Selling web hosting to a niche

The web hosting market, whilst still in the growth stage of the product life cycle, is fast approaching the maturity stage. The characteristics of a mature market are:

* Sales grow at a much slower rate
* Companies start to differentiate their products through features and branding
* Price wars and price promotions are common to gain market share Companies begin to leave the market due to high costs and low margins
* Marketing spend becomes more widespread and uses a greater variety of media

This begs the question can anyone enter the hosting market and hope to make money anymore? The answer is in targeting a niche.

Why target a niche?

A niche by its very definition is much smaller than the mass market so revenue will naturally be smaller, but the profits could be much higher. By targeting a niche you avoid the costs involved in breaking in to a hugely competitive market. Large web hosts spend in excess of £1.5m a year advertising their products. A lot of web hosts come and go every year as the cost of acquiring a customer becomes just too high for all but the biggest of web hosts. Focusing on a niche enables you to focus your marketing expenditure on a tightly defined set of channels.

By positioning yourself as being directly associated with a niche you are able to position yourself as an expert in that field in a way no mass market company ever could and this is incredibly appealing to customers within that niche. You are also able to focus your customer service on that niche's needs, cutting support costs but increasing the quality at the same time.

Example niches that a host could target:

* Geographic area
* Linux/ Windows hosting
* Small businesses
* Travel
* Gaming in general or even a specific game
* Forum hosting
* Blog hosting
* Family web sites
* Music
* Web designers
* A popular CMS e.g. Joomla, WordPress, Drupal etc
* An age group e.g. over 50's
* Photography

Choosing your niche

When it comes to choosing your niche the two most important things are…

1. Do you have enough of an interest in that area to keep you motivated

2. Do you have the knowledge to successfully develop your proposition?

Having said that, if the market isn't big enough to sustain a business then all the hard work will be for little return. Here are a few methods to gauge the size of your market…

Google's Keyword tool https://adwords.google.co.uk/select/KeywordToolExternal

Google's Keyword tool will show you how many searches were made in the last month for particular keywords (whilst they round up to the nearest hundred the data is the same used within Google and it has not been massaged as some would have you believe). From that list you can pick out the categories that have the highest search volumes.

I would start by using a generic keyword such as "web hosting" and then rank it by local search volume. Scroll down and make a note of the niche searches you come across e.g. Business web hosting, Windows web hosting, ASP web hosting, cPanel web hosting, Christian web hosting etc. Then expand your search to other generic keywords people use when searching for a web host such as "create website" and then do the same e.g. create website blog, create a business website, create website forum, create a wedding website etc.

Google Trends http://www.google.co.uk/trends

Because the keyword tool will only show you data from the last month it cannot tell you if is there is an established base or is it just a fad? For example searching for "WordPress" demonstrates the increasing popularity of that software:

Existing competitors

Take a good look at who else is competing within that niche and their relative size and resources. If there are already a lot of big players aggressively targeting the niche you may want to look elsewhere or drill down to an even more specific group within that segment. For example, business web hosting is a well served market but you could look in to specific businesses categories e.g. law firms, restaurants, B&Bs etc.

Positioning yourself in the market

Once you have settled on your niche you will need to position your product and brand accordingly. The "4-P's" are always a good place to help get started. For this section I will use the example of someone targeting customers looking to use WordPress as their CMS.

Product

Everything from the product features to the product name must make it clear that I am a WordPress hosting expert and can be trusted to host their website. Features such as one click installation, free themes and pre-built in plug-ins and widgets help to differentiate my product from other web hosts. I would also provide in depth "How to…" guides for customising a WordPress website, increasing security, speeding up page load times etc.
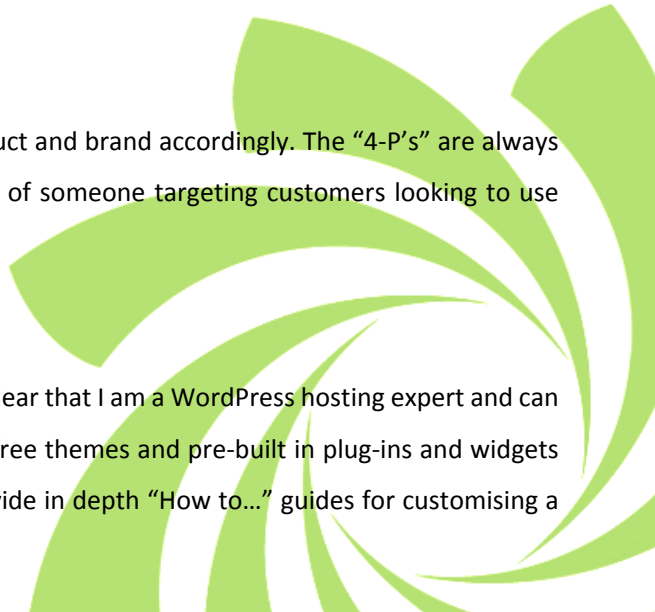
Price

Because WordPress is open source and free for me to install I can afford to reduce my prices slightly without it affecting the margins. Alternatively, if I chose to target premium WordPress customers my prices should be higher to reflect this as customers traditionally associate high prices with high quality and low prices with low quality.

Place

My website should be themed around WordPress and show all the great features that come with my hosting. A strong landing page clearly communicating my WordPress credentials and USPs are essential to convert my visitors in to customers. Customer testimonials and showcases are a great way to reduce a visitor's level of perceived risk. My on-site SEO efforts would be based around the keyword "WordPress hosting" and I would use that in the page title, H1 tag, anchor text and in my copy throughout the site.

Promotion

Because I am targeting WordPress users I can focus my marketing efforts on other sites that deal with WordPress such as WordPress galleries, tutorial sites, forums etc. This keeps costs down and my ROI will be much higher than if I put an advert in a generic PC magazine. I would choose either www.buysellads.com which has a massive collection of this type of website or target sites through Google's content network. I would also approach large web design websites about writing a WordPress tutorial to start building incoming links, a strong reputation within the market and of course, traffic.