



Starting a business: should I niche?

A guide for clients

Stand out from the crowd.

According to data from Companies House, 222,068 new companies were set up in the UK within the first 12 weeks of 2023, a year-on-year rise of 8.2%. The question remains: “how unique are these businesses?”

It might seem safest to stick to tried and tested methods when you’re starting a new venture, but when you have an abundance of businesses offering the same service, it’s hard to compete. After all, one in five new businesses in the UK close within the first year.

How can you stand out? One option is to target a niche market.

What is a niche business?

As the name suggests, a niche business aims for a specific target audience. One example of this is TomboyX, a clothing business specifically marketing to members of the LGBTQIA+ community. Or Lush, which prides itself on ethically-sourced cosmetics.

Rather than cater to a generalised audience, niche businesses offer goods and services to specific groups of people with certain values.

Starting a niche business isn’t just for the benefit of prospective customers but also for you as the business owner. This is because it allows you to instil your values in the business, championing your interests and principles. It also gives you a better opportunity to compete and build a loyal brand following.

But, before you start planning on opening your niche business, there are pros and cons to consider.

What are the advantages of running a niche business?

Although starting a niche business comes with a set of challenges, it also has a wealth of advantages.

Less competition

The more specialised your goods or services, the less likely you are to encounter an identical business. While others may have similar ideas, you won’t be up against myriad businesses selling the same product to the same people.

If you’re considering opening a coffee shop appealing to ‘coffee aficionados’, we’re sorry, but that’s not rare. But if you were to open an online coffee shop focusing on strictly vegan and ethical customers, you might have slightly more edge.

Word of mouth

Due to the nature of niche audiences, word spreads quickly if you’re successful – the smaller the demographic, the more connected they’ll be. If you connect with your audience and they value your services, you’ll gain more credibility over time.

Setting the price

When offering niche goods or services, you have more wiggle room to set the market price. You won’t have the pressure of price matching or staying *as* competitive. And, if you can connect with your desired customers in the right way, they’ll likely be willing to pay more for a product that’s suited to them.

Cons of marketing to a niche audience

While it's good to go against the flow sometimes, trying to enter a niche market isn't as straightforward as you may think.

An unpredictable market

In business, it's quite rare to have a truly unique idea. That's why it can be so difficult to penetrate the market. If there is an established business with a similar model to yours, you can find yourself competing for a smaller portion of a much smaller market.

Harder to grow

Only some businesses want to achieve unparalleled growth. You may want that boutique coffee shop in Shoreditch to stay small and focus on providing the best service possible to a relatively limited clientele.

But a niche business could be challenging if you have ambitions to expand. This is because your market will have a cap.

Even if you break into your niche demographic, maintaining that business over time can be the next hurdle. You'll have to offer a product which cultivates a repeat customer base or at least attracts new people. With a niche, this can be tricky. How many left-handed pens do you really need in your life?

How to avoid falling into obscurity

If you decide to start a niche business, you'll want to do everything you can to ensure it resonates with your target audience. As we said at the start, one in five businesses close within the first year. So, with that in mind, here are some steps you can take to mitigate that risk.

Identify and understand your niche audience

There's little sense in targeting a niche audience without fully understanding their culture and values. Do your due diligence and research, and continue to follow trends in the community. This will keep your business relevant, and help you understand how to market to your audience.

Remember, these days, audiences are far more switched on to disingenuous marketing ploys and will likely be able to see through the veil if you're not 100% behind your niche's values and principles.

According to a survey from [Sprout Social](#), consumer's transparency expectations grow daily, and long-term relationships inspire long-term trust.

Promote your speciality

Whatever your product or service, you want to ensure your niche audience sees its value. You should aim to make yourself the poster child of your chosen niche – a business that will meet the needs of its specific customers.

So, when you're marketing your niche business, you'll want to really hammer home what makes you so unique. Why do you offer a niche service? Why do you believe people may want or need it?

Start with your branding

You could have the best niche product in the world. Unfortunately, it won't mean a thing unless you nail your branding. Not only do you want to be recognisable, but you also want to be the first business someone thinks of when looking for your niche product or service.

Brand recognition is an essential part of marketing for any business. We all recognise those golden arches, the happy-go-lucky colonel, even that identifiable swoosh on those fancy trainers.

Once you build brand loyalty, your product or service will likely gain traction (and, hopefully, staying power). It will also make you more competitive if there are similar businesses on the market.

Starting a niche business allows you to tap into a market that may be overlooked or just not catered to. But to make it a successful venture, you must meticulously plan the business's delivery and track trends in your chosen demographic.

Get in touch to discuss starting your own niche business.

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Please note that this guide is not intended to give specific technical advice and it should not be construed as doing so. It is designed to alert clients to some of the issues. It is not intended to give exhaustive coverage of the topic.

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