

*Review Article*

Niche Marketing Strategy and Firm Success: Review on SMEs in Peninsular Malaysia

Fazal Akbar, Abdul Razak Bin Omar, Fazli Wadood

Faculty of Technology Management and Business, University Tun Hussein Onn Malaysia, 86400, Johor.

Corresponding Author: Fazal Akbar

*Received: 18/11/2015**Revised: 23/11/2015**Accepted: 24/11/2015*

ABSTRACT

This paper aim to explore that niche marketing strategy are beneficial for smaller firms, as they dont have much resources for advertisement. The companies that have adopted niche marketing starategy are enjoying big market share. Globalization forces companies to do search for something new and unique which differentiate them from their competators. As normal in presence, that company stay long in the market whose have knowledge of customers and also offering a unique product. Most important the niches strategy is the knowledge of customers that drives the niche starategy, by understanding and serving the needs of niche market better than any other firms, and awareness of the customers help to safegaurd the customers loyalty.

Keywords: Niche Marketing Strategy, market share, uniqueness, knowledge, customers.

1. INTRODUCTION

This study attempts to locate the effect of niche marketing strategy on firm success in SMEs in the Peninsular Malaysia. It is important issue among multinational companies. Globalization implies industries to implement the niche marketing strategies to be competent in global market; it also provides opportunities for manufacturers to export their products. Niche marketing strategies are best known to be imagine by SMEs in today's competitive environment because the firms have niche marketing strategies know more right about customers, due to the limited numbers of customers and can easily arrange their products according to the consumers' needs and wants.

Small and medium enterprises face many challenges in the world today wherein competition is mention as one basic challenge. This section of the

economy is considered very vital to nation's economy as it assistances in creating job to reduce unemployment and formation of new business which contributes to gross domestic product (GDP) of a country. ^[1] SMEs are known as the spine of the economy of countries and need to advance their organizational competence by formulizing their structures, system in order to be become more proficient. ^[2-4] SMEs contribute in the economic development of the individual nation and the same time they encourage the flow of trade and investment between different economies in the region. ^[5] SMEs make a major contribution to regional income, producing essentials goods and services, promoting the development of rural economies. ^[2] Due to their significance benefits, SMEs have in recent years increasingly become the focus of policy-makers. ^[4] SMEs need

to formulize their structure and system to become more competitive and enhance their capacity regarding market changes. [6] According to, [7] SMEs are valuable source of employment and future growth prospects for many countries across the globe. Therefore SMEs are known as the best source of job creation, reasonable contribution to the economic side and also developed the lifestyle of consumers as well as owners.

Malaysian SMEs in the furniture industry have the potential to optimize contribution immensely to Malaysian economy. However, to survive and thrive in a dynamic business environment, SMEs have to initiate and implement their strategy by engaging in niche marketing strategy. A prominent concept of strategy-making in strategic management and innovation is niche marketing. Niche marketing has been applied to a variety of industries such as: food products, wine and beer, retailing, tourism, fashion textile and apparel, airline travel, accounting services, health services, metropolitan regions and to chemical industries. [8] However, the niche marketing strategy in furniture industry had not yield any benefits to the company owners. [9] Further empirical and theoretical research is needed to determine the benefits of niche marketing strategy in SMEs. [10]

However, furniture company owners perceived niche marketing as an unfavorable strategy in marketing their product. [11]

Therefore, it is expected that adopting niche marketing strategy may enhance the success of Malaysian SMEs in the furniture industry. As mentioned above, however, the niche marketing literature also shows that studies did not explained the relationships between niche marketing and furniture firm success. Further investigation of niche marketing strategy and firm success factors is necessary. [10]

Inconclusive findings of niche marketing performance relationship model coupled with the lack of empirical study of this relationship within the context of Malaysian SMEs in the furniture industry call into question the previous understanding of niche marketing and its relationship with the firm success of SMEs. This study, therefore aimed to establish the niche marketing framework for SMEs in the Peninsular Malaysia with a view to improving their performance of furniture.

2. Literature review-Overview of Malaysia's Furniture Industry

In Malaysia, SMEs account for more than 96.1% of the total number of enterprises. They contributed 32% of the Malaysian Gross Domestic Product in 2008. [12,13] In the year 2009, the furniture sector was the fifth largest exports earner for the country and maintains its position as strong driver within the industry. In 2010 the furniture sector contributed to 3.7% of the GDP and 3.2% of the country's total merchandise exports. The furniture industry in Malaysia can be described as large, with approximately 5,870 manufacturing establishment. 80-90% of them are regarded as small and medium enterprises. [14]

Malaysia strategically positioned in the heart of South East Asia, offers a cost-competitive position for investors and has an energetic business background. Technological development has become an important part of Malaysia's increase as an industrialized nation. Malaysia is dedicated in providing modern day necessities of investors companies based in the country, with the help of expertise. Malaysia is one of the mainly technologically developed countries in the middle of industrializing nation in the ASEAN region with highly educated and productive human resources wherein offer abundant resources to investors. Malaysia has attracted more than 5,000 foreign companies from more than 40 countries to

set their business operations in the country. [15] The country is economically strong with unemployment rate at 2.9%, GDP growth rate at 6.0% as at 2014 and inflation at 3.2%. The Malaysian government has supportive policies for foreign investors such as attractive tax and other incentive, intellectual property protection as well as developed infrastructure like highways, railways and well-equipped seaports and airports.

The furniture industry attracted a total of RM174.7m (\$51.24m) in investment in 2009. The Malaysian furniture promotion council (MFPC) an organization under the ministry of Plantation Industries and Commodities is supporting the drive to boost the sector's value in especially in export market. [16] Malaysia is the 8th largest exporter of furniture in the world, 3rd in Asia, 2nd in the ASEAN region and exports around 80% of its production. [17] Despite numerous economic downturns, the industry is still supported by a strong global demand. While lower price Chinese and Vietnamese furniture pose strong competition, Malaysian furniture continues to set itself separately with original design that places importance on aesthetics as well as its good work ethics. With a business-friendly environment, good quality products and a high potential market, the Malaysian furniture industry is poised to exceed expectations and to continue its exponential growth. [18]

As normal in presence that those companies are interesting to staying in the market for a long time in the market and have constant customers must offer the best and unique quality of products. And all customers are not alike, means that there are products which cannot be sold to all people and organization. Therefore it is important that companies adopt uniqueness in their businesses and product to the customer's requirements in order to obtain in competitive advantage and succeed in the market. So organization

must create unique offerings that is valued by their customers and is not available by the competitor's side in order to attract customers.

Recent changes in the business environment have compelled firms to search for new strategies to compete in the market has become an important strategy especially in multinationals companies but SMEs can't stay away from adopting new strategies. [19] One way to attract customers is niche (target) marketing. Niche marketing themselves from the niche marketing. [20] No company can please everybody, but more significantly how to choose the customers and target them. Innovation enables firms to create value while niche marketing helps the companies to capture that value (firm success). [21] By segmenting and targeting the market firms may able to figure out its niche and the organization can enhanced vary design, price, communicate to satisfy target market and the organization can reproduce better competitors' marketing. Organization that sells their products to a segmented group or subgroup will be charming; they will be extra competent since they know more accurately about consumers' necessities and desires. Niche marketing is known as focus marketing, target marketing, concentrated marketing and regional marketing. [22] Niche marketing is commonly put forward by theorists and practitioners alike as a possible for success for small producers.

Therefore success in today's aggressive market is firm increasingly on identifying a right product for right place and right customers. The companies have to analyze the opportunities and find a right way to potential niche marketing.

4. Niche marketing strategy

Many times a market, business or personal event forces producers to make important decisions about the future direction of their business operation. Ever-changing customer needs and intense competition makes it crucial for companies to find

new, creative ways to attract and retain customers. Marketing in the age of diversity means “changing company structure as large corporations continue (to become niche marketers) to compete with smaller niche player (who) expert at their markets. [23] The authors further explains that think of niche marketing as the splitting of traditional markets into smaller segment and then planning distinct marketing programs for each of these niches. The literature recognizes niche marketing as primarily a defensive strategy which is more successful when the firm is able to implement a strategic initiative to reduce competition in the market place. Marketing strategy is the outcome of a firm’s segmentation, targeting, and positioning choices (STP process) at the level of the Strategic Business Unit. [24] Firms prefer to specialize and adapt their production to the needs of narrow markets, and emphasizing the importance of territory, appellation and geographical identity to increase product quality. This latter approach, typically characterized by specialization, constricted markets and long term relationship, is often termed as niche marketing strategy. [10,25]

Niche marketing strategy has been applied to a variety of industries, products and services over the last decade, such as food products, wine and beer, retailing, tourism, airline travel, fashion textile and apparel, [9,26] Chemical industry, banking and to accounting services. [9] The main advantages of niche marketing is that the firm has a much smaller customer base, and therefore gets to know the customer very well, which makes the company much more able to satisfy the customer and in the process build loyalty and the potential for additional sales. [27] Niche marketing strategy can be attained by concentrating on a particular buyer group, segment of the product line or geographic. [28] The author further added that niche marketing strategy can be working for the following reasons: to avoid

competition/confrontation with larger entrants, to dedicate its energy to serving a unique market, to boost on an opportunity, and survival. Most important the niche strategy is the knowledge of customer that drives the niche strategy; by understanding and serving the needs of niche market better than any other firms, awareness of the customers helps to safeguard the customers’ loyalty. [29]

CONCLUSION

The furniture SMEs are shown to have potential to contribute to Malaysia’s economy, however, lack of strategic framework to enable them achieve this goal have been identified. Niche marketing strategy is one of the strategies successfully used in other industries to gain market penetration. This study recommends the adoption of niche marketing strategy by the furniture SMEs operating in Peninsular Malaysia in order to achieve market share and contribute to Malaysia’s economy in general.

REFERENCES

1. Khan Lal M & Muhammad Irfan J.; Antecedents of Innovativeness and its impact on small firm performance (A Study of Pakistani Small Firms). (Internet). Bleking Institute of Technology/School of Management. (2012) reviewed on 2015-09-25, Available on: <http://www.uppsatser.se/uppsats/2546e5fc83/>
2. Akmal, N., Wahab, A., Dora, M. T., Majid, I. A., Hafiz, M., & Razak, A. (2012). Measuring the Organizational Innovation Impact towards the Performance of SME’s in Malaysia, 1–10. Retrieved from http://ic-tmt.utem.edu.my/index.php?option=com_docman&task=doc_details&gid=19&Itemid=31
3. Hilmi, M. F., Ramayah, T., & Mustapha, Y. (2011). Innovativeness and performance of small and medium enterprises: Malaysian perspective. *The International Journal of*

- Knowledge, culture, & Change Management, 10(12).
4. Wadood, F., Shamsuddin, A., & Abdullah, N. H. (2013). Characteristics of Innovative SMEs in Pakistan : A Case Study. *IOSR Journal of Business and Management (IOSR-JBM)*, 14(6), 45–51.
 5. Nasir, W. M. N. (2013). The relationship between strategic orientation and firm performance: evidence from small and medium enterprises in Malaysia. Dissertation - Victoria University Melbourne. Retrieved on 6-09-2015, Retrieved from [http://vuir.vu.edu.au/25853/1/Wan Mohd Nazrol bin Wan Mohd Nasir.pdf](http://vuir.vu.edu.au/25853/1/Wan%20Mohd%20Nazrol%20bin%20Wan%20Mohd%20Nasir.pdf)
 6. Terziovski, M. (2010). Innovation Practice and Its Performance Implications in Small and Medium Enterprises (SMEs) in The manufacturing Sector: A Resource-Based View. *Strategic Management Journal*, 902(December 2009), 12. <http://doi.org/10.1002/smj>
 7. OECD, (2005), SME and Entrepreneurship Outlook, retrieved On 27-06-2015 from <http://www.camaras.org/publicado/europa/pdf/8505011E.pdf>
 8. Toften, K., & Hammervoll, T. (2013). Niche marketing research: status and challenges. *Marketing Intelligence & Planning*, 31, 272–285. <http://doi.org/10.1108/02634501311324618>
 9. Toften Hammervoll. (2012). The essentials of niche marketing: International Marketing Trends Conference Venice, 19th-21th January 2012. Venice, Italy. Retrieved from: www.marketing-trendscongress.com/archives/2012/HTML/pages/paper_lista.htm#T
 10. Dalgic, T., & Leeuw, M. (1994). Niche Marketing Revisited: Concept, Applications and Some European Cases. *European Journal of Marketing*, 28(4), 39–55. <http://doi.org/10.1108/03090569410061178>
 11. Bumgardner, M., Buehlmann, U., & Schuler, A. (2011). Competitive Actions of Small Firms in a Declining Market. *Journal of Small Business Management*. 49 (4), 578–598.
 12. Hafeez, M. H., Noor, M., Shariff, M., & Lazim, M. (2013). Does Innovation and Relational Learning Influence SME Performance? An Empirical Evidence from Pakistan. *Asian Social Science*. 9(15), 204–213. <http://doi.org/10.5539/ass.v9n15p204>
 13. Hilmi, M. F., & Ramayah, T. (2008). Market Innovativeness of Malaysian SMEs: Preliminary Results from a First Wave Data Collection. *Asian Social Science*, 4(12), 42–49. <http://doi.org/10.5539/ass.v4n12p42>
 14. MTC (Malaysian Timber Council, 2009), Retrieved on 15-06-2015 from, <http://mtc.com.my/>
 15. MIDA (Malaysian Investment Development Authority, 2015), retrieved on 15-06-2015 from, <http://www.mida.gov.my/home/why-malaysia/posts/>
 16. OBG pg 194 (Oxford Business Group, 2010), retrieved on 20-06-2015 from, <http://www.oxfordbusinessgroup.com/country/malaysia>
 17. Valipoor, S., & Ujang, B. (2011). Challenges of Sustainable Design in Malaysian Furniture Industry. ... Conference on Environment and Industrial ..., 12, 60–64. Retrieved from <http://www.ipcbee.com/vol12/12-C037.pdf>
 18. UBM (2015), retrieved on 20-06-2015 from <http://2016.miff.com.my/about-miff/malaysian-furniture-industry>
 19. Salim, I. M., & Sulaiman, M. (2011). Organizational Learning, Innovation and Performance: A Study of Malaysian Small and Medium Sized Enterprises. *International Journal of Business and Management*, 6(12), 118–125. <http://doi.org/10.5539/ijbm.v6n12p118>
 20. Parrish, E. D., Cassill, N. L., & Oxenham, W. (2006a). Niche market strategy for a mature marketplace. *Marketing Intelligence & Planning*, 24, 694–707. <http://doi.org/10.1108/02634500610711860>

21. O’Cass, A., & Ngo, L. V. (2011). Winning through innovation and marketing: Lessons from Australia and Vietnam. *Industrial Marketing Management*, 40(8), 1319–1329. <http://doi.org/10.1016/j.indmarman.2011.10.004>
22. Parrish, E. D., Cassill, N. L., & Oxenham, W. (2006b). Niche market strategy in the textile and apparel industry. *Journal of Fashion Marketing and Management*, 10(4), 420–432. <http://doi.org/10.1108/13612020610701956>
23. Linneman, R. E., & Stanton, J. L. (1992). Mining for niches. *Business Horizons*, 35(3), 43–51. [http://doi.org/10.1016/0007-6813\(92\)90068-K](http://doi.org/10.1016/0007-6813(92)90068-K)
24. Toften, K., & Hammervoll, T. (2007). Niche firms and their challenge of crafting a marketing strategy: An exploratory study of seafood exporters. International Congress "Marketing Trends" Paris. 26th -27th January 2007. Paris. Retrieved from: http://www.marketing-trends-congress.com/archives/2007/Materiali/Paper/Fr/Toftell_Hammervoll.pdf
25. Gungaphul, M., & Boolaky, M. (2010). Niche Market Strategy in SMEs inMauritius. *Global Management Conference*. Bali Indonesia. May (2010). page no 316-324. Retrieved from <http://publication.gunadarma.ac.id/bitstream/123456789/2461/1/NICHE%20MARKET%20STRATEGY%20IN%20SMES%20IN%20MAURITIUS.pdf>
26. Parrish, E. D., Cassill, N. L., & Jones, M. R. (2004). Modeling of niche market behavior of US textile and apparel firms. *Journal of Textile and Apparel, Technology and Management*, 4(2), 1-14.
27. Gillin, P., & Schwartzman, E. (2010). Social marketing to the business customer: Listen to your B2B Market, generate major account leads, and build client relationships. John Wiley & Sons.
28. Dalgic, T. (1998). Niche Marketing Principles: Guerrillas versus Gorillas. *Journal of Segmentation in Marketing*. 2(1), 5-18. DOI: 10.1300/J142v02n01_02
29. Allen, R. M. (2006). Increasing the Economic Competitiveness of the U.S Textile Industry: An Investigation of Niche Market Strategies. Dissertation. North Carolina State University. Retrieved on 16-08-2015. Retrieved from: <http://www.lib.ncsu.edu/resolver/1840.16/573>

How to cite this article: Akbar F, Omar ARB, Wadood F. Niche marketing strategy and firm success: review on SMEs in peninsular Malaysia. *Int J Res Rev*. 2015; 2(11):697-702.
