

# Niche Marketing Strategy for SMEs

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## Abstract

*According to the statistics, over 90% of businesses in the world are small and medium-sized enterprises. They are also contributing to the growth of the economies and are capable of creating jobs. In developing countries, they play a vital role in the development of the country. One of the most successful strategies that businesses can implement is the use of social media. It has been shown that it can help them reach their target market and improve their efficiency. According to a study, over 50% of businesses in the country are small and medium-sized enterprises. These types of businesses are vital to the development of the country and contribute to the employment of many people. In developing nations such as India, they play a vital role in the reduction of poverty and improving the quality of life. One of the most effective strategies that businesses can use is the niche marketing. This strategy is very beneficial for small and medium-sized enterprises as it allows them to build a strong relationship with their customers. A good relationship with customers is very important for a successful business. In India, this strategy is being followed by various companies to expand their operations and find new opportunities. Uttarakhand is a perfect state for upcoming businesses. One of the most effective strategies that businesses can use is the niche marketing. It has been reported that many companies around the world have been able to successfully implement this strategy. This strategy allows the managers and owners of small and medium-sized enterprises to build a strong relationship with their customers.*

**Keywords:** SME, Niche Marketing, Marketing Strategy

## Introduction

Competition is one of the most critical challenges faced by small and medium-sized enterprises globally. They are considered to be vital to the nation's economy as they can create new jobs and reduce unemployment. According to (Khan and Muhammad) and (Sherazi et al.), this segment of the business is also expected to contribute to the country's GDP.

Due to the importance of competition to the nation's economy, it is important that the government and private sectors work together to improve the capabilities of small and medium-sized enterprises (Akmal et al.; Hilmi et al.). They are also expected to contribute to the development of the country's economy by increasing the confidence of investors.

According to (Wadood et al.), SMEs need to develop a system and structure that will allow them to become more competitive. They should also enhance their ability to anticipate and respond to changes in the market.

In order to become more competitive, small and medium-sized enterprises need to develop their systems and structures. This can help them improve their capacity to deal with changes in the market. The Organization for Economic Cooperation and Development (OECD) noted that small and medium-sized businesses are a vital part of the global economy. They can help countries achieve their goals by creating new jobs and reducing unemployment.

According to (Wadood et al.), almost all businesses in the world are composed of small and medium-size enterprises. In the UK, for instance, SMEs make up 99% of the country's total business population.

In China, small and medium enterprises make up 99% of all firms, and they contribute around 70% of the country's total employment. As for developing nations such as Malaysia, SMEs are estimated to account for over 96.1% of all business establishments. They contributed 32% to the country's GDP in 2008. In Thailand, SMEs make up 99.5% of all businesses. They contribute 42.35% to the country's GDP.

To be successful in today's hyper-competitive market, a company must first identify and specify its potential market place. According to (Thilmany), SMEs typically lack the necessary budget for marketing. To increase their product quality, they should focus on geographical identity.

The concept of niche marketing is often described as a combination of specialization, long-term relationship, and constricted markets. According to (Dalgic: Niche Marketing Principles), niche marketers are taking advantage of one-to-one marketing concepts. He also noted that relationship marketing is becoming more focused on detailed information usage.

Being more focused on your target market and identifying your potential customers are some of the key factors that small and medium-sized enterprises need to consider in order to succeed in today's competitive environment. The growth of small and medium-sized enterprises has been a key factor that has contributed to the development of economies. They are a major component of the industrial activity of many countries and are also contributing to the creation of jobs.

Small and Medium-sized Enterprises (SMEs) have been instrumental in the growth of India's economy. They have contributed significantly to the country's GDP and created employment opportunities.

Due to the increasing number of small and medium-sized enterprises, they are often forced to follow a certain marketing strategy. This paper aims to provide a comprehensive analysis of the various marketing strategies that are available to them.

### **Niche Strategy**

Although niche strategy can help firms realize better profits, its long-term success is not guaranteed.

For instance, the demand for the product or service may decline or disappear, or the market may become more attractive to new entrants.

Niche strategies have been around for a long time, and marketing scholars such as Johnson, Massy, Kotler, and Claycamp have long supported the idea that they can provide firms with better profits than average. However, in 1980, Porter defined them as generic business strategies.

Since niche strategy was first introduced, it has resulted in a substantial amount of research.

### **Niche Marketing Strategy and SMEs**

For small and medium-sized businesses, niche marketing has been a vital part of their operations. It allows them to reach out to a specific demographic or group of people and successfully compete in the market. From Merriam-Webster, niche refers to the situation in which a company can offer its services or products to a specific kind of people.

Identifying and branding one-of-a-kind consumers is called clustering. This process can help businesses develop effective marketing strategies. It can also help them create a plan that targets their ideal customers.

Niche marketing is often used as an umbrella term for various types of marketing, such as micromarketing, targeted marketing, and regional marketing. Although some authors claim that there is no clear definition for this concept, several attempts have been made to capture its essence. Niche marketing is often associated with market segmentation. It is also referred to as a pull marketing strategy.

According to (Cuthbert), niche marketing involves identifying the market and developing a product that fits that market. This strategy is similar to a concept known as "big fish in small pond."

(Thilmany) stated that niche markets are composed of groups of consumers who are similar in terms of their buying behavior and lifestyle characteristics. He also explained that even individuals with similar buying habits have different motivations.

(Dalgic and Leeuw) defined a niche market as a group or individual of consumers who are similar in terms of their buying habits and characteristics. They also noted that niche marketing is a strategy that

positions a company in a small, profitable market segment.

According to (Amubode), niche marketing is a strategy that focuses on the needs of a specific market or group of consumers. It allows companies to address a need that is not being met by mainstream providers.

(Parrish) defined niche marketing as a strategy that focuses on a specific consumer segment or market. (Toften and Hammervoll) coined the term focused marketing strategies as a type of strategy that involves a few competitors and customers. This type of strategy is commonly used in conjunction with other types of marketing such as product differentiation and firm specialization. Although it can be hard to define what niche marketing is, there are some characteristics that can help you understand it better.

According to (Schaefer), in general, consumers prefer products that meet their needs at a better price than the mainstream equivalents. This is why niche markets can provide organizations with growth potential. For instance, Apple has successfully expanded its market share and become a household name due to its iPad.

Practitioners and philosophers have advanced niche marketing as a viable strategy for small producers who want to take advantage of the opportunities that larger firms may not be able to provide. It enables companies to differentiate themselves from the crowd and address the needs of a specific consumer group. According to (Dalgic and Leeuw), in order to survive and thrive, companies need to find niche markets that are similar to their buyers.

According to (Schaefer), consumers are more likely to prefer a product from a niche market if it fulfills their needs at a better price than the mainstream equivalents. This is why niche markets can provide organizations with growth potential. For instance, Apple has successfully expanded its market share and become a household name due to its iPad.

Practitioners and philosophers have stated that niche marketing is a viable strategy that enables small producers to take advantage of the various opportunities that larger firms may be unwilling to provide. It allows them to differentiate themselves from their

competitors and reach a specific consumer group. (Dalgic: Niche Marketing Principles) noted that in order for companies to thrive, they need to find a niche market that is similar to their buyers. According to Dalgic, in order for companies to thrive, they need to find a niche market that is similar to their buyers.

A survey conducted by (Linneman and Stanton) revealed that many Fortune firms are already serving the small segment of the market. The study revealed that the average return on investment for small businesses was 27 percent, while that for larger companies was only 21 percent. Many companies in the US have started using niche marketing as a viable strategy. (Echols and Tsai) stated that niche marketing can help companies outperform their average earnings because it works in a well-established market.

In a study conducted by Echols and Tsai, they noted that niche marketing has gained widespread attention in management research. Strategic management scholars also regarded it as a way to compete in the marketplace. The proper identification of a target market and the use of niche marketing strategies can significantly affect a company's overall competitiveness and success.

## Conclusion

According to some marketing professionals, the mass market is beginning to break down. Instead of being able to target homogenous groups of consumers, the market for various products is becoming increasingly complex, which could make mass market offerings redundant.

The holiday market is a good place to start. Ten or fifteen years ago, package holidays were very popular among British holiday makers. Now, customers want something a bit different, and the internet allows them to create their own holiday packages.

Niche marketing is a better option than mass marketing for Small and Medium-sized Enterprises (SMEs) due to the various advantages it offers.

According to the literature, a solid reputation is very important for a company to be successful, and niche marketing can help build that reputation. As a result, it is very important for Small and Medium-sized Enterprises (SMEs) to adopt this

strategy. It is also important that the country's Small and Medium Enterprises (SMEs) adopt a niche marketing strategy to improve their sales and profitability.

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