

A Literature Review: Niche Marketing In India

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Abstract:

Purpose – The purpose of this paper is to present a concise status of niche marketing research and thereby provide a basis for further scholarly enhancement and insights for practitioners.

Design/methodology/approach – This paper takes the form of a literature review.

Findings – Reasons for why and when to pursue niche marketing, key success factors for implementing niche marketing and the potential problem areas are identified. Avenues for advancing knowledge about niche marketing are discussed.

Research limitations/implications – Practitioners benefit from this comprehensive review of findings and insights from previous research. Scholars benefit from this review, as it summarizes and identifies key areas for future niche marketing research.

Originality/value – There has been no known scholarly article assessing the status of niche marketing research since Dalgic and Leeuw's seminal work.

Keywords – Niche marketing, Segmentation, Marketing strategy, Market segmentation

1. INTRODUCTION:

A niche market is the subset of the market on which a specific product is focused. The market niche defines as the product features aimed at satisfying specific market needs, as well as the price range, production quality and the demographics that is intended to impact.¹

Technology and many industrial practices changed with the post-network era. There is a new drive for niche audiences because audiences are now in much greater control of what they watch.² It is very rare to have a substantial audience watch a program at once, with few exceptions.³

A niche market is a marketing term used to refer to a portion of a market segment in which individuals possess homogeneous needs and characteristics and the latter are not entirely covered by general offers of a market.

Basic features of a niche market:

- It is a fraction of a market segment
- It is a small group compared to a market segment to which it belongs
- It focuses on specific needs and similar wishes
- There is economic capacity to incur expenses necessary to obtain the satisfaction
- It requires specialized operations and providers able to meet the expectations
- It requires high specialization

According to Prof. Phillip Kotlar, a great market niche is one that is large enough to be profitable⁴

According to Philip Kotler, a niche market is a group with a more narrow (that market segment) definition. Usually it's a small market whose needs are not being well-served. Complementing this definition, the niche market (unlike the market segments that are larger and easily identifiable groups), is one group reduced (from individuals, companies or organizations), with needs and/or specific wishes, willingness to meet them and economic capacity to make the purchase or acquisition.⁵

CONCEPT OF NICHE MARKET:

A niche market is a market segment consisting of a small number of consumers with homogeneous and easily identifiable needs and characteristics. Due to its small dimension, niche markets are generally despised by large companies, constituting, therefore, excellent opportunities for small businesses, that there can escape from the domain of big companies and achieve a leadership position.⁶

What is niche market on the Internet

A niche market on the Internet is a term of marketing on the internet which is used to refer to a group of people who look for solutions to common problems online and can't find relevant results. The term niche market on the internet differs from the definition of niche market in the traditional marketing, since in the latter, a niche market is defined on the basis of similarities regarding geographic, demographic, psychological, social market and behaviour of a group.⁷

Market niches

Not only market can be divided into segments, but also in niches and ultimately individuals. As a selling company subdivides a market to identify most singular features, the segments tend to become a set of niches.⁸

Advantages of niche market in times of crisis

The severe competition enhances the more generalist is the project, i.e., services and offers standard and broad target market is saturated and that single segment might compete to force invest large outlays on marketing in general, and advertising in particular. It's isolating elements of a market that is already dominated in its general scope but has still unconquered total development on a small scale.

Niche Marketing is a very concentrated form of marketing. Unlike some other forms of marketing that target a broad range or large group of consumers, niche marketing involves targeting a very specific, well defined segment of the market.

Niche marketing often focuses on market segments that are poorly targeted, or not targeted at all. Businesses that capitalize on the opportunities that lie in an untapped segment can open up the doors for an influx of success. Marketers identify the niches to target by identifying the desires and needs of consumers in specific segments. Efficiently tailoring a marketing campaign to a niche audience is crucial.

Marketers that create a well-defined niche have the ability to create a very personalized campaign with greater appeal (and if well-executed, greater ROI).

Providing goods and services to a market segment that has gone unserved reduces barriers to entry, such as competition. Niches usually go un-targeted because smaller companies are unaware that the niche exists, and larger companies don't think that targeting a small niche is worth their time. Companies that target these niche audiences will be endowed with first-mover advantages that give the company better positioning against new competitors.

Niche marketing is defined as channeling all marketing efforts towards one well-defined segment of the population. 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.

Niche marketing is a marketing tactic deployed to target a specific market segment which is unique. Niche market is often created by identifying what a customer wants and this can be done if the company knows what the customer needs and then tries to deliver a better solution to a problem which was not presented by other firms. A niche market does not mean a small market, but it involves specific target audience with a specialized offering. By doing so, the company becomes a market leader and it becomes possible for other firms to enter that particular segment. For example, there are various cinema halls across India, but there are few which have recliner seats to offer. Not everybody wants to watch a movie by paying 5x-6x times the cost of a normal ticket. Hence, the target audience is very different and the hall is also only open at places where the company feels that it would be able to tap into target audience especially in posh areas.

There are various advantages of niche marketing. One of the benefits of niche market is that there is no or little competition under that segment. The company is virtually the market leader and enjoys price monopoly. The another benefit is the strong relationship with the customers because of the fact that the company operates in a small segment, the relationship between the company and the brand becomes stronger which is also a key to customer loyalty. Niche businesses are often high margin business. Customers do not mind paying a little extra because, they are only able to get that service in that company or under its brand

Partha Datta Gupta, CEO, Barista, "To survive in food business you should never bring all your customer under one uniform product. This is where niche marketing scores."

For the moment, luxury brands are scrambling to beef up their niche presence in the newly found marketers paradise – India. And each of them is creating waves to stand at the heel of the other, banking on their psychological or age wise segregation.

“Where mass marketing helps us to increase our profit, selling to the premium segment helps us to attain an absolute high margin per unit,” asserts Ramachandran.

Ajay Sharma, Country Manager, HTC India (which makes PDAs and Palmtops) says, “More companies are launching products targeting the premium segment. Niche marketing is also catching up, as differentiating your product from peers has become an imperative in today’s competitive scenario.”

“Niche marketing in food & beverage industry is a very popular phenomenon for marketers abroad and is picking up in India too. We in Mother Dairy, believe such marketing helps to capture the market well, so we will be launching lots of product for a certain class of consumer,” Paul Thachil, CEO, Mother Dairy Food Processing Ltd. told this magazine.

HUL launched Surf Excel and clearly targeted it at the premium end of the detergent market. “Our target audience is the premium segment today and I am very focused on that segment alone,” avers Arun Iyer, CD, Lowe Lintas

“It’s all about horizontal as opposed to vertical segmentation. Some consumers may go in for a Swift because it’s ‘their kind of car’ rather than the fact that it is cheaper than Esteem,” offers ace marketer, Santosh Desai.

social entrepreneur Pramodh Rai, founder of Singapore-based Jugnuu that helps students from middle to lower income background revise English via their smartphones, says that India serves as their primary market.

Similarly, Nasrul, co-founder of social startup Nomad, says, “We are partnering with rural artisans in India to produce quality leather bags that are marketable around the world. Through a balance of innovation, while maintaining the essence of human touch.

Conclusion:

The purpose of this research is to present a concise status of niche marketing by reviewing recent papers on niche marketing research and providing a basis for both further scholarly studies and insights for practitioners to use, particularly in terms of identifying the benefits of using niche marketing, in what situations niche marketing should be used, how niche marketing should be used and what awareness is needed to avoid pitfalls.

In brief, this review reveals that niche marketing can be beneficial for some firms in terms of increased profits, higher prices, higher growth, increased market shares and increased competitiveness. In addition, niche marketing can be applied to different situations, such as a variety of industries, firms of various sizes, domestic and international markets and new and established markets. Further, successful niche marketing appears to require the use of specialization, relationship marketing, developing internal dynamic capabilities and building protective barriers. Finally, the identified potential problem areas of pursuing niche marketing were related to fear of losing control of distribution channel, diminishing niche demand, attracting large competitors and managing the sustainability of the niche.

We further conclude that niche marketing is an applied strategy similar to segmenting, which can be used at both the competitive strategy level and the marketing decision-making level. It can thus benefit from much of the general strategy literature. In addition, segment and niche are strongly overlapping concepts, although some nuances in perceptions can be detected, particularly in terms of size of markets and firms, number of actors, the degree of specialization and use of relationship marketing. In addition, segment and niche are identified differently as are their expansion processes to some extent.

MANAGERIAL IMPLICATIONS

- niche firms need to specialize and product specialization is particularly recommended. This implies making superior products and improving them over time in a process that may be described as an intensive and ongoing new product development effort. In other words, niche firms need to focus on offering the best possible product according to the needs of the customer(s) in the niche. Such product specialization entails product orientation but could be combined with customer orientation, which is preferable. Customer orientation implies focussing on understanding the perceptions, needs and wants of individual customers, and it may result in specializing for a particular type of customer. Often, this results in a dynamic relationship where the buyer and seller are working together to define individual customer solutions. This requires mutual trust and commitment between the niche firm and customer, which necessitates personal and long-term relationships. For many niche firms, it is sufficient to rely on only a few key and long-term customers, so they may play down the use of regular marketing communication activities. For niche firms with limited financial resources, extensive marketing communication activities are not even an option.
- Second, in order to be able to offer superior products over time, niche firms need to develop internal dynamic capabilities. Dynamic capabilities are the sum of the firm's resources and competences. These resources and competences need to be distinct and dynamic over time. Examples of this could be long-term supply contracts for obtaining high-quality raw materials, special product or production knowledge, production licenses, a certain location for optimal production and strong customer relationships.
- Third, niche firms should focus on developing protective barriers for their niche. Some of the best barriers to competition have proven to be long-term and personal customer relationships, product specialization and other strong dynamic capabilities.
- Fourth, regular marketing communication activities can be played down. Niche firms are better off relying on word-of-mouth communication based on positive customer experiences. Effects of such word-of-mouth communication can be further enhanced if carefully supplemented by efforts attempting to attract positive editorials, participating on trade fairs and similar activities.
- Fifth, in terms of expansion, niche firms can either grow with their market to eventually become a large, conventional firm or they can expand into other, similar, geographical niche markets. This latter approach can be applied by selecting and specializing in downstream partners, such as importers, since this strategy limits the number of contact points and enables niche firms to focus on their expertise – the product – and still be able to expand.

THEORETICAL CONTRIBUTION AND AVENUES FOR FUTURE RESEARCH

The work presented in this paper is the first comprehensive research review of niche marketing research for nearly 20 years and adds to the current literature in several ways.

- review reveals that there has been little progress related to concept development even though there has been an abundance of practical applications of the concept. One reason for this can be that the concept is studied in other literatures, particularly in general strategy and segmentation literatures. The relationship between niche and other literatures are briefly discussed in this paper.
- review presents findings and recommendations from previous research. This includes niche marketing benefits, situations in which niche marketing should be used, how niche marketing should be used and awareness of any pitfalls of using niche marketing. In addition to guiding practitioners, these findings establish current knowledge and can act as starting points for further research.
- based on previous definitions and applications of niche marketing, this paper presents a short and concise definition of niche marketing. This suggested definition incorporates the findings in this review and could contribute to future research by providing scope and direction. Fourth, we suggest that niche marketing is an applied strategy, which can be used at both the competitive strategy level and the marketing decision-making level, similar to segmenting. Further, based on the review and discussion, we find that segment and niche are strongly overlapping concepts, although some nuances in perceptions can be detected.

What then is not known about niche marketing and what directions can be pointed to for further research? More work can be done with regard to operationalizations, measurements and, if possible, construct development. Developing a generally accepted definition will make it easier to develop useful operationalizations and measurements and thereby enable meaningful quantitative tests. Further, it has been claimed that niche marketing is effective when offering a new product to the marketplace (Shani and Chalasani, 1993) and when operating in mature industries that have high concentration and price pressure (e.g. Byrom and Lehman, 2009; Parrish et al., 2006a; Parrish, 2010; Schu"ßler, 2009). Can these claims be tested? Can other industry phases or terms of the product life cycle be tested? In addition, the issue of creating effective barriers to new entrants to a niche market needs further attention. This is a critical issue for effective and sustainable niche marketing. We do have substantial information about possible barriers, but few, if any, studies focus on this matter in a structured manner. There has been little attempt to identify them, establish what makes them effective, determine how they are put to use in practice or how they can be sustained over some time. Finally, although there is an abundance of niche marketing examples in the literature, there is still room for more applied examples of both success and failure stories in regards to niche marketing. More examples describing how firms have managed to carve out a narrow part of a market would be of particular interest.

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