



## NICHE MARKETING-CONCEPT, STRATEGIES AND IMPLICATIONS

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**ABSTRACT** The world of business has changed and evolved dramatically over the years. Marketing strategies have also grown more sophisticated. Every business is in search of new customers, new markets and new ways to target them. The marketing strategy which focuses on market segments that are poorly targeted or not targeted at all is niche marketing. It is basically selling a product or service to a specialized or a few very defined segment of a market niche is basically a segment within a segment. While a market segment represents the gross slice of the total market, niche refers to a smaller segment whose needs are different from the larger segment. This paper is an attempt to take a look at the characteristics of niche market and the integral components of niche marketing by throwing lights on pros and cons of going by this strategy.

**KEYWORDS :** niche marketing, narrow marketing, market specialist

### INTRODUCTION

To understand what Niche Marketing is we need to first understand what a niche market is. A niche market is a subset of a broader market. For example if you are a company selling gluten free protein bars. Your wider audience may be fitness enthusiasts. However you are also explicitly looking for people who avoid eating gluten. you can be as precise in selecting your target market as you want and that can be your niche market. So not only market can be divided into segments but also in niches. As a marketer this is a crucial decision that whether u want to cater to mass need or whether u want to cater to a specific segments need and apart from this if you are in a industry that feels oversaturated, standing out can sometimes seem impossible but this can be made possible with the help of carving out niches in the market.

Niche marketing is also called as concentrated marketing or focussed marketing strategy. Niche marketing is a strategy that focuses on a unique target market or very specific well defined segments instead of marketing to everyone or marketing that target a broad range or group of consumers because it works on the philosophy that you can't be everything to everyone

### DEFINITIONS

"A small market that is not served by competing products." (Keegan, Moriarty & Duncan 1992)

"A method to meet customer needs through the tailoring of goods & services for small markets." (Stanton, Etzel & Walke 1991)

"The customers in the niche have a distinct set of needs; they will pay a premium to the firm that best satisfies their needs; the niche is not likely to attract other competitors; the niches gains certain economies through specialization; and the niche has size, profit, and growth potential: (Kotler, 2003)

More specifically it refers to narrow market segments where products with special offering survive. Trader Joe's, whole foods or the manufacturer of Rolex watches, Armani suits, has chosen niche marketing strategy to concentrate on fewer segments of the society. ESPN, Star sports, Fox sports are sports channels that focus on niche of sport enthusiast. Religious channels and cartoon channels cater to the needs of different kinds of niches in the market.

Niche marketers are generally small or medium sized firms due to their focus on narrow market segments. Larger firms due to lack of flexibility and scope are generally reluctant to enter niche marketing. There is one important thing to understand that niche does not exist but is created by smart marketing techniques and identifying what the customer wants. Niches can be developed on the basis of demographic factors, geographic factors or buying pattern and life style features, culture, professions, needs etc

An ideal niche should have the following characteristics

- An underserved or neglected market
- Easily accessible customers
- Sufficient size and purchasing power to be profitable
- Growth potential

- The niches should have the necessary skills and resources to serve the market effectively. organisations using niche marketing as a strategy could be-

1. A Market specialist; for example, food items like pickles, targeted at the ethnic Indian market in the U.S. similarly cafe coffee day targets the urban affluent Indian coffee drinker who wants a different experience while sipping coffee.
2. A product specialist-like the TAJ group of hotels or the Ramada group of hotels offering hotel experience to particular niches
3. A Customizing company- like many small software companies which understands the clients need and come out with customised software rather than peddling the standard software available in the market. Similarly Enfield has managed to customise and; position itself successfully in the rural belt of India as a tough motorcycle with rugged features ideally suited for driving in the rural areas.

### Striking Facts of niche marketing strategy

Premium pricing-Companies using niche marketing as a strategy have become so specialised that they are able to serve the needs of market very well and in the process they are able to command a premium. The company is virtually the market leader and can enjoys the price monopoly. The key to success in niche marketing is the degree of specialization an organisation is able to achieve.

Focus-This is another integral component of niche marketing strategy. You need to focus clearly on identified segments, understand its needs better and to serve it with most suitable products Uncovering market segments-niche market segments could be uncovered by continuously analysing the changing trends in the socio-cultural environments. Examples of such studies could be on the mounting pressure on time for working couples or on the evolution of nuclear families or changing lifestyles of teenagers. Another means to uncover niche is to continuously focus and analyse the end users or potential users of a product. An example of this would be the kids toothpaste launched by Colgate which is an analysis of the need for the children to have toothpaste not as strong in flavour as those meant for adults. Other example of this would be male fairness cream launched by.....which is an analysis of the need of fairness cream by males also earlier the beauty cream was restricted to females only but now it has created another market by tapping the male customers and beautifully developed a niche.

### Firms employing niche marketing:

Consultants: One of the fields where niche marketing is widely adopted is consultancy. Business consultants provide consultancy in particular specialized field, frequently to a well defined sector. Say for example ABC Co. is a sales training expert who educates financial planners in generating referrals from clients at the end of sales. It specializes in one particular part of selling process. Retailers: Many a time retailers too operate as niche marketers. They deal in some particular products which can not be found easily elsewhere like departmental outlet or supermarkets. They are found in places where it is easy for customers to seek them out. Websites: On internet one can easily find websites which are specialists in some or other segment.

These websites are designed in such a manner which gives viewer perception that it is foremost information source on a very fine topic. Engineering firms: Many engineering firms operate as niche marketers; they provide precise solution to specific engineering troubles. Say for example few engineering firms expertise in providing design of different types of machinery; few firms are expertise in removing underground water from construction sites. → Professional Services: Legal firms, medical specialist, advanced accounting firms etc are few examples of niche marketers which are specialized in their own field & provide services to only limited area of customers.

### Strategies for Niche Marketing

As per competitive advantage theory there are mainly three business strategies in a niche market namely: Cost Leadership, Differentiation, and Focus Strategies. Firstly a segment of the market that has particular demand shall be selected then market research shall be conducted to identify whether market size is suitable or not. Further it shall be ensured that whether exclusivity via trademarks, patents & branding can be achieved. Delivery & Inventory channels shall be designed and to approach a specific market promotion plan shall be drafted. Implementation of the plan shall be focused. If any organisation decided to pursue niches; it needs to prepare the ground work by thoroughly analyzing the following areas:

1. The growth rate of the niche being targeted.
2. Existing competitors in the Niche (if any), their major clientele, billings, realizations and revenues.
3. In case of crowded niche how would the organisation stand out?
4. The added benefits provided by the organisation vis-a-vis competitors.
5. A detail analysis of the characteristics of the prospects in the market and beneficiaries of the organizations offerings.
6. Analysis of effective media to reach the targeted niche market

Apart from this for large companies with multiple brands there is always the threat of one brand eating out another (cannibalization). Many companies have understood this fact and therefore have adopted the strategy of marketing to multiple niches. Thus while Citibank's Taj Epicure Diners Club credit card offers a host of privileges at the Taj group of hotels and restaurants for a memorable dining and styling experience ,its Diners club International British Airways Credit card offers a host of airline travel privileges and benefits through British Airways.

In some cases when the company feels that a change in the target segment is imperative or that the brand needs to be shifted from its present positioning, it resorts to re-niche strategy. Thus, Dairy milk chocolate which was originally targeted as children chocolate was repositioned through the famous cricket dance commercial .Presently, it has been repositioned as a product meant for all those who are young at heart, with Big B as its brand ambassador.

### Advantages of Niche Marketing:

**Less or Nil Competition:** In niche marketing as the risk of new entrants is quite low, it is possible for niche marketers to dominate their limited market segment to the extent as they have monopoly over it.

**Strong Bonding with Customers:** In small segment markets it is feasible for niche marketers to build strong bonding with their customers over time .

**High profit margin:** Niche marketers get the advantage of high profit margin due to customer loyalty. For Customers price is not only the determining factor, they generally prefer the firms that best meet their requirements.

**Assured Business Stability:** With the help of customer loyalty & less competition business survival is almost assured in niche marketing. Business do not experience fluctuations

**Competitive Services:** By providing same set of services niche marketers gains specialization in them, due to expertise or specialization in particular field it is possible for niche marketers to satisfy its customers with improved services. It helps in building competitive edge.

**Committed Business:** Because of well defined market segment niche marketers need not to waste their time & energy in reviewing their market strategy or in seeking new business.

### Limitations of Niche Marketing:

- If any firm is solely dependent on niche marketing then its survival chances get reduced as the niche market is not that adequate & significant that one can totally rely on it.
- One of the limitations of niche marketing is that this market strategy is not suitable for long term business because of the fact that niche does not offer sufficient business. In case if one's business has to rely on selling large quantity or large number of products then niche marketing is not a place to business.
- If the niche market is invaded by large firms then it will be very difficult for small or medium sized firms to compete & question of survival may come.
- Brand building through niche marketing is not that simple as the niche marketer's deal with limited number of customers that too in closely defined segment.
- One of the limitations of niche marketing is wrong customer profile. Simply focusing on well defined customers does not mean customer is the right one. If the firm limits its target too far there are chances that potential customers may be missed out.
- With niche marketing growth is limited, if one wants to grow further then new market needs to be identified & strategy may have to be changed.

### CONCLUSION

Thus it can be safely summarized that niche marketing is a strategy that has not only been practiced by small companies but also by large organisations. Small companies have adopted this strategy to provide a specialized offering to selected customer profiles while large corporations have practised this strategy as a defence strategy against invasion by small niche player's .Niche marketing to be successful requires small homogenous group of customers with a clear set of needs and willingness to pay to satisfy their needs. In niche marketing competition is less & profit margins are more comparatively. Companies are attempting to diversify into new product fragments which provide better profitability. Companies like Dabur (producing real juice & Chyawanprash ) are making strategy to enter in to high end aroma products car freshener under its known brand Odonil. The company has introduced a wide range of facial kits which it sells through beauticians only. Painting, Arts, Antiques etc at auction places are also premium & niche products. Same way private jets & customized yachts targeting the executive class are also niche market products whose marketing strategy is totally distinctive from the normal one. Despite having small target segment niche market is a gold mine for marketers. By targeting marketing efforts to a meticulous niche market one can maximize prospects for building valuable brand name. To sum up niche market is a profitable and growing market nowadays and the need is only to identify the needs of customer and craft a fulfilling niche for them.

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