
Niche Marketing Revisited: Concept, Applications and Some European Cases

Niche
Marketing
Revisited

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Introduction

Niche marketing is an approach which has been applied successfully by several companies around the world. Despite its growing interest and increasing popularity there seems to be limited research on this subject. Although several papers have been published in this area, they are predominantly from a practitioner's point of view. From an academic perspective research publications seem to be limited to some general definitions and brief explanations, under the general heading of "segmentation" or "positioning", in some marketing textbooks. This article will attempt to bring together both the practical and conceptual aspects of niche marketing leading to a set of guidelines which may be used as a deliberate marketing strategy.

Niche marketing has been with us for some time. What is new, however, is the increased diversity of markets, advanced technologies enabling new marketing approaches and the deterioration of large companies and their traditional marketing approaches. Niche marketing seems an appropriate method to be employed in this changing environment. It also seems appropriate, with the unification of the present markets of the European Union and future enlargement towards the creation of Euromarketing[1], as well as further globalization of other markets and an increase in competition among companies active in these markets.

Due to this intensification of competition a shake-out may take place in these markets leaving only the strongest. Niche marketing may help companies to remain among the healthy survivors. Companies which want to survive, grow and be profitable may be forced to find markets which have:

- sufficient size, to be potentially profitable;
- no real competitors, or markets which have been ignored by other companies;
- growth potential;
- sufficient purchasing ability;
- a need for special treatment;
- customer goodwill;

- opportunities for an entrance company to exercise its superior competence[2,3].

The above characteristics may be termed niche characteristics. They could, however, just as well apply to a market segment. A further analysis of the differences between a segment and a niche, in the section entitled: "Niche Marketing Versus Segmentation", will clarify this issue. Another characteristic according to Kotler[3] is that niches are relatively small. Although niches might be comparatively small initially, they might grow to become large markets. According to McKenna[4], "most large markets evolve from niche markets".

What Is Niche Marketing?

Target marketing, focused marketing, concentrated marketing and micro-marketing are all used as synonyms for niche marketing. Although they exhibit substantial similarities they differ to some extent. In this section we will not attempt to explain these differences. We will however attempt to define niche marketing. In order to do so, we have to establish the meaning of the word niche.

What Is a Niche?

Webster's Dictionary[5] describes a niche as:

a recessed space or hollow; specifically a recess in a wall for a statue or the like, any position specifically adapted to its occupant.

According to the *Penguin Dictionary of Biology*[6] an ecological niche has the following meanings:

A particular role or set of relationships of organisms in an eco system which may be filled by different species in different geographical areas.

Some marketers have long advocated the use of ecology or biological theory in marketing in order to study markets. A relationship may be drawn between the ecological niche and the market niche[7]. This refers to ecological niche and market niche similarities. In both cases, organisms and organizations live in their immediate physical environment and are able to continue their life forms in a changing environment. An eco-system in biology may serve as an analogy for the macro-environment of an organization which continues its life without being threatened by the environmental forces. Another definition is given by Keegan *et al.*[8]. They define a niche as "a small market that is not served by competing products". Hooley and Saunders[9] use the word "pocket" to define a niche.

We consider a niche to be a small market consisting of an individual customer or a small group of customers with similar characteristics or needs. In niche marketing a company focuses on a market niche exhibiting the above characteristics. In such marketing we can make a distinction between two approaches:

- (1) To see niche marketing as a creative process, as Chalasani and Shani[10] termed nichemanship, which is “a process of carving out a small part of the market whose needs are not fulfilled. By specialization along market, customer, product or marketing mix lines, a company can match the unique needs”.
- (2) To see niche marketing as the last stage of segmentation, taking place in the following sequential stages: segmentation, targeting, positioning and niching[8].

A more general definition of niche marketing is provided by Stanton *et al.*[11] as a method to meet customer needs through tailoring goods and services for small markets.

Figure 1 depicts the development of a niche marketing strategy in support of the first approach.

Niche Marketing versus Segmentation

It is often assumed that segmentation is a starting point in niche marketing. Chalasani and Shani[10], however, hold a different view. According to them “segmentation is the process of breaking a large market into smaller pieces. It is a top-down approach”. They further state that “niche marketing is a bottom-up

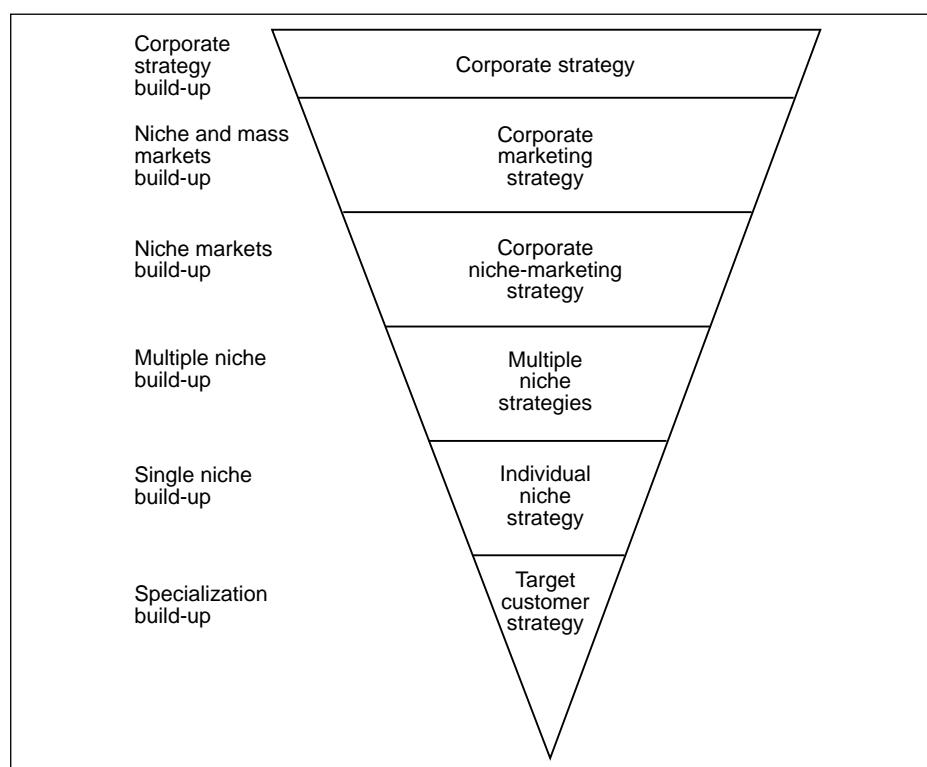


Figure 1.
From Niches to Riches:
A Bottom-up Approach
for Niche Marketing

approach where the marketer starts from the needs of a few customers and gradually builds up a larger customer base"; this is in contrast to breaking up a market into smaller markets. In this respect niche marketing may be termed as inverted or reversed segmentation. This view opposes the concept which perceives niche marketing as the last or final stage of segmentation.

Other observed differences are that :

- a niche is usually smaller in size compared with the size of a segment;
- a niche focuses on individuals – in a segment we focus on a so-called homogeneous group;
- a niche fulfils a specific need in contrast to a segment where the emphasis is on being a manageable part of the market.

Kotler[3] suggests that the key idea in niche marketing is specialization and he provides the following ways in which to specialize:

- end-user specialization;
- vertical-level specialization;
- customer-size specialization;
- geographic specialization;
- product or product-line specialization;
- product-feature specialization;
- job-shop specialization;
- quality/price specialization;
- service specialization;
- channel specialization.

Kotler's[3] idea of specialization leads us to the distinctive competences a firm needs to possess to pursue niche markets. According to Pavitt[12].

innovating small firms are typically specialized in their technological strategies, concentrating on product innovation in specific produced goods such as machine tools, scientific instruments, specialized chemicals and software. Their key strengths are in their ability to match technology with specific customer requirements.

We may conclude that niche marketing could be defined as positioning into small, profitable homogeneous market segments which have been ignored or neglected by others. This positioning is based on the integrated marketing concept and the distinctive competences the company possesses.

The previous definition addresses five essential elements of niche marketing:

- (1) positioning;
- (2) profitability;
- (3) distinctive competences;
- (4) small market segments;

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- (5) adherence to the marketing concept.

These ideas have been incorporated within the Guidelines we developed for practical application. (See “Practical Guidelines”, Step 1.)

Other essential elements not mentioned explicitly in this definition, although included, are long-term relationships and company reputation. This brings us to the concept of relationship marketing which can be defined as “a marketing strategy that seeks to establish an ongoing business relationship with customers whereby the product becomes the total relationship” [8]. In niche marketing, long-term, strong relationships are key. In order to develop them, we have to practise relationship marketing. In this approach we try to build a relationship for the mutual benefit of both parties. Through this win-win situation the niche marketer can build a barrier to deter potential competitors and sustain long-term profitability as well as customer retention and supplier relationships [13]. According to Copulsky and Wolf [14] the relationship marketing process incorporates three key elements:

- (1) Identifying and building a database of current and potential customers.
- (2) Delivering differentiated messages to these people.
- (3) Tracking each relationship to monitor the cost of acquiring the consumer and the lifetime value of his purchases.

In relation to the first element, Blattberg and Deighton [15] stressed the need for a customer database in order to keep track of customer preferences and increase marketing effectiveness. They claim that “niches too small to be served profitably today will become viable as marketing efficiency improves”. Without further embarking on this process it must be clear that the central theme in relationship marketing is that those companies which can relate to and satisfy the customer in the most comprehensive way over a period of time will survive and thrive competitively. (See “Practical Guidelines”, Steps 2, 4 and 7.)

The other concept of major importance to niche marketers is reputation. In niche marketing you do not only market your product, you also market your business; reputation is key. According to McKenna [4], “niche marketing depends on word-of-mouth references and infrastructure development, a broadening of people in related industries whose opinions are crucial to the product’s success”. We may conclude that a solid reputation in the minds of the customers is essential to be successful as a niche marketer.

Evolution of Niche Marketing

General Observations

Since the 1980s mass-marketing companies have been under enormous pressure from niche marketers, who are nibbling away at the major markets of these mass-marketing companies. These niche marketers are steadily eating up parts of formerly traditional mass markets. New demands, changing customer motivations and further individualization (both business to business as well as business to consumer marketing), have created a multitude of diverse and

fractured markets in contrast to what once was a simple mass market. This fragmented market, also termed “multiple option society” by Naisbitt in his book *Megatrends*[16], is mainly technology driven. These new markets need a new non-traditional approach of marketing from these larger companies in order to keep and expand their currently held markets. According to Sheth[17], changing macro-economic forces are reshaping marketing strategies. Consequently, doing faster and better may not be sufficient and, instead, businesses will be required to develop new marketing concepts and practices[18]. American and European mass markets have been broken down into fragmented markets due to several causes since the Second World War; these causes, as identified by Linneman and Stanton[19], McKenna[4], and Rapp and Collins[20] which have led to this profusion of smaller markets, are:

- single-parent households, families with double income and no children, yuppies;
- working women, overweight people, tall people;
- increasing minority markets;
- technological advances;
- the evolution of consumer countervailing power;
- changing demographics and lifestyles;
- the demands on personal time;
- overcrowding by too many products, services and stores;
- the weakening of the magic in network television advertising;
- the decline in brand loyalty;
- advertising clutter, overkill and waste;
- feeding the discount promotion monster.

To fulfil the demands of these newly emerging markets requires, among other things, flexibility and differentiation. In today’s fragmented market we have to tailor our products and marketing mix to suit the different tastes of the customers. In niche marketing the focus is on the customer and on profit; niche marketers specialize in serving marketing niches. Instead of pursuing the whole market (mass marketing), or large segments of the market, these firms target segments within segments or, for the sake of simplicity, niches. This is true for small firms in particular due to their often limited resources, but it also applies to business units within large firms.

Underlying Trends

Smaller companies do not have a monopoly on niches but they may be better focused and equipped to serve these specific markets, in contrast to their big brothers. There are smaller, nimbler companies, termed the “Third Force” by Ferguson and Morris[21], which have gained ground from the bigger US and Japanese computer giants, for example Dalgic[22] likens this competition with

niche marketers to guerilla warfare and labels it as “Guerillas against Gorillas”, gorillas being the giants. Larger companies like IBM and Philips may also make use of niches but they, like most large companies, will have to change their ways of doing business and adapt their organizations to enable them to take hold of niches as a part of repositioning. IBM, in its quest for profit and IT leadership, has announced further decentralization and the formation of strategic business units to enable them to carry out this process. The former chief executive officer (CEO) of IBM, Aaker[23] said: “we expect that more independent businesses will make better investment decisions because they are more agile, faster and closer to the markets they choose to serve”. Whether the proposed actions of CEO Aaker will prove successful remains to be seen. However, we may conclude that large mass marketing firms will need to adapt to this change from uniform markets to individualized/fractured markets.

Niche marketing for larger firms, among others, could mean:

- new opportunities for healthy profits in smaller markets;
- a new approach to the market from uniform to fractured;
- smaller profits per market, but more markets;
- an easier defence against potential competitors, by creating safe havens;
- structural internal organizational adaptation which due to inherent cultural changes, could be a lengthy process[4,8,11].

An example of a large company pursuing and organized for a niche strategy is Johnson & Johnson, the health-care company. It consists of 170 affiliates (business units), most of which pursue niche markets. In a 75 per cent response survey conducted by Linneman and Stanton[20], among all *Fortune* 1,000 firms, the results showed that almost all these firms have, in some way, started to serve smaller segments. This indicates that most of these companies are abandoning traditional mass-marketing techniques and are steadily switching over towards niche marketing. Niche marketing, from the viewpoint of larger firms, may be seen as selling big by selling small, meaning selling to as many niches as possible, where each niche is a small market aggregating into a large one. As Kotler[24] observed, companies usually have niche markets at the initial stages of their product life cycles as in the case of The Body Shop. This company has leapt from being a local niche marketer to an international niche player. It has found a niche market in cosmetics; as reported by Dibb and Simkin[25] “based on a clear understanding of certain customers’ needs and a very distinctive positioning strategy, The Body Shop is one of the world’s fastest growing and most successful niche retailers”.

Customer focus helps companies to respond faster to the dynamic changes in customer demand but it takes more than customer focus to become a successful niche marketer as McKenna[4] points out: “an essential requirement for approaching markets however is for the company to focus on the fragmented, ever evolving customer base as if it were part of the own organisation”. According to Piercy[26]: “being market-led is simply about putting the

customer at the top of the management agenda and list of priorities. It is about focus on the customer, specialising on the customers' unique needs, finding better ways of doing what the customer values, educating and informing the customer, commitment and care. This is the only thing we have that genuinely makes sense of our business operations". (See "Practical Guidelines", Step 2).

In order to create a better positioning for your product in the marketplace you have to differentiate your product from your competitor. Your product should not be just a "thing" but should include added values like service, good customer perception, quality, word-of-mouth references, company image, etc. In niche marketing you do not only market your product, you also market your business.

In niche marketing you focus on the customer and you provide the customer with the products they need, now and in the future. If you can involve your customer in the design of your product you are half-way there. Some IT companies such as Apple have done this. They worked with the customer to create new applications and as a result found new niche markets, like desktop publishing. (See "Practical Guidelines", Step 5).

Niche Marketing and Mass Marketing – A Comparison

In marketing management we have moved through several stages: from the production concept to the selling concept and from the selling concept to the marketing concept. The marketing concept holds "that the key to achieving organisational goals consists in determining the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than your competitors" [3]. It may be argued that this concept is better suited to niche marketing than mass marketing, as an approach to present-day fragmented markets, because niche marketing functions closer to the customer. Niche marketing has recently become a trend as a result of severe competition in mature markets. Standardized mass production and trying to sell the same product to masses of consumers seems to become less profitable in these mature markets.

Most managers were taught that mass production and mass marketing were the most advanced and efficient methods to produce and market products. In today's competitive world there still is a strategic debate about the desirability of mass marketing, focusing on standardization, or niche marketing, focusing on customization or tailored products for niche markets. Although there can be benefits to mass marketing it may be argued that niche marketing is more equipped to deal with the existing and rapid changing mini markets. As stated by Kotler [24], mass marketers, "engage in the mass production, mass distribution and mass promotion of one product for all buyers". Verhage *et al.* [27] state three arguments in favour of the mass marketing strategy:

- (1) Economic advantages can be gained through economies of scale and experience curve effects.
- (2) Strategic price mechanism.

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- (3) Competitive – if the economic and strategic argument has been achieved, the company can be competitive, through offering the “best” product at the “best” possible price.

In mass marketing – undifferentiated marketing – a company attempts to reach buyers with one product with one marketing mix. In the product-oriented era of marketing the so-called mass marketing strategy was pursued by many companies. Coca-Cola, for example, which was only available in one flavour and in one type of bottle. In this era, entrepreneurs perceived the market as one aggregated market, predominantly focusing on the common needs of customers instead of focusing on differences. Mass marketing does still take place, especially with “undifferentiated” products such as sugar, salt and milk. But even these are becoming more and more differentiated. According to Porter[28], by making units of a fairly standardized product and underpricing everybody else, you can attain overall cost leadership; this is one of the most important arguments in favour of undifferentiated marketing.

The difference between mass marketing and niche marketing can be characterized by differences in organizations. A mass marketing company can be characterized as being centrally led and bureaucratic which may lead to inflexibility. Niche marketing organizations can be characterized as being decentralized, with several strategic business units if the company is large. If the company is small it can be characterized as being concentrated on one part of the market. This entails anticipative decision making which constitutes responsiveness and flexibility. In *The Third Wave* Tofler[29] talks about the de-massified society as a part of the corporate identity crisis. He states that “the mass society, for which the corporation was designed, is beginning to de-massify. Not merely information, production and family life, but also the market place and the labour market as well are beginning to break into smaller, more varied pieces”. The beginning of de-massification has created a plethora of smaller markets which demand continuous change and customization.

An economic argument in favour of niche marketing, in contrast to mass marketing, is “greater profits”. As Kotler[3] suggests:

Why is niching profitable? The main reason is that the market nicher ends up knowing the target customer so well that he meets their needs better than other firms that are casually selling to this niche. As a result, the nicher can charge a substantial markup over costs because of the added value. The nicher achieves high margin, whereas the mass marketer achieves high volume.

Many companies (Campbell, Coca-Cola, IBM, for example) are changing or have adapted from what once was viewed as a single mass market towards a multitude of smaller markets. Some are still focusing on too large segments but this differs depending on whether the product is classified as a commodity or a specialty product. Jain[30] points out that:

A firm which chooses to serve commodity markets must be the low-cost producer. Specialty manufacturers are less concerned with cost; they must isolate the customer segments they wish to serve and develop a superior product at an appropriate price.

But even when a product can be classified as a commodity a niche marketing approach can be successful – like Diet Coke or Nutrasweet. Diet Coke contributes only 4 per cent of Coca-Cola's sales volume and might be considered as a narrow segment or niche, but it contributes "more net profit from in-home sales than did the mainstream product, Coke", as reported by Linneman and Stanton[19]. Another group of researchers, Hammermesh *et al.*[31], after analysing successful niche marketers, found the following niching characteristics:

- an ability to segment the market creatively, focusing activities only on areas where a company has particular strengths that are especially valued;
- efficient use of R&D resources, using them where they can be most effective;
- thinking small: adopting a "small is beautiful approach".

If the marketing concept is adhered to, it is clear that a marketing strategy must be adjusted or tailored to the markets. Recent research results support this view and investigate the constructs and antecedents of market orientation which shows us that adherence to the marketing concept, known as market orientation, is a basic requirement for success[32-34]. It is often argued that niche marketing is only for small firms. It is interesting to know, however, that most of the successful medium-sized companies today are niche marketers. There are some common factors observed among them. These firms are:

- offering high value;
- charging a premium price;
- creating new experience curves and shaping a strong corporate culture and vision[35].

According to Tom Peters[36], the backbone of German economic success is the small and mid-sized companies, almost all of which are niche marketers. Linneman and Stanton[20] also reported a study, carried out by the Strategic Planning Institute, called "Profit Impact of Marketing Strategy" (PIMS), which investigated hundreds of business units from different types of businesses: "It was reported that the return on investment from larger markets averaged 11 percent. By contrast, the return on investment from smaller markets was 27 percent" This supports a niche marketing approach.

We can draw a parallel between mass marketing and niche marketing in that niche marketers often evolve to mass marketers and mass marketers return to be niche marketers. It seems that most companies start out as niche marketers and evolve into mass marketers as their product life cycles tend to develop into maturity and once maturity is reached and saturation starts, innovation occurs and former mass markets tend to return to niche markets. A similarity which can be notified between a large niche marketer and a mass marketer is that they both control a large market; the niche marketer however controls aggregated/

linked niche markets in contrast to just one large market. (See “Practical Guidelines”, Step 9 and Figure 1).

A combination of mass marketing and niche marketing approach can be found in mass customization. Technological advances such as CAD/CAM have made it possible for marketers to customize their offerings for individual buyers. Some car manufacturers, for example, like BMW and GM, offer their customers, within some constraints, the opportunity to custom design their own cars.

Choosing a Niche Strategy

When do we choose a niche strategy? According to Leeflang[2], a niche strategy is selected under the following conditions:

- If the company concerned has the ability to approach a niche in a specific manner, better and different than others.
- If the company is able to create a considerable amount of goodwill in a relatively short period, in order to deter potential competitors.

Jain[30] labelled a niche strategy as a single marketing strategy which can be employed for the following reasons:

- to avoid competition/confrontation with larger competitors and to devote its energy to serving a unique market;
- to enhance an opportunity;
- survival.

Another reason for choosing a niche strategy, in our opinion, is its use as a competitive strategy. It can be used to penetrate large markets or existing segments, as was done with ORAL-B, the children’s toothpaste: a weak spot was discovered in the toothpaste market and was subsequently filled by positioning ORAL-B as a niche brand. (See “Practical Guidelines”, Step 3).

Leeflang and Beukenkamp[37] warn against choosing a niche strategy and the inherent danger of hyper-segmentation – i.e. selecting niches which are too small. This can, however be countered through contra-segmentation – joining several niches. Leeflang[2] suggests the following points to be taken into account when identifying and selecting a niche strategy:

- realizing sustainable competitive advantages with products in specific markets;
- advantages must be based on long-term interests of customers;
- long-term interests can be transformed into long-lasting relationships with different interest groups;
- taking initiatives to sustain relationships.

Making a Niche Marketing Strategy Work

General Examples

The slogan “getting bigger by acting smaller” is one which can literally be applied to niche marketing. Large companies, as well as medium-sized and smaller ones, see the opportunities niche marketing can provide. Consider the following examples:

- American Express introduced several credit cards applicable to as many niches, e.g. the gold card for moderate users, and the corporate card for business users, and the platinum card for heavy users. This has been followed by other credit card companies like Visa and Access (See “Practical Guidelines”, Step 11).
- Niche publishers have arisen, e.g. *Woman's Day*, *Better Homes and Gardens*. (See “Practical Guidelines”, Step 8).
- BMC Software Inc. jumped into a niche which IBM created through producing mainframe software that is not as efficient as it could be. BMC filled that gap with packages that let mainframes run faster, pack more data onto disks and make databases easier to update. This saves the customer money and helped BMC into a niche of US\$90 million. The company's earnings jumped by 50 per cent to \$1 million in one year. (See “Practical Guidelines”, Step 3).

Some European Cases

Due to its fragmented character, old traditions, regional differences and different nationalities, Europe could be considered to be a breeding-ground for niche marketers. Although used by several marketers, mass marketing as opposed to niche marketing is not really suited to Western Europe. National identity, regional characteristics and traditional business practices have played, and do play, important roles in the formation of successful Euro-niches. These traditions and fragmented national markets may hinder the application of large-scale mass-marketing techniques in the Euromarket and postpone the realization of expected benefits of Europe-1992 measures. However, Euro-niches may be found across the Euromarket which may give the same economic benefits as mass marketing as well as the benefits of niche marketing. Consider the following examples:

- The Dutch banking organization Direktbank uncovered a niche through focusing on a market other bankers ignored. They concentrated on the growing market for loans to the elderly which seems to be a very profitable market. The same approach could be used in other European countries with a high proportion of elderly citizens. (See “Practical Guidelines”, Steps 10 and 11.)
- The Dutch supermarket chain Albert Heijn introduced some special programmes enabling customers to select their own amounts of products (e.g. vegetables, dog food, sweets). This is profitable for Albert Heijn and

also profitable for the customer; it makes the products more accessible to customers, resulting in increased usage and decreased costs for the retailer. The same method has been followed by other European food retailers. (See “Practical Guidelines”, Step 11.)

- Bavaria, a Dutch beer producer, identified the need for an alcohol-free beer, due to the fact that people want to drink and drive – a key buying motive for purchasing beer without alcohol – which proves to be a very successful niche market in The Netherlands. The same method has been applied in other European markets. During the Gulf War, Bavaria also exported a million cans of alcohol-free beer, to the Gulf for the consumption of the Allied Forces, per week. (See “Practical Guidelines”, Step 11).
- Pickwick is a Dutch tea brand of Douwe Egberts, a Dutch food producer. The company found a niche market through producing tea with specific tastes such as strawberry, melon, orange, lemon etc., with which they found new niches. (See “Practical Guidelines”, Step 11).
- Linx Printing Technologies is a UK-based company in the industrial inkjet market with an estimated value of \$50 million. Industrial inkjet printing is a niche technology which has so far escaped the attention of the big battalions of the electronics industry. (See “Practical Guidelines”, Step 7).
- The German firm Scharman, producer of machine tools, found an opportunity by solving an intractable problem for Carterpillar Inc.’s Belgian operations. This job convinced the company to focus on high-quality products that it could sell at a premium. This strategy has been an undeniable success. In 1970 Scharmann sold 150 machine tools for \$18 million. In 1987 sales totalled \$100 million. (See “Practical Guidelines”, Step 11).
- SAP, a German software firm, specializes in writing special software for IBM mainframes and, as a result, uncovered a very profitable niche market. Today SAP is one of the most successful software houses in Europe. (See “Practical Guidelines”, Step 5).

Practical Guidelines

Here, we would like to elucidate some practical guidelines for using a niche marketing strategy. There are many pitfalls to niche marketing, and to avoid them; Linneman and Stanton[19] have provided us with some essential guidelines to develop and successfully implement a generic niche marketing strategy. We have used these guidelines and some others, together with the experience of real-life examples, to create a step-by-step approach. They by no means represent the ultimate and only method to make a niche marketing strategy work. However, they provide a general checklist to prevent potential marketing mistakes.

Step 1: Know Yourself

Know your company's strengths and weaknesses, its uniqueness, competitive advantages, distinctive competences, regional and traditional characteristics.

Step 2: Know Your Customer

To be able to focus on specific niches or customer groups you need exact information on these customers. Unlike mass marketing techniques we cannot make assumptions about specific customer groups. You have to know your market and you have to know it better than your competitor. The key to getting to know your customers is through talking and listening to them. This can be the key to success because it will provide the necessary information on which to focus. Proposed actions include:

- gain economies of knowledge in contrast to economies of scale;
- know your customers and their business; become a specialist in the business of your customers;
- know your competitor;
- know your environment;
- customize your product to suit the customer's business: do not suit it to suit your own business;
- focus on the customer, be market driven.

Step 3: Know Your Competitors

Find out why customers do not use your products but use competitors' goods and find out how you can persuade them to purchase your products. This might be accomplished through repositioning your offering or through other means.

Step 4: Develop a Continuous Information System

Present-day database techniques can provide us with a comparatively cheap, efficient marketing tool. This database can register prospects and customer traits. The types of data needed, however, are the data needed for decision making. In niche marketing we do not need sales volume but profit figures. This is due to the fact that in niche marketing we make a decision based on profit and not on sales volume, which is of secondary importance. Customer databases need to be linked to other marketing information systems and business intelligence systems in order to be responsive to the marketplace.

Step 5: Apply Differentiation

Be differentiated, not just different; offer significant benefits to your customers, determine what your customers real values are and appeal to these values better than anyone else. Position by differentiation and segmentation. Position on your own strengths and the weaknesses of others. Develop a clear product image for each niche. Communicate how your product can fulfil key buying motives.

Step 6: Do Not Compete in the Same Market Segments with Yourself

Avoid competing with your own products in the same market segments. Do not let your “soldiers” fight with each other; so, be specific in defining your own niches.

Step 7: Create Your Safe Haven

Create high entry barriers through building a close relationship with your customers, patents, copyrights, alliances and relationship marketing. Cover all the bases to deter potential competitors.

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Step 8: Do Not Spread too Thin

If you have discovered one niche you’ll probably end up finding more, but make sure that you do not exceed your limit by expanding all your abilities and resources; stay flexible.

Step 9: Develop a Corporate Marketing Strategy

You cannot develop your niche markets as stand-alone markets but you have to link them to gain synergies and create efficiency. For large firms this could entail linking the SBU’s niche marketing plans into a corporate plan.

Step 10: Be Alert, Be in Control

It is essential to watch constantly for shifts in the marketplace and to respond to them.

Step 11: Do Not Be Static, Look for New Pastures Continuously

In addition to the methods already mentioned for locating niches, here are some further approaches to locate niche markets. It should be determined why those who use your competitors’ products do not use yours and how you can turn them to your products; this might be done through repositioning your marketing offer or through other means. Regarding those who don’t use your or your competitors’ products – find out why. Consider the possibility that creating new products/services for an old category may mean new solutions to old problems. Consider conglomerate diversification (be careful, watch your resources). Look at emerging markets.

Step 12: Minimize Your Dependence on Any One Customer or Product

Do not put all the eggs in the same basket. Try to increase your alternatives. Create more room to manoeuvre.

Conclusions and Recommendations

Niche marketing could be viewed as the implementation of the marketing concept, in that niche marketing requires a customer/market-oriented organization which is customer focused, competitor oriented, responsive, anticipative and functions in balance with the market and with internal

resources; in pursuit of long-term relationships and sustainable profitability. Niche marketing is a continuous process.

In this article, we tried to cover all the important studies, to reach a general understanding and develop basic guidelines for the application of niche marketing strategies. This is only a start. Further empirical and theoretical research is needed to determine the success factors of this strategy.

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