

Abstract

The “niche” market tends to be a sensible solution for businessmen who want to start their small business. In this report, we investigate the possible challenges when creating our own business, profoundly analyze the Case Study on Urban Outfitters and their key to success, observe the major forms of business ownership, as well as define the “niche” market, “niche” product and their advantages for both businessmen and customers. The paper uses the examples of some specific organizations and their cases. The report consists of abstract, contents, main part and list of references.

Contents

Abstract

Introduction3

Challenges when setting up a business3

Major forms of business ownership. The advantages and disadvantages of each form4

"Niche" Products5

The advantage of "niche" company in a market5

Three reasons for customers to pay more for exclusivity6

Niche Company can chip away at a larger competitor's base7

References

Introduction

Business can begin in different ways, starting from small odd jobs, shops and finishing with huge profitable companies. By all means, any business demands a lot to be done. It cannot bring profits if the certain sums of money are not spent to start it. Basically, depending on the range of services and incomes, we should distinguish between small, medium-sized and huge business. Initially, it is advisable to create a solid business plan with clear and accurate outline, forecasting some financial information and establishing the strategy and position on the market. The initial concept of Urban Outfitters was to run a small shop, selling rare commodities, which could not be easily found at the other shops.

Challenges when setting up a business

There are a lot of challenges you have to consider when starting a business. Basically, everything starts from the idea. The sensible and logical chain between the idea and its application needs to be determined. I would personally suggest that fear of taking risk, insufficient income and low motivation tend to be the most typical challenges. If the individual is aimed to start his own business, he should be aware of the market situation as well as be good at decision-making, because business can either prosper or lose profits. Fear should be observed as psychological promotional power that forces the businessman to make sensible decisions. That is why, it should be observed as the guiding force on the very severe market, providing the organization the competitive advantage. Apart from that, businessman who only started running his business, may not be initially satisfied with his salary or income, which cannot justify expectations. Every year we lose hundreds of small business companies due to this challenge. The decreased income may indicate on poor management and low motivation of employees, which tends to be the third top challenge when starting a business. Facing some hindrances on the market, not all businessmen are able to successfully handle them. Being not enough motivated to change things for the better, the employees and management will not be balanced and business may easily fail. Furthermore, when developing the company's staff, it is necessary to employ skillful and reliable people and delegate the authorities correctly between them, which is not an easy task as well. Moreover, one more challenge is the lack of funds.

The lack of investment may speak about the poor start of business. In our case, Urban Outfitters were a small business, so it means that they initially depended upon the personal savings or investment. The lack of funds tends to limit business plans, where the entrepreneurs cannot take into account all possible variants of their company development. In addition, let us mention one more challenge, the lack of experience. People who start their business are firstly unable to deal with it independently. Having not enough profound knowledge and being limited to only core skills, businessmen need to be adept at accounting, planning and sales if they are interested to create the thriving company.

In case with Urban Outfitters, one more challenge is the reduced number of customers and reduced number of products providers, because rare commodities are not possible for mass production. The lack of attention to their “niche” products could be induced due to the fact that they were not selling mainstream products. Like Hayne and his wife, it is necessary to be the archetypes of counter culture and possess the enterprising personality to become successful in business. Doing volunteer work, both of them got enough experience, because such sort of work was very close to their business.

Major forms of business ownership. The advantages and disadvantages of each form

Talking about the major forms of business ownership, we should mention corporations, sole proprietorships and partnerships. Corporation is a legal entity that has the authority to act and liability, which is separate from its owners. The advantage of corporation is more money spent on investment, size of the company, perpetual life and limited liability. However, corporations tend to be unfavorable in terms of expensive initial costs and double taxation. As the example of corporations, we may show NJ and Conte Brothers Automotive in Cherryhill, New Jersey and Varsity Liquors in Princeton. Sole proprietorship is represented as a kind of business that is owned and managed by one person. Here, the businessman can be his own boss, in some cases leave a legacy and have a flexible working day. Thus, he is seen to have the limited financial opportunities and unlimited liability. The Brunswick Fitness Store in Marlboro, New Jersey, can serve as the example of sole proprietorship. Partnership may be understood as business between two or more

people. It tends to make the least amount of profits. Here the businessman has more financial resources, more shared management and, respectively, promising strategy in the long run. However, he also has unlimited liability, the problem with division of profits and is more prone to some conflicts than usual entrepreneur. Mobile Exchange in New Brunswick, New Jersey, tends to be a vivid example of such business ownership. Apart from three major forms, which are widely spread in USA, we should mention the additional one like LLC, which is the blend of partnership and corporate elements. To the advantages of Limited Liability Company we may enlist default taxation, limited liability and less administrative paperwork, whereas raising financial capital and renewal fees are disadvantages. All in all, any business ownership can be beneficial in terms of independence, financial rewards, learning opportunities, creating freedom and personal satisfaction. Meanwhile, any business ownership can have disadvantages linked to financial risk and stress.

"Niche" Products

It is necessary to mention here the “niche market”, the one that cannot be served by mainstream or larger providers. The “niche” product tends to be a rare commodity, which has the small or reduced number of customers. In other words, it can be defined as product that is made and marketed for use in specialized, but rather profitable market. In case with Free People’s Store and later Urban Outfitters, such “niche” products were used clothes, bohemian knick-knacks and “found objects” to the college crowd. To give more examples of “niche” products, we should mention Cities and the Census, which is a city journal for small percentage of population, sharing the information that cannot be found in trivial mass media. The hybrid vehicles can be referred to “niche” products as well as, for example, crutches, Rolls Royce and Faberge eggs.

The advantage of “niche” company in a market

The niche market is extremely favorable, but when the products are purchased and established as a brand. It can be understood from the purpose of the niche market “to find the need and to fit it”. One of the major reasons of opening the “niche” company is that it can be perceived as the monopoly and have the absolute competitive advantage due to the lack of competitors in this certain specific business branch. The concentration on small market segment is generally

considered to be better than pursuing the entire market. That is why, it is important to have a unique market offering, allowing satisfying customers' need. This may imply the opportunity to produce or tailor specific things in accordance with customers' wants. Leading marketing for a particular niche, we are likely to save marketing costs in contrast to huge expenses in the entire market.

The case with Urban Outfitters indicates what steps were taken to promote business. Those steps were done in congruence with their affordability. The Urban Outfitters can be shown as the example of successful company in a market. The "niche company" can be advantageous if the products are on demand. Hayne opened half a dozen stores, being already knowledgeable at market strategies and having constant clients. So, he decided to place his stores near colleagues, where students were more likely to purchase his things, later he located his new stores near the market, where there were crowds of people. When moving to the new larger location, the already divorced Richard Hayne was aimed to establish corporation. Developing the strong brand could result in the increased number of customers. When Hayne developed his Free People brand, he implemented the wholesale trade within his company. The brand helped him develop his own line of wholesale apparel distribution. Extending his staff and employing chief financial officer means that he was in dire need of accounting and was able to raise costs for three more shops. Respectively, his business was prospering. In several years he was able to open the chain of Anthropologie stores, developing the new niche in the retail apparel market.

Three reasons for customers to pay more for exclusivity

Having the strong position on the market, it tends to be easy to charge higher prices for the products. If the customers trust our product, they get used to it and become hooked on it. In case they are hooked and you have the steady business on account of constant customers, you may charge higher prices for your products. Satisfying personal needs of the clients concerning the particular product, the company's professionalism and efficiency are of a great value. Consumer buying habits are always grounded upon their personal wants and needs. Noticing the original product, they are prone to spend more money than when purchasing the trivial products. The

customer is always ready to pay more for the high-quality rare commodity. For example, the bridal boutique in New York can be the example of retail industry, functioning on the “niche” market. They are sure that their products will be sold. They know that many weddings take place regularly. They have few competitors. That is why, they are profitable. Moreover, customers are sure that if the product is exclusive, it tends to be more comfortable, which speaks about the improved perceived quality of the product. In addition, limited availability of the product means that it would be difficult to find it. That is why, sometimes people are obsessed with such products and huge sums of money are spent as the result. Self-gratification and egocentrism are the features of human character that force certain individuals to buy the rare commodities. The number of marketing tools is also applied, especially when the customers think the exclusivity implies the high price.

Niche Company can chip away at a larger competitor's base

In terms of competition, the niche company will always hold the original niche even if there are some followers who try to produce the similar products. The authenticity is not high as practice reveals. On the example of Urban Outfitters, we can see the distinctive company, offering the distinctive service, which possesses the absolute competitive advantage, being devoid of competitors on the market. In case they notice someone resembling them, they may always state that they were original. Here is the concept. If Urban Outfitters are the first ones to sell knick-knacks, they can chip away at other similar followers. All in all, I would recommend using three basic steps: to go after different sales or delivery channels to become the strong original leader, to provide a premium product or service and to specialize in one product line.

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