Cars made for families.

Now consider that it's modern times and sports cars and SUVs have been around for a really long time. So is this still sound advice for entrepreneurs? Is finding and carving out a market share within a niche or subset of the mass market still a viable business strategy?

Yes and no.

So in the old days of niche entrepreneurship, finding a niche was simple. You go into Google's keyword planner tool and search for keywords that had low competition and decent CPC payouts. Or you go and you find niches with keywords that had low competition and low CPC payouts, but high traffic volume.

Then you go and create a business around those niches you've discovered. So people would spend hours and hours doing this. And it was something that was highly profitable to do.

But in today's world, and accounting for how fast technology moves and how fast those keywords go from low to high competition in a matter of only a few years, this is no longer a viable strategy. Hunting for and identifying niches is just not what it used to be. The gold rush is over.

Is it still possible? Yes, of course. Nobody has ever searched all the keywords on the internet that I know of. And if they did, they'd probably keep that secret to themselves. But for the vast majority of us, mining for gold is not possible because all the gold has been mined already.

So is the niche market dead?

No, not at all. Take for example, a mobile application that recently surfaced called BuildingChat. It's a messaging app that lets real estate property owners communicate with their tenants. The app is solid and technically sound and effectively does what it's supposed to do.

More importantly, it's a niche app in the modern world. It's niche because there are only a handful of people who would be interested in an app in the entire world. I'm using handful very loosely here in case you couldn't tell. The only people who would be interested in something like this would be property owners. If you're not a property owner, you probably would never hear about it and probably don't care much about it, rightfully so.

But within its niche, just like all mobile apps within their own niche, it is relevant and poses considerable danger to competitor products and services within the same niche.

So is finding a niche still good advice for entrepreneurs? No. Because you can't go and "find" a niche in today's market. All the niches have been found.

Is the niche market dead? No. Because there are many products and services that are still thriving, including those that have yet to be launched and in development just waiting for their turn.

Take for example the car. Is it good advice to tell a car producer to find a niche? Of course not. They already know that, and they've already found all the niches that need to be found. And that's including the flying car, because those are still a thing you know.

But should you tell a car producer that the niche market is dead? Of course not. They're still gearing up and preparing for new cars for niches that you've never heard of, but are making money like you wouldn't believe.

So what's the secret to the niche market? Discovery.

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