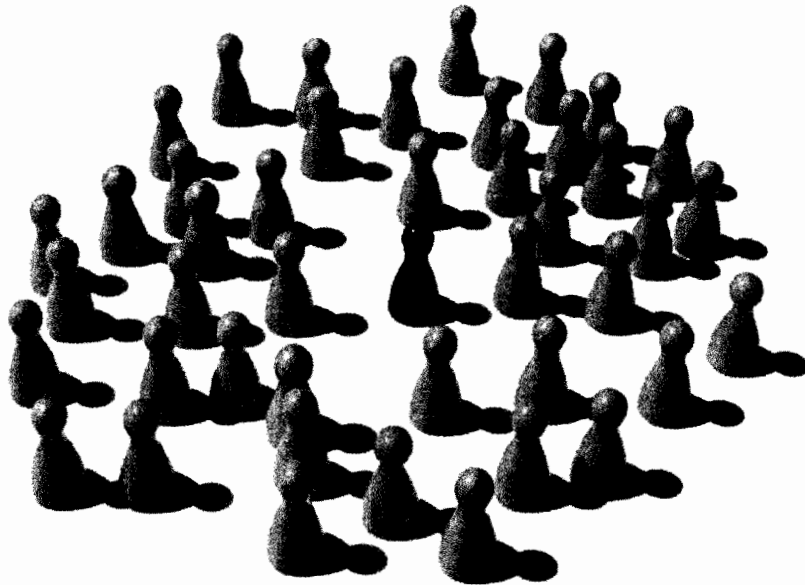


**The Importance of Niche Marketing in Creating Sustainable  
Differential Advantage of National Corporations for Food Industries  
in the Republic of Yemen**

*Fatihya Mahdi Ahmed Ali*

2011

**The Importance of Niche Marketing in Creating Sustainable  
Differential Advantage of National Corporations for Food Industries  
in the Republic of Yemen**



*A Thesis Submitted To The College Of Business In Partial  
Fulfillment Of The Requirements For The Degree Of The Master  
Of Science (Management)*

**BY:**

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**UNIVERSITI UTARA MALAYSIA  
COLLEGE OF BUSINESS**

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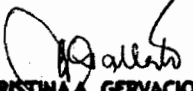
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DIFFERENTIAL ADVANTAGE OF NATIONAL CORPORATIONS FOR FOOD  
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## **DEDICATION**

This thesis is dedicated to those who deserve the to dedicate this work to them..

*Who were as a light into my life;*

***MY WONDERFUL PARENTS (MUM & DAD)***

*Who has chosen by Allah to be a companion of my life;*

*The love, Recognition and Loyalty;*

***MY DEAR HUSBAND***

*Who were a constant source of encouragement and support;*

***MY SISTERS & BROTHERS***

***“THE GREATEST OF THESE IS LOVE”***

*Fatihya Mahdi Ahmed Ali*

2011

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## ABSTRACT

This thesis seeks to investigate of the importance of niche marketing in creating sustainable differential advantage of National Corporations for Food Industries in the Republic of Yemen through focusing at studying the extent of applying two key criteria of niche marketing (market segments and positioning). In particular, this thesis measures the level of perception of managers and staffs of marketing management (the study sample) on niche marketing and the effect of niche marketing on creating sustainable differential advantage.

In response, based on a review of the literature, this thesis develops a model reflects the expected relationship between niche marketing and sustainable differential advantage. Furthermore, it presents and discusses findings from a questionnaire of 82 respondents of managers and staffs of marketing management at seven national corporations for food industries in the Taiz Governorate in Yemen by using the descriptive analytical statistics methods (Cronbach's coefficient alpha (reliability test), frequencies, percentages, means, standard deviations, T-Test and One Sample Test, Chi-Square Test and Correlation Coefficient (Spearman))..

The findings of this thesis largely support the hypothesised relationships proposed in the theoretical model. Specifically, the results revealed that there is a significant, (moderate) and positive correlation between niche marketing and sustainable differential advantage creation of the National Corporations for Food Industries in Yemen ( $r = 0.612$ ,  $p < .01$ )

This thesis contributes to theoretical and practical knowledge by providing for the first time, evidence about relationships between niche marketing and sustainable differential advantage.

**Keywords:** Niche Marketing; Market Segments; Customer Conversion Analysis; Segment Profitability Analysis; Positioning; Integrated Marketing Concept; Distinctive Competences; Sustainable Differential Advantage.

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## LIST OF ABBREVIATIONS

<i>CCA</i>	Customer Conversion Analysis
<i>SPA</i>	Segment Profitability Analysis
<i>IMC</i>	Integrated Marketing Concept
<i>DC</i>	Distinctive Competences
<i>SDA</i>	Sustainable Differential Advantage
<i>SCA</i>	Sustainable Competitive Advantage

# CHAPTER I

## INTRODUCTION

### *1.1. Background of the Study*

There are many challenges faced by business organizations in the world today wherein competition is cited as one basic challenge. Perhaps the growth and expansion of the business horizon, which the management of the organization should consider, has led to a pivotal role in establishing the impact of those challenges in all management's decisions primarily associated with the function of marketing. Therefore, it is imperative that developing techniques that are not conventional, especially in dealing with the market and customers, has to be carefully studied and considered.

For instance, from the very beginning of the existence of humanity, food has been like petrol for human and animal beings. Food gives strength and life. People have always “benefited” from food and will continue consuming it till their last breath. So, the demand on food is the cause which has led to the growth of variety of the food products and the growth of the number of companies professionally providing food products for people. In other words, the demand on food is always high and the food industry has become a “battle-field” for many companies causing a great competition.

In addition, it is common knowledge that quantity does not always imply quality. As the industry is very lucrative, because people will buy food even during a hard financial crisis. In the Republic of Yemen, a lot of companies have introduced eatables of a very low quality but in great amounts and cheap price. These products are often not so useful to eat. Also, it can be said that along with the growth of competition, a number of major food-producing companies have focused on the quality of products in the recent years. Additionally, today, the customer has become more demanding and in case the product requirements are not fulfilled, he will not claim as buy it,

causing the company a significant profit decrease. Therefore, it is natural that those companies that are interested in staying in the market for many years and have constant consumers must offer the best quality of products.

Other common knowledge is that not all customers are alike. That means there are products which cannot be sold to all people or organizations. Therefore, it is important that organizations adapt their businesses and products offerings to their customer requirements in order to obtain competitive advantage and succeed in the market. According to Klein (2001), "Competitive advantage is at the heart of a firm's performance in competitive markets." In today's intensive competition, "the key to sustainable competitive advantage lies in delivering high quality service that will in turn result in satisfied customers" (Shemwell et al, 1998). So, organizations must create a sustainable competitive advantage, a unique offering that is valued by their customers and is not available from the competition in order to attract more customers. In other words, organizations should provide sufficient customer value through product and transaction innovation. In addition, according to Blythe (2006), "choosing the right customers, for the right reasons, and presenting the product in the right way is how competitive advantage is achieved, no matter what the industry."

One method of attracting more clients or customers is target marketing. Target marketing has become an increasingly important marketing strategy, especially given the amount of increasing population diversity (Martin, Lee, & Yang, 2004). According to Blythe (2006), "targeting is the process of choosing which segments of the market will be most helpful to the company in achieving its strategic objectives. No company can please everybody, but more importantly no company should try to do so: choosing which customers are too expensive, too trouble some, or too unprofitable to service is as important as choosing which are the most attractive customers."

So, organizations can adapt their marketing strategies with a variety of markets and make more efficient marketing plans through identifying the relevant marketing variables that may affect consumer decisions.

The marketing concept holds “that the key to achieving organizational goals consists in determining the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than your competitors” (Kotler, 1991). This concept explains that segment marketing is better than mass marketing. According to (Kotler et al., 2009), segment marketing offers key benefits over mass marketing. By segmenting and targeting the market, the organizations may be able to form its niche. The organization can presumably better design, price, communicate, and deliver the product or service to satisfy the target market. The organization also can fine-tune the marketing program and activities to better reflect competitors' marketing.

Therefore, success in today's competitive marketplace is determined increasingly on identifying sustainable competitive or differential advantage, the subtle differences in a unique market segment so that an organization can have an advantage over its competitor. Organizations that sell to a highly segmented subgroup will be more successful; they will be more efficient since they know exactly what the customer wants. Thus, there are no average customers, but rather special customers who desire unique solutions.

In addition, the sustainable differential advantage occurs by the products differentiated in any way which could be unique product features, product design, method of delivery, or even your brand. The focus on products differentiated that satisfy the needs of customers through differentiation within the niche or segment allows organizations to create a sustainable competitive or differential advantage. Where, this allows organizations to desensitize prices and focus on value that generates a comparatively higher price and a better margin. The benefits of sustainable differential advantage require producers to segment markets in order to target products at specific segments, generating a higher than average price.

Thus, niche market is looking for products with very specific characteristics or special services. These characteristics often use strategies that don't focus on costs and volumes exclusively; rather the product or service may be of premium quality, be differentiated from other products and



services available in the market or have a value-added component. In other words, niche marketing is the strategy that the manager should choose to carry out the organization's goals and to obtain sustainable differential advantage especially with the increasing competition challenge and the rapid growth in the industrial sector.

Finally, it is hoped that this research and its results shall contribute to the improvement of organizations as they gain a deeper understanding of niche marketing and investigating its influence on sustainable differential advantage.

### ***1.2. Problem Statments***

In the Republic of Yemen, organizations specially the National Corporations for Food Industries face many issues and environmental challenges in the world today wherein competition is considered a greatest challenge. Moreover, there are products which cannot be sold to all people or organizations. Consequently, the competition for getting more consumers and retain them has become fiercer than ever before. Due to the increasing competitive forces, National Corporations for Food Industries have to adapt their businesses and products offerings to their customer requirements and get a sustainable competitive or differential advantage if they want to survive in this competitive environment. That means success in today's competitive marketplace is determined increasingly on identifying the subtle differences in a unique market segment so that an organization can have an edge over a competitor.

According to Doyle (2002), “searching for a differential advantage begins with understanding what customers' value” and “satisfied customers are seen as the only source of the firm's profit, growth and security”. Hence, in order to achieve a sustainable competitive or differential advantage, an organization “must find opportunities to be different in ways which are meaningful for customers” (Thompson, 2001).

Niche marketing is the strategy that is looking for products with very specific characteristics or special services. Due to niche marketing, the marketer is able to match the product or service more closely to the needs of the target market. In this way a sustainable differential advantage can be built.

As a result, an extensive investigation of the importance of niche marketing in creating sustainable differential advantage of National Corporations for Food Industries in the Republic of Yemen is proposed in this study.

In the empirical search process in this study, no studies were found that address the importance of niche marketing in creating sustainable differential advantage. Thus, it will be interesting to see the level of perception of managers and staffs of marketing management in the National Corporations for Food Industries in the Republic of Yemen on niche marketing and identify the significant relationship between niche marketing and sustainable differential advantage.

### ***1.3. Research Questions***

The four main questions driving this research are as follows:

- RQ1:** What is the perception of National Corporations for Food Industries' management and staff on niche marketing?
- RQ2:** What benefits do the management and staffs of National Corporations for Food Industries get from niche marketing?
- RQ3:** What is the effect of Niche Marketing in terms a) Market segments; b) Positioning on creating Sustainable Differential Advantage for National Corporations for Food Industries in the Republic of Yemen?
- RQ4:** Is there a relationship between Niche Marketing and Sustainable Differential Advantage?

#### ***1.4. Research Objectives***

In line with the problem statements and in order to answer the above research questions, this study has the following specific objectives:

- A. To measure the level of perception of managers and staffs of marketing management in the National Corporations for Food Industries in the Republic of Yemen on niche marketing.
- B. To determine the importance of niche marketing for National Corporations for Food Industries.
- C. To extend the research on niche marketing by investigating its influence on sustainable differential advantage.
- D. To investigate whether niche marketing as a predictor to create a sustainable differential advantage.
- E. To identify the significant relationship between niche marketing and sustainable differential advantage.

#### ***1.5. Significance of the Study***

This study addresses the importance of Niche Marketing in creating Sustainable Differential Advantage of National Corporations for Food Industries in the Republic of Yemen.

The results of this study may provide additional information to the management and staffs of national corporations for food industries in the Republic of Yemen to assist them in creating sustainable differential advantage.

Through the findings of this study they may be able to gain a deeper understanding of the various niche marketing practices and to provide them insight to successfully by perform and create sustainable differential advantage.

In addition, it is the desire of the researcher to implant the modern method and logical styles of marketing for development of Yemeni business organizations by presenting a practical framework of the relationship between niche marketing and sustainable differential advantage.

An obvious direction for future research would be to test the propositions advanced in the present study. This would provide an operational station to the construct of niche marketing in creating Sustainable Differential Advantage.

### ***1.6.Scope and Delimitation***

This study covers only the national corporations for food industries in Taiz Governorate in the Republic of Yemen which is in operation from 11/2010 to 1/2011.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### ***2.1. Introduction***

From an academic perspective, research publications seem to be limited to some general definitions and brief explanations, under the general heading of “niche marketing” or “sustainable differential advantage”, as found in some marketing textbooks. This study attempted to bring together both the practical and conceptual aspects of niche marketing and sustainable differential advantage leading to a set of guidelines which may be used as a logical and deliberate method of marketing.

Therefore, this study is aimed to determine as to what extent niche marketing contributes to the creation of sustainable differential advantage. In other words, what is the role of niche marketing in the creation of sustainable differential advantage of National Corporations for Food Industries in the Republic of Yemen in today's world which is characterized by strong competition.

So, this chapter reviews literature related to the proposed relationships among the variables of the model used in this study. This includes a discussion of the importance of niche marketing in creating the sustainable differential advantage. This review is organized into five sections. The next section (2.2) presents the overview of niche marketing theory in order to provide a background for discussion the question such as what is a niche? , what is niche marketing? , elements of niche marketing, niche marketing evolution, and finally, benefits of niche marketing are addressed and discussed. The third section (2.3) presents the nature of sustainable differential advantage and the sources of differential advantage. The fourth section (2.4) is devoted to the constructs forming the proposed relationships among variables of model used in this study. A summary of the chapter is presented in the last section (2.5).

## 2.2. Niche Marketing Overview

### 2.2.1. What is a niche?

The term "niche" covers a lot of bases, from specialty industries and geographic areas to specific ethnic, demographic, or gender groups. According to Webster's Dictionary niche may refer to the following:

- 1) A recess in a wall, specifically one that contains a statue.
- 2) Any similar recess, such as one in a rock face.
- 3) A position particularly suitable for the person occupying it: *he found his niche in politics*
- 4) ( Modifier ) relating to or aimed at a small specialized group or market
- 5) (Business) A focused, target able part of a market
- 6) (Ecology) the status of an organism within its environment and community (affecting its survival as a species).
- 7) Any position of opportunity for which one is well-suited, such as a particular market in business.
- 8) A cavity, hollow, or recess, generally within the thickness of a wall, for a statue, bust, or other erect ornament. Hence, any similar position, literal or figurative. "Images defended from the injuries of the weather by niches of stone wherein they are placed."

In addition, according to the Penguin Dictionary of Biology 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 (Lambkin & Day,

1989). Generally, a niche is a special place within the scheme of things. It sometimes denotes the function or position of a thing within a structure.

### **2.2.2. What is niche marketing?**

Niche marketing has been used synonymously with “market segmentation” “target marketing” “micromarketing” “regional marketing” “focused marketing” and “concentrated marketing” (Dalgic & Leeuw, 1994). According to the businessdictionary.com (2010), niche marketing has the following meanings: Concentrating all marketing efforts on a small but specific and well defined segment of the population. Niches do not 'exist' but are 'created' by identifying needs, wants, and requirements that are being addressed poorly or not at all by other firms, and developing and delivering goods or services to satisfy them. As a strategy, niche marketing is aimed at being a big fish in a small pond instead of being a small fish in a big pond. A more general definition of niche marketing is provided by Stanton et al.(1991), as “a method to meet customer needs through tailoring goods and services for small markets.”

Dalgic and Leeuw (1994) write in a paper with the title "Niche Marketing Revisited: concepts, applications", that they “consider a niche (market) to be a small market consisting of an individual customer or a small group of customers with similar characteristics or needs.” And they define niche marketing as “positioning into small, profitable homogenous market segments which have been ignored or neglected by others”. Similarly, Kotler, Keller, Ang, Leong & Tan (2009) define a niche as “a more narrowly defined group seeking a distinctive mix of benefits.” In addition, Toften & Hammervoll (2009) have observed that customer needs to occupy a role when defining a niche market.

According to Doyle (2002), niche marketing is focusing on a small segment. Shani and Chalasani (1992) differentiate between market segmentation and niche marketing. They characterize market segmentation as a top-down approach, stating that it is “the process of breaking

a large market into smaller and more manageable submarkets.” They further state that “niche marketing is a bottom-up 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. In addition, segments are fairly large and normally attract several competitors, niches are fairly small and normally attract only one or two (Kotler et al., 2009).

Moreover, Kotler (1991) 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.

On the other hand, Shani and Chalasani (1992) see niche marketing as a creative process and term it as “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”. In an attempt to define of niche marketing, Toften & Hammervoll (2009) identify the following characteristics that may be illustrative for niche activities:

- Segmenting the market creatively, focusing activities only on areas where the firm has particular strengths that are especially valued.
- Thinking and acting small by offering small production volumes, focusing on a few customers and avoiding markets with many competitors or a dominant competitor.
- Building long-term and strong relationships.
- Focusing on customer needs.
- Treasuring firm reputation and using word-of-mouth references.
- Applying specialization and differentiation.
- Charging a premium price.

Furthermore, niche marketing is defined as “a marketing strategy that is especially suitable where there are distinct, profitable, but under served pockets within the total market, and where the company has an existing, or can create a new, differential advantage in serving that pocket” (Hooley, Piercy & Nicoulaud, 2008); uses product differentiation to appeal to a focused group of customers (Phillips and Peterson, 2001). Additionally, according to Leeflang (1990), 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.

And he 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.

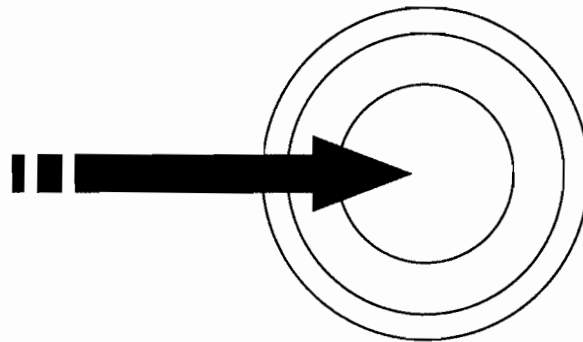
Hence, it is suggested that niche marketing is a strategy which may contribute to creating sustainable differential advantages. So, according to the discussion above and for the purposes of this paper, niche marketing will be defined as a marketing strategy that begin with a clear idea of a focused target market, and the particular customer needs that make it special and creating sustainable differential advantages by definition market-oriented and distinctive competencies of the company.

### **2.2.3. Elements of Niche Marketing:**

Marketing has two meanings; first, it is a business philosophy which states that the central goal of the company must be to meet the needs of customers. Without this the firm cannot survive and prosper in competitive markets. The second idea of marketing is a distinct group of activities centered around market segmentation and positioning decisions (Doyle, 2002).

According to Hooley, Piercy & Nicoulaud (2008), the two main aspects to the niche strategy are, first, choosing the pockets, segments or markets on which to concentrate and, second, focusing effort exclusively on serving those targets (see Figure 2.1).

**Figure (2.1): Niche Strategies**



*Choose your target market carefully  
and focus all efforts on serving it*

*Source: Hooley, Piercy & Nicoulaud (2008), Marketing Strategy and Competitive Positioning, 4th Ed., FT Prentice Hall, Pearson Education Limited, Harlow, England, pp. 329.*

And as mentioned earlier, niche marketing is defined as “focusing on a small segment” (Doyle, 2002) or “positioning into small, profitable homogeneous market segments which have been ignored or neglected by others” (Dalgic and Leeuw, 1994). According to these definitions, niche marketing can be involving two essential elements, as follows:

#### **2.2.3.1. Market segments:**

People have different needs and wants, even though it would be easier for a marketer if they didn't (Kerin, Hartley & Rudelius, 2009). Based on the economic theory of imperfect competition, market segmentation involves viewing a heterogeneous market as a number of smaller homogeneous markets, in response to differing preferences, attributable to the desires of consumers for more precise satisfaction of their varying wants (Jiang, 2000). “Marketing segmentation has become an important part of the marketing efforts of many companies” (Burrow, 2009). Where, “market segmentation links market needs to an organization's marketing program-specific marketing mix actions to satisfy those needs” (Kerin, Hartley & Rudelius, 2009).

According to Kerin, Hartley & Rudelius (2009), market segmentation involves aggregating prospective buyers in groups that (1) have common needs and (2) will respond similarly to a

marketing action. Where the segmentation might be based on ages, socioeconomic groups, lifestyle, income, benefits sought or usage rate for consumer markets, and size of buyer and reasons for buying in the case of industrial markets (Thompson, 2001). That means “each market segment consists of people who are relatively similar to each other in terms of their consumption behavior” (Kerin, Hartley & Rudelius, 2009) or “consumers within such a sub-market are assumed to be quite similar in their needs, characteristics and behaviors.” (Lin, 2002)

According to Doyle (2002), a market segment is defined as “a customer group within the market that has special characteristics which are significant for marketing strategy.” Market segment is also defined as “the relatively homogeneous groups of prospective buyers that result from the market segmentation process” (Kerin, Hartley & Rudelius, 2009); and “a group within a market that is clearly identifiable based on certain criteria” (Lin, 2002). In niche or focused marketing, the company does not aim to compete in the majority of the market, but rather specializes in one segment, or a small number of segments (Doyle, 2002). Hence, to be viable, the segment must be clearly identifiable, separated from other segments, easily reached with advertising and large enough to be profitable. Given these factors and a differentiated product, prices, distribution and advertising can all be targeted specifically at the segment (Thompson, 2001).

Due to segmentation, the marketer is able to match the product or service more closely to the needs of the target market. In this way a stronger competitive position can be built (Hooley, Piercy & Nicoulaud, 2008). Additionally, market segmentation is “a spur to innovation by revealing hidden profit opportunities that can be won by better meeting the needs of specific high-value customer groups” (Doyle, 2002). Also, according to Hooley, Piercy & Nicoulaud (2008), the dangers of not segmenting the market when competitors do so should also be emphasized. The competitive advantages noted above can be lost to competitors if the company fails to take advantage of them.

Moreover, “marketers using segmentation strategies attempt to deliver value to a specific subset of consumers who share similar demands” (Baxter, 2010). Through market segmentation the company can provide higher value to customers by developing a market mix that addresses the specific needs and concerns of the selected segment. According to Baxter (2010), “Effective target marketing is possible with segmentation.” Also, “the company does have to position the product effectively both to the new consumer group and against current competitors” (Doyle, 2002).

Further, “segmentation or customization increases profit opportunities because different groups of customers attach different economic or psychological values to the solution offered” (Doyle, 2002). According to Capon (2008), the benefits which are sought via market segmentation include greater sales and profitability; closer match of products and services to customer requirements; greater consumer satisfaction; and a focus on segments with the greatest potential. Additional benefits include further market opportunities, and the development of new market segments and better competitive positions for existing products and services. If benefits of the type described above do not result to either the company or customer then the segmentation process has not been performed correctly.

Thus, according to Blythe (2006), Bonoma and Shapiro (1983) recommend choosing segments using two major criteria: Customer Conversion Analysis (CCA) and Segment Profitability Analysis (SPA). They also recommend combining these approaches to determine which segments a firm ought to serve. Additionally, to decide on which market segments to target, a firm would decide whether a segment is attractive, whether the firm has the resources to serve that segment, and whether serving that segment fits with the company's overall objectives.

#### 2.2.3.1.1. Customer Conversion Analysis

It simply means the attempt by a manager to determine how many of potential prospects in a particular segment can be converted to customers and how large that served segment will be. This is

based upon the number of prospects in a market (the density) which can be reached for a particular marketing expenditure (Blythe, 2006).

#### 2.2.3.1.2. Segment Profitability Analysis

Segment Profitability Analysis is “an attempt to determine the contribution margin per pound invested to serve that segment” (Blythe, 2006). To support marketing-related decisions some scholars have suggested an accounting technique called market-segment-profitability analysis, or customer-profitability analysis. This technique “represents a novel approach that generates accurate and relevant financial data for marketing decisions, especially where customers can be grouped in well-defined and distinct market segments” (Karadag & Kim, 2006). Accordingly, they have this to say:

Customers contribute value to a firm based on the revenue they generate over time, relative to the costs of acquiring and serving them. The pattern of revenue could be quite different for any two customers, depending on the nature of the customers' priorities and spending patterns and a firm's pricing strategies. Hence, profit margins change according to the nature of customers' patronage. Such data lead managers to think about strategies to change customer behavior to improve profitability.

This means that Segment Profitability Analysis (SPA) enables a company to evaluate market segments, which can be classified according to products, customers, orders or any combination of these, with respect to company's profit or contribution margin and provide its sales, marketing, product management and corporate planning departments with information to support decision-making. According to Karadag & Kim (2006), profit analysis by segment is “a model that uses a combination of marketing information and cost analysis by identifying average revenues generated by different market segments. The model then looks into the contribution margin for each of those segments by considering the costs of making those sales”. Where, according to Burrow (2009), the market potential is the total revenue that can be obtained from the market segment. Since it is unlikely that one company will attract all customers in a given market, businesses also calculate

their market share. Market share is the portion of the total market potential that each company expects in relation to its competitors.

Therefore, according to Ferrell & Hartline (2008), it is important to remember that not all segmentation approaches or their resulting market segments are viable in a marketing sense. For example, it makes little sense to segment the soft-drink market based on eye color or shoe size because these characteristics have nothing to do with the purchase of soft drinks. Although markets can be segmented in limitless ways, the segmentation approach must make sense in terms of at least five related criteria:

1. *Identifiable and Measurable*, The characteristics of the segment's members must be easily identifiable. This allows the firm to measure identifying characteristics including the segment's size and purchasing power.
2. *Substantial*, the segment must be large and profitable enough to make it worthwhile for the firm. The profit potential must be greater than the costs involved in creating a marketing program specifically for the segment.
3. *Accessible*, the segment must be accessible in terms of communication (advertising, mail, telephone, and so on) and distribution (channels, merchants, retail outlets, and so on).
4. *Responsive*, the segment must respond to the firm's marketing efforts including changes to the marketing program over time. The segment must also respond differently than other segments.
5. *Viable and Sustainable*, The segment must meet the basic criteria for exchange including being ready, willing, and able to conduct business with the firm. The segment must also be sustainable over time to allow the firm to effectively develop a marketing strategy for serving the needs of the segment.

### **2.2.3.2. Positioning:**

Once the targeted segments have been selected, the products must be positioned in order to create a clearly defined image in the minds of customers (Capon, 2008). In marketing, positioning refers to the technique by which marketers try to create an image or identity for a product, brand, or organization. It is the 'place' a product occupies in a given market as perceived by the target market. Positioning is something that is done in the minds of the target market. A product's position is how potential buyers see the product. Positioning is expressed relative to the position of competitors. And according to Capon (2008), it is how customers perceive a product or service in comparison to products or services offered by competitors. Thus, positioning has been defined in the following terms: “positioning is the act of designing the company's offering and image so that they occupy a meaningful and distinct competitive position in the target customers' minds” (Kotler, Keller, Ang, Leong & Tan, 2009); “the unique image of a product or service in a consumer's mind relative to similar competitive offerings” (Burrow, 2009).

As rivalry intensifies with increasing globalization of business activities, which brings about a host of diverse competitors, high-speed market changes, and widening scope of competition, direct confrontation with rivals is often inevitable in certain businesses or markets. Smart play in positioning is impossible and changing the game unlikely (Ma, 2004).

So, all businesses need to develop a positioning strategy. A positioning strategy will outline how a company is going to present its product or service to the consumer and how it will compete in the marketplace with other businesses offering similar products and services. Businesses are concerned about the perception consumers have of the company and its products in relation to those of competitors. The ideal situation is when consumers perceive a business's products to be superior to its competitors' products or services based on the attributes the company emphasizes in its marketing strategy (Burrow, 2009). In addition, according to Kerin, Hartley & Rudelius (2009), “product positioning refers to the place an offering occupies in consumers' minds on important



attributes relative to competitive products. By understanding where consumers see a company's product or brand today, a marketing manager can seek to change its future position in their minds."

Hence, positioning requires a company to understand: how customers think about and view their products or services; how the product (or other aspects of its marketing mix) can be modified to meet customer perceptions; and how the customer's perceptions can be altered to fit the product or service (Capon, 2008).

Further, Cuthbert (2008) has suggested that positioning is based on the Integrated Marketing Concept (IMC) and Distinctive Competencies (DC) of the firm.

#### 2.2.3.2.1. Integrated Marketing Concept

The heart of a market orientation is its customer focus (Narver, Slater & Tietje, 1998). Market orientation has also something to do with performance. As Gudlaugsson & Schalk (2009) have stated:

Years of research have concluded that market oriented companies perform better than companies that are less market oriented. They focus on adapting their products and services to the needs and expectations of their customers instead of those who are product oriented and focus on developing a product or service that is then marketed and hopefully sold.

Market orientation can also be defined as "a form of organizational culture where employees are committed to continuously create superior customer value, or as a sequence of marketing activities that lead to better performance" (Gudlaugsson & Schalk, 2009). To create superior value for buyers continuously requires that a seller understands a buyer's entire value chain, not only as it is today but also as it evolves over time. Buyer value can be created at any point in the chain by making the buyer either more effective in its markets or more efficient in its operations (Narver, Slater & Tietje, 1998).

Therefore, market orientation involves both the development of systems and a culture to focus the firm on the needs of customers, but also involves the effectiveness of implementing the

marketing mix and the development of a strong brand (Narver, Slater & Tietje, 1998). So, a great deal of marketing effort is used in competitive positioning. The pricing, promotion, product development, and distribution strategies are all planned with an eye toward the competition (Burrow, 2009). In addition the term was coined by Kotler et al. (2009), "Positioning establish and communicate the distinctive benefits of the market offering".

Hence, integrated marketing can be defined as "a listening-first, database-dependent approach to marketing that includes both a willingness to segment and coordinate such strategic assets as product, price and place and to develop effective promotion strategies for key target audiences"(Sevier, 2000). According to Doyle (2002), after the positioning strategy is formulated, the marketing mix is designed: product, price, promotion and distribution policies. Also, according to Simkin and Dibb (1998), "positioning concerns the design of marketing mix programmes (product, price, promotion, distribution and people/service) which will reflect the proposition on offer and which will shape customers' perceptions about the nature of that offer."

#### 2.2.3.2.2. Distinctive Competences

It is emphasized that effective strategic positions ensure that corporate strategic resources meet and satisfy key (or critical) success factors for customers and markets (Thompson, 2001). "Development of core competencies allows an organization to achieve its key success factors. Organizations should seek to develop competencies that provide competitive advantage and utilize those competencies to meet customer requirements" (Capon, 2008). While any organization could produce a long list of the resources at its disposal, what is important is to identify those resources that can help create a competitive advantage, and ideally an advantage that can be sustained into the foreseeable future (sustainable competitive advantage, SCA). Theories developed in the strategic management field can be helpful. Strategic management theorists have shown that a sustainable

competitive advantage can be achieved when distinct resources employed that are resistant to competitor imitation or duplication (Hooley, Piercy & Nicoulaud, 2008).

According to Toften & Hammervoll (2010), in order to function as capabilities for competitive advantage, though, it is necessary that the resources and competences are distinct. “Successful differentiation focus requires strong core competencies in areas of importance to the narrow range of customers” (Capon, 2008). According to Thompson (2001), while the real competitive strength of an organization can be built around either competencies or capabilities, both must be present for relative success. Over time, both competency and capability must be improved with innovation.

Building core competence becomes essential to competitive advantage building, because advantages emanating from the product-price-performance-tradeoffs are almost short term. Especially in an era where technologies are altering the existing boundaries of business; advantage can last only through competence enjoyed at the very roots of products. And only through expertise over several technologies and a complete command on their infinite variety of users, a company can occupy a highly advantageous position (Hani & AlHawary, 2009).

According to thestrategyworkshop.com (2009), distinctive competences are defined as a set of related skills or capabilities that an organization uses to create value. And distinctive competences are the things that an organization does better than their competitors or does uniquely that distinguish or differentiate them from the ‘pack’. This is the source of current and future competitive advantage. In addition, the “core competence dimensions are unique resources, processes, and Knowledge-Based Systems” (Hani & AlHawary, 2009).

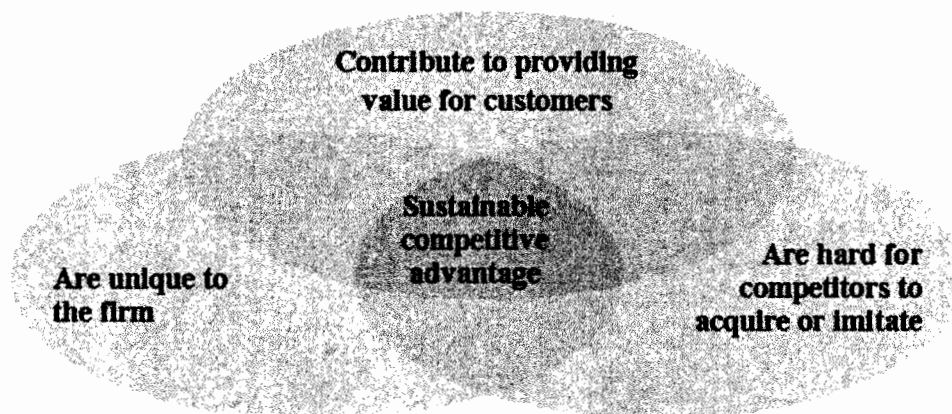
Moreover, the resources that will most likely create sustainable advantage have a number of key characteristics. First, they enable the provision of competitively superior value to customers. Second, they are resistant to duplication by competitors. Third, their value can be appropriated by the organization. These are based on the assumptions that the resource contributes to creating value for customers; that the resource is rare, or unique to the organization; and that the resource is hard for competitors to imitate or copy (Hooley, Piercy & Nicoulaud, 2008). Similarly, according to

Hamel and Prahalad (1990) a company's core competencies are things that a firm can do well and that meet three conditions:

- It provides customer benefits.
- It is hard for competitors to imitate.
- It can be leveraged to other products and markets.

Therefore, according to Cuthbert (2008), a core competency can take various forms, including technical/subject matter know-how, close relationships with customers and suppliers, and reliability.

**Figure (2.2): Advantage-creating resources**



*Source: Hooley, Piercy & Nicoulaud (2008), Marketing Strategy and Competitive Positioning, 4th Ed., FT Prentice Hall, Pearson Education Limited, Harlow, England, pp 302.*

The findings reached by research articles for Toften & Hammervoll (2010) titled with " Niche marketing and strategic capabilities: an exploratory study of specialized firms", are that the use of differentiated products and specialization, limited targeted markets and strong relationships support the assumptions of niche marketing, as suggested by, Dalgic and Leeuw (1994), Doyle (2002), and Kotler (1991).

Toften & Hammervoll's (2009) study's findings indicate that long-term and strong personal relationships are one of the most important factors for niche firm success. This necessitates a strong

customer commitment in all aspects when crafting a successful marketing strategy for internationally oriented niche firms.

#### **2.2.4. Niche Marketing Evolution**

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 (Dalgic & Leeuw, 1994).

Product-driven marketing requires one to focus all his marketing efforts on selling more of a particular product to as many customers as possible. A market-driven strategy is one in which one develops whatever products or services are required to satisfy a particular market segment. This particular market is usually a smaller segment of a larger customer base and is called a marketing niche. Niche marketing allows your business to be a big fish in a small pond. Commodity marketing, selling at the livestock auction, or selling through a cooperative does not differentiate one's product from the mass market. Niche marketing differentiates such product from other similar products and targets customers who want a unique or superior product.

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 (Dalgic & Leeuw, 1994). Niche marketing requires you focus your business on a very targeted segment of the population such as a specific geographic region, a particular demographic group, or a group of people with shared interests, for example, people who want to purchase pasture-raised meats. Smaller specialized markets are often overlooked by mainstream companies and can provide a profitable, targeted customer base.

All successful marketing is based upon the pursuit of niche markets. Markets are increasingly segmented and effective marketing centers on capitalizing on the differences in needs between segments by offering different products at different prices (Doyle, 2002). Where, successful

marketing niches must be large enough to be profitable, but not large enough to attract competition from other mainstream companies. Focusing your marketing efforts on a niche market can:

1. Create a cost-effective way to find potential customers.
2. Enable you to spend more time improving your relationships with existing customers rather than looking for new customers.
3. Capitalize on opportunities to create new niche marketing divisions. While niche markets can be very successful, remember that they are by nature short-term markets that tend to disappear after a while. You must remain vigilant for new niche marketing opportunities and be flexible enough to adjust your products or delivery system to consumer demands.

Moreover, the key to successful niche marketing is to understand and meet the needs of target customers so completely that, despite the small size of the niche, the firm's substantial share makes the segment highly profitable( Ferrell & Hartline, 2008).

#### **2.2.5. Benefits of niche marketing**

Targeted niche marketing allows the organization to focus on a specific consumer group. Niche groups are easier to understand and, therefore, easier to address their needs than targeting a wider, more diverse group, thereby creating a more effective use of marketing dollars (Nisberg & Nierenberg, 2004). According to Baxter (2010), "The success of marketers in the future depends upon having a greater understanding of their consumers". Most large markets evolve from niche markets. Although niches might be comparatively small initially, they might grow to become large markets (McKenna, 1988).

In addition, Kotler (1991) suggests the main reason for niche marketing is profitable as he said that "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." Also, according to Stanton, Etzel & Walker (1991), niche markets have been claimed to be more profitable. Additionally, Toften & Hammervoll (2009) have observed that the terms "profit" and "premium" are frequently used. It is clear that the chosen niche market must be profitable in the long run for the niche firms to survive and prosper. According to Ferrell & Hartline (2008), "an attractive market niche is one that has growth and profit potential but is not so appealing that it attracts competitors."

Moreover, in niche marketing you do not only market your product, you also market your business (Dalgic & Leeuw, 1994). According to Doyle (2002), a focused strategy permits the firm to achieve efficient production, distribution and marketing through specializing its investments. It allows the business to build a strong reputation from its expertise in understanding the specific requirements of buyers in this segment. Also, by focusing, it can build a strong share, making it the preferred choice of buyers and distributors serving these customers. A well-focused strategy permits a competitor to achieve both low costs and high prices.

Further, according to Dalgic and Leeuw (1994), niche marketing 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. In addition, Kotler's (1991) idea of specialization leads us to the distinctive competences a firm needs to possess to pursue niche markets.

Furthermore, according to Dalgic & Leeuw (1994) also, 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.

The above characteristics may be termed niche characteristics.

In summary, niche marketing involves focusing marketing efforts on one small, well-defined market segment, or niche, that has a unique, specific set of needs. And it requires that organization understand and meet the needs of target customers so completely that, despite the small size of the niche, the firm's substantial share makes the segment highly profitable. In addition, according to Burrow (2009), to be able to compete successfully, businesses must be able to identify and reach a market segment that has a need for their product or service and position itself effectively against its competitors. Where, companies today cannot succeed without segmenting their market and focusing offers on each segment (Doyle, 2002).

Moreover, successful niche marketers should have the following common characteristics:

- An ability to segment the market creatively, focusing on areas where the company has particular strengths (Cuthbert, 2008)
- Efficient use of research and development resources (Cuthbert, 2008)
- Thinking small (Cuthbert, 2008)
- A specialization or provide a unique offering that customers find highly desirable (Ferrell & Hartline, 2008)



- Applying specialization and differentiation (Dalgic and Leeuw, 1994; Kotler, 1991)
- Focusing on customer needs (Dalgic and Leeuw, 1994).
- Building long-term and strong relationships (Dalgic and Leeuw, 1994)

### ***2.3. The Sustainable Differential Advantage Overview***

According to Thompson (2001), the most successful competitors will:

- Create value
- Create competitive advantage in delivering that value and
- Operate the business effectively and efficiently.

For above-average performance all three are required. It is possible to run a business well - efficiently - but never create competitive advantage. Certain products and services may have competitive advantage and yet be produced by organizations that are not run well. In both, potential is not fully exploited. Also, according to Narver, Slater & Tietje (1998), to achieve superior performance, a business must develop and sustain competitive advantage.

Competitive advantage is at the heart of a firm's performance in competitive markets (Klein, 2001). And in markets where capacity exceeds demand, value creation generally requires competitive advantage. A company with a competitive advantage consistently outperforms competitors, that is, it earns greater economic profits (Spulber, 2009). So, organizations require an effective competitive strategy to operate successfully in a market where there is established and potential competition (Capon, 2008). Competitive advantage is, in very basic words, a position a firm occupies against its competitors (Hani & AlHawary, 2009). According to Spulber (2009), the competitive advantage of a firm equals the difference between the overall value created by the industry when the firm is in the market and the overall value that would be created by the industry when the firm is not in the market.

Moreover, competitive advantage must be sustained. A good new product, for example, may offer the consumer something new, something different, and thus add value; but if it is easily imitated by competitors there is no sustainable competitive advantage (Thompson, 2001). In addition, a sustainable competitive advantage creates some barriers that make imitation difficult. Without a sustainable competitive advantage, above average performance is usually a sign of harvesting (Hani & AlHawary, 2009).

Furthermore, it should be borne in mind that competitors learn from each other's successes and failures. Consequently it is important for companies to have a robust framework for generating and evolving original ideas which feed into the development of competitive strategy rather than just following the nearest rival. Moreover, the development of unique competitive strategy is more likely to lead to a sustainable competitive advantage that is more difficult for rivals to copy (Capon, 2008).

Most successful companies attempt to build their strategies on the differential advantage they have over others in the market. This is an important consideration in two ways. It is clearly necessary to base the differential advantage on customer targets and it is important to avoid basing one's competitive strategy on trying to build strengths where one is always going to be weak relative to competitors (Hooley, Piercy & Nicoulaud, 2008).

### **2.3.1. The Nature of Sustainable Differential Advantage**

A sustainable differential advantage is “a perceived difference that leads customers in the target segment to prefer one company's offer to those of others” (Doyle, 2002). It focuses on “being based on lots of added value” (Capon, 2008). Where, differentiation “occurs when a company provides products or services which appear different and distinctive compared to competitors' offerings by virtue of the way they are presented to the marketplace” (Capon, 2008); “delivers greater services for the same price of its competitors” (Hani & AlHawary, 2009); “by offering unique products

which are characterized by valuable features, such as quality, innovation, and customer service” (Prajogo, 2007). According to Thompson (2001), differentiation superior performance is achieved by serving customer needs differently, ideally uniquely. The more unique the difference, the more sustainable is any advantage which accrues.

Moreover, searching for a differential advantage begins with understanding what customers' value (Doyle, 2002). And it is preferably achieved by building on the firm's strengths that are particularly valued and preferred by the customers (Toften & Hammervoll, 2009). According to Hooley, Piercy & Nicoulaud (2008), a differential advantage can be created out of any of the company's strengths, or distinctive competencies relative to the competition. The essential factors in choosing how to create the advantage are that it must be on a basis of value to the customer (e.g. lower prices, superior quality and better service) and should be using a skill: the company that competitors will find hard to copy.

On the other hand, competitive or differential advantage cannot be sustained ever for and probably not for very long without changes in products, services and strategies which take account of market demand, market saturation and competitor activity. People's tastes change, the size of markets is limited not infinite, and competitors will seek to imitate successful products, services and strategies. Competitive advantage can be sustained by constant innovation. Companies that are change orientated and seek to stay ahead of their competitors through innovatory ideas develop new forms of advantage (Thompson, 2001).

Furthermore, differentiation can be based on the product itself, the delivery system, and a broad range of other factors. With these differentiation features, firms provide additional values to customers which will reward them with a premium price (Prajogo, 2007); raise customer benefits (Spulber, 2009); “may lead to competitive advantage if customers perceive the difference and have a preference for the difference” (Thompson, 2001). Where, it is insufficient merely to add value, according to Thompson (2001), customers must recognize and appreciate the difference. If it cannot

be seen easily, it should be communicated, perhaps through advertising. Communication between manufacturer and customer is vital, for it is only by understanding customer needs that the most appropriate value can be added.

Therefore, according to Capon (2008), Coyne (1988) identifies three distinct conditions which must occur for sustainable competitive advantage to exist, as follow:

- First, customers must see a distinct difference between a company's product/service and those offered by competitors. The distinct differences need to be in the attributes of the product or service, for example additional features or faster service.
- The second condition Coyne identifies is the existence of a capability between an organization and its competitors. A capability gap prevails when the activities which create the differentiated products or services and their delivery can only be performed by the organization under consideration, while competitors struggle to achieve the same differentiation.
- Finally the competitive advantage must be sustainable, meaning the attributes and gap must both be enduring. This can be difficult to achieve, with many differentiated goods, being easily 'copied' by competitors. Producers of patented protected goods or technologies have sustainable competitive advantage, but only until the patent runs out or a new product or technology renders the patent protection worthless.

Similarly, according to Doyle (2002), to be a sustainable differential advantage, any difference the firm obtains must meet four criteria:

- *Customer benefit:* The difference must be seen by customers as offering some important benefit to them.
- *Unique:* The benefit must be seen as not obtainable in a similar way from other companies.
- *Sustainable:* The advantage must be difficult to copy. There must be some barriers to entry in the form of difficult to acquire skills, scale economies, branding or patents, to prevent

the differential being rapidly eroded.

- *Profitable:* The firm must be able to offer the product or service with a price, cost and volume structure that makes it profitable to produce.

In generally, according to Doyle (2002), “the firm can create value for the customer by increasing the utility of the product (by offering features that are perceived as superior), by lowering the price, or by cutting other ownership costs. Higher ownership costs are normally a function of the product's design and so can be treated as part of the utility of the product. Higher ownership costs reduce utility; lower ownership costs act to enhance the attraction of the offer. The customer can then express his or her choice in the equation:

$$\text{Value} = \text{Utility} - \text{Price}$$

Besides offering superior value to the customer, the differential advantage must also be profitable to the firm. For the firm, the profit on a product can be expressed in the simple equation:

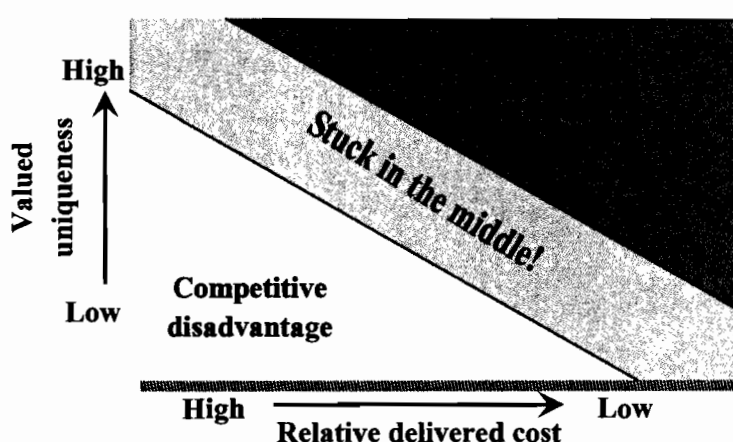
$$\text{Profit} = \text{Price} - \text{Cost}$$

These equations, expressing value to the customer and profit to the firm, show that there are three fundamental ways of creating a sustainable differential advantage. First, management can find ways of increasing utility without disproportionate increases in cost. Second, they can find ways of lowering costs without disproportionately lowering utility. Third, they can seek a new positioning in the market with different levels of both utility and price.”

Thus, there are two main routes to creating a competitive or differential advantage (see Figure (2.3). The first is through low costs relative to competitors. The second is through providing valued uniqueness, differentiated products and services that customers will be willing to pay for (Hooley, Piercy & Nicoulaud, 2008). According to Prajogo (2007), competitive advantages can be divided into two basic types: lower cost than rivals, or the ability to differentiate and command a premium price that exceeds the extra cost of doing so.

The first source one cost efficiencies that make more efficient use of the firm's assets and supplier inputs or that lower supplier cost (Spulber, 2009). Cost advantage occurs when a firm delivers the same services as its competitors but at a lower cost (Hani & AlHawary, 2009). In addition, it allows the firm to lower the costs of using its own assets and to reduce its payments to suppliers by reducing the costs of delivering a particular benefit to customers or by reducing supplier costs (Spulber, 2009).

**Figure (2.3): Routes to Competitive Advantage**



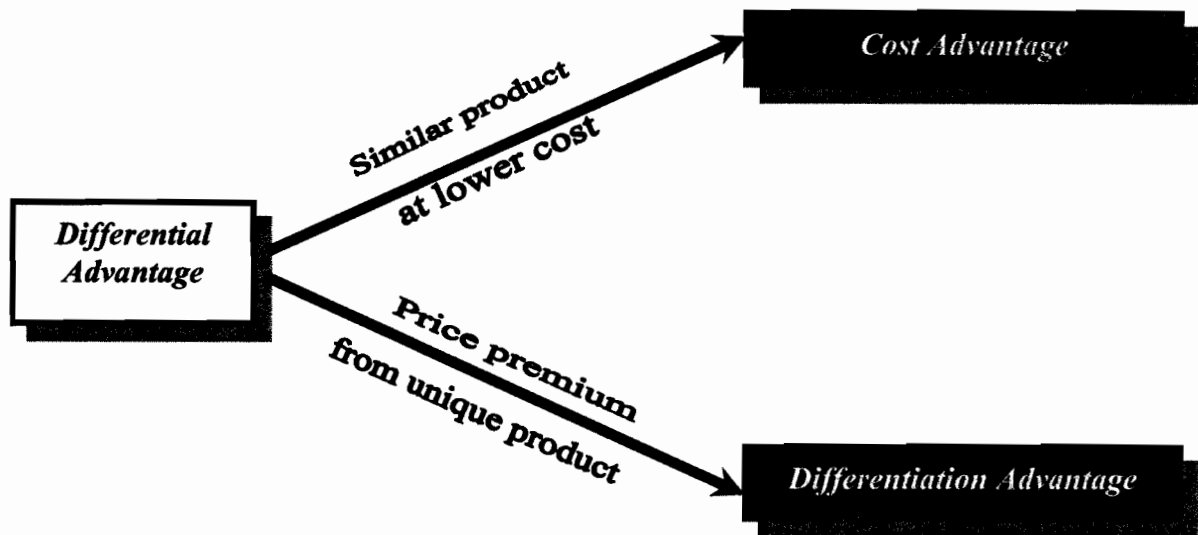
Source: Hooley, Piercy & Nicoulaud (2008), *Marketing Strategy and Competitive Positioning*, 4th Ed., FT Prentice Hall, Pearson Education Limited, Harlow, England, pp 49.

In contrast, second source, differentiation is creating or offering something that is perceived as unique in the marketplace. According to Spulber (2009), Differentiation advantage allows the firm to offer customers products and services with greater benefits. In other words, differentiation advantage is the key to create value for the customer.

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 (Dalgic & Leeuw, 1994).

Providing something different, but of value to customers, is a route to creating competitive advantage all players in a market can adopt. The creative aspect of this strategy is to identify those differentiating

features on which the firm has, or can build, a defensible edge. Signals of differentiation will be as varied as the means of differentiation. Greater emphasis on customer service, added features to the product, special deals for volume or continued custom and loyalty schemes are all means of differentiation. All are highly visible to competitors and show the ground on which a given supplier has chosen to compete (Hooley, Piercy & Nicoulaud, 2008).



**Figure (2.4): Types of Differential Advantage**

According to Cuthbert (2008), unique offerings are one aspect of the competitive advantage equation. A unique offering tailored to specific target market establishes a strategic advantage that may be sustainable.

Moreover, the difference may be based upon a product that is perceived superior, has better service support, or offers a lower price. Where a firm creates a differential advantage, it achieves higher market share and higher profits, and has the ability to defend itself against an attack from competitors (Doyle, 2002).

Further, differentiation advantage can neutralize the threats of the forces mentioned in the five forces model, as follows: (Hooley, Saunders & Piercy, 2004)

- 1) Threat of Entry: It means that would-be entrants face the costs of overcoming customers' preferences for the focal firm's products and/or services.

- 2) Threat of Rivalry: The customers have, to some extent, segmented themselves based on their preferences for the products of the several competing firms in a market. Thus, the rivalry is generally lower among firms competing in a market of differentiated products.
- 3) Threat of Substitutes: The customers will find the focal firm's products and services substantially more attractive than substitute products (i.e., customers are less inclined to even try the substitute product and the focal firm is therefore insulated from the threat of the substitute).
- 4) Threat of Suppliers: The power of suppliers may be mitigated in two ways. First, the focal firm will likely be able to pass supplier price increases along to customers who have a preference for the focal firm's differentiated product (customers with a preference for a differentiated product tend not to be price sensitive). Second, a firm that enjoys the strong preference of customers will usually have more bargaining power with suppliers compared to competitors that do not have differentiated products and services.
- 5) Threat of Buyers: The power of buyers is reduced because the focal firm enjoys a quasi-monopoly. By definition, if a firm has a highly differentiated product, then the firm is the only firm in that market that can offer that particular product. Customers with a preference for the focal firm's products and services must buy from the focal firm, thus reducing the power of buyers.

In sum, organizations need to have a differential advantage to remain profitable and which is difficult for competitors to copy, and suitable to form the basis for a company's competitive advantage. Both low cost and differentiation are the types of differential advantages which are actually positional advantages because they position the organization as a leader in either price or differentiation by features and benefits. In other words, low cost and unique product are the qualities that allow organizations to earn above-average profits within an industry.



### 2.3.2. Sources of Differential advantage

Successful marketing strategies need to be based upon offering superior value to the targeted customers. Superior value can be based on providing superior quality (such as performance, service, personnel, and image) or offering lower priced solutions (Doyle, 2002). According to Capon (2008), Kotler suggests a company can differentiate its offerings to customers in four different areas and potentially achieve competitive advantage in each one. The four areas in which competitive advantage can be achieved are product; service, personnel and image. In addition, these are considered the factors that drive up the utility of an offer (Doyle, 2002). The following is an explanation for this.

#### *1) Product Advantage (Product Differentiation):*

First, the physical product can be differentiated by design to make it perceived as better or cheaper to operate (Doyle, 2002). Companies can seek to deliver highly differentiated products to the marketplace or they can offer standardized products with small amounts of differentiation (Capon, 2008). The most important parameters for achieving a differential advantage are as follows: (Doyle, 2002)

- *Performance*: the level of the product's primary operating characteristics (e.g. speed, capacity, accuracy).
- *Features*: the characteristics that are added to the primary function (e.g. a car can be augmented by sun roof, electric windows, stereo, air conditioning).
- *Reliability*: the likelihood that the customer will have problems with the product.
- *Conformance*: the degree to which the product's design and operating characteristics meet expected specifications.
- *Durability*: the expected working life of the product.

- *Operating costs*: the costs of operating the product over its life (e.g. installation, energy consumption, labour, insurance).
- *Serviceability*: the facility with which a product can be repaired.
- *Aesthetics*: how the product looks and feels to the buyer.

## 2) *Service Advantage (Service Quality)*:

Services that augment the product have become increasingly important differentiators, as competition narrows product differences (Doyle, 2002), wherein it can be used as a source of differentiation by both manufacturers and service organizations. Manufacturers may seek to differentiate their products by offering additional services associated with the products, which may be free or may cost the customer extra. The service can take the form of delivery and/or installation, maintenance and repair, or training in use of the product (mostly provided by organizations supplying sophisticated machinery and equipment to other organizations) (Capon, 2008). The main service differentiators are as follows: (Doyle, 2002)

- *Credit and finance*: Grants, loans, terms and conditions can add to the product's appeal.
- *Ordering facilities*: the ease or efficiency with which customers can order the product.
- *Delivery*: the speed and effectiveness with which the order is delivered to the customer.  
Generally people will pay more for a fast and reliable service.
- *Installation*: the facility with which the product is put into working order for the customer.
- *Training and consulting*: additional help and support offered to the customer.
- *After-sales service*: the quality of its maintenance and back-up support.
- *Guarantees*: Comprehensive guarantees may eliminate perceived purchase risks.
- *Operational support*: A variety of services can be offered to reduce the customer's cost structure or enhance its marketing effectiveness

### 3) *Personnel Advantage (Personnel Differentiation):*

Company personnel have become a valuable source of differential advantage, especially in service-oriented markets. High-quality personal service is difficult for competitors to copy because it is so dependent upon the hard-to-change culture of the company, and the skill of the management in empowering and motivating the frontline staff (Doyle, 2002).

Kotler, Keller, Ang, Leong & Tan (2009) link personnel differentiation very closely with service originations, claiming that personnel differentiation requires organizations which provide a service to recruit its customer contact staff carefully, and provide detailed and rigorous training, ensure the staff are extremely competent.

In addition, Capon (2008) would argue that personnel differentiation can equally be linked with manufacturing organizations. The absence of appropriately skilled operatives is likely to result in poorer goods being manufactured. In contrast a highly skilled, cohesive workforce with a low turnover is also personnel differentiation, especially if competitors do not possess the same type of workforce.

According to Doyle (2002), the key attributes of people who add value through personal service are as follows:

- *Professional:* They need the training to acquire the required skills and knowledge.
- *Courtesy:* Customers expect politeness and consideration.
- *Trustworthy:* Staff should be honest and credible.
- *Reliable:* Customers want service that is accurate and consistent.
- *Positive:* People want to deal with staff who believe they can overcome most practical difficulties.
- *Responsive:* Staff should respond quickly to customer requests and problems.

- *Initiative*: They should be capable of using their initiative to solve customer problems and not have to refer small matters to superiors.
- *Communication*: Personnel need to be able to understand customers and provide information to them effectively

#### 4) *Image / Reputation Advantage (Image / Brand Reputation)*:

A successful brand is a name, symbol, design or some combination, which identifies the 'product' of a particular organization as having a sustainable differential advantage (Doyle, 2002). Also, image differentiation is defined by Kotler, Keller, Ang, Leong & Tan (2009) as being based on a customer's perceptions of a brand or image. The image or perception of an organization and its brands, if strong and lasting, will likely have taken a long time to develop. The strength of the image, its lifetime, its creativity, and how long it is used for promoting and targeting the product or service in different market segments are good indicators of the success of the image and advert.

According to Doyle (2002), the image of the company or its brand should be a major source of differential advantage. Numerous experiments in many different product fields have shown that, while in blind product tests customers cannot differentiate between alternatives, once a well-known company or brand name is attached, they will not only choose this brand, but also be willing to pay more for it. A strong image gives the customer confidence in the product. This confidence value may be in the socio-psychological utility of the brand or in its economic performance. Where, socio-psychological confidence is created when the customer perceives the brand as enabling him or her to make a positive personal or social statement. Also, economic confidence is achieved when a brand or company name creates an image of reliability, performance or value. Many customers feel reassured by the Intel label, the General Electric name or the Mercedes logo on a product

The main approaches to creating value through image enhancement are as follows: (Doyle, 2002)

- *Reality:* The best way of creating confidence in a product is by the previous three factors - superior product performance, better services and top-quality personnel. Confidence and consequently image are based primarily upon satisfaction with using a company's product and services and dealing with its people. Without the reality of value being present, it is virtually impossible to create the image of it
- *Advertising and related media:* These can articulate, clarify and reinforce the brand image or personality that the company wishes to present. Advertising and promotion can speed up the recognition of a company's real performance advantage. They can make customers aware of the offer, understand it and eventually try it. Other vehicles that help to convey and reinforce image are logos, colour, personal endorsements, exhibitions, public relations and events.

#### ***2.4. Niche Marketing and Sustainable Differential Advantage***

“Marketing is the management process that seeks to maximize returns to shareholders by developing and implementing strategies to build relationships of trust with high value customers and to create a sustainable differential advantage” (Blythe, 2006). Therefore, once the objectives for a market are defined, “the marketing plan centers around understanding the target market segment and developing a differential advantage” (Doyle, 2002). Additionally, effectiveness will be accomplished by addressing the individual customer's needs better and the customer involvement in the development of marketing processes and practices will lead to greater commitment of the consumer in the marketer's programme (Jiang, 2000).

In order to achieve a true and sustainable competitive or differential advantage, an organization “must find opportunities to be different in ways which are meaningful for customers” (Thompson, 2001); “seek the best match between organizational abilities and market opportunities” (Spulber, 2009). Michael Porter developed the well-known generic competitive strategies, where there are three possible competitive generic strategies: cost leadership strategy; differentiation strategy and

focus strategy. According to Capon (2008), Porter's three competitive strategies centre on two issues: the scope of the market to be served and the basis of competition. There are two options for each issues, the scope of market to be served can be broad or narrow. The basis of competition is either cost based or added value based. (See Figure: 2.5). Porter also argues that a company cannot achieve superior profitability if it is 'stuck in the middle' with no clear strategy for competitive advantage and no clearly delineated position (Thompson, 2001).

**Figure (2.5) Generic Competitive Strategies**

		<b>Competitive Advantage</b>	
		<b>Lower Cost</b>	<b>Differentiation</b>
<b>Competitive Scope</b>	<b>Broad Target</b>	<b>1. Cost Leadership</b>	<b>2. Differentiation</b>
	<b>Narrow Target</b>	<b>3a. Cost Focus</b>	<b>3b. Differentiation Focus</b>

*Source: Capon,(2008),Understanding Strategic Management, First Edition, FT Prentice Hall, Pearson Education Limited, England, P.P 204.*

According to Cuthbert (2008), the three “generic strategies” can be implemented at the firm level to create competitive advantage. The differentiation focus strategy is similar to the cost focus strategy as both target niche markets. The main difference between the two focus strategies is the basis of competition, with the cost focus strategy being based on very low costs and the differentiation focus being based on lots of added value (Capon, 2008). According to Doyle (2002), a successful niche strategy is based upon offering superior value to customers in one segment of the market. Superior value can be based on either of two distinct strategies. First, the nicher can offer superior perceived 'quality' to customers in the target segment. This may arise from products with superior performance, service, personnel or image. The second strategic option is to offer lower-priced solutions to the target niche. Toften and Hammervoll (2010) offer the following explanation for focus strategy.

A focused strategy based on differentiation aims at securing a competitive advantage by offering customers a product they perceive is better suited to their own unique tastes and preferences. What sets focused strategies apart from overall cost leadership or broad differentiation strategies is concentrated attention on a narrow piece of the total market. This target segment or niche can be defined by geographic uniqueness, specialized requirements in using the product, and/or special product attributes that appeal only to niche members.

Hence, selection of a focus (niche market) strategy should position the firm to leverage its strengths in defense against the negative effects of these forces. Where, here the company concentrates on a few market segments rather than trying to compete in the whole market. Often these will be exclusive markets (Blythe, 2006). According to Ferrell & Hartline (2008), some companies narrow the market concentration approach even more and focus their marketing efforts on one small, well-defined market segment, or niche, that has a unique, specific set of needs. Customers in niche markets will typically pay higher prices for products that match their specialized needs.

Parrish, Cassill and Oxenham (2006) in their study entitled "Niche Market Strategy for a Mature Marketplace", have found that a firm adopting a niche marketing strategy becomes more focused on the consumer and more able to identify profitable segments, and thereby an effective competitor against the threat from abroad. That is applicable to most industries in the maturity stage of the product life cycle which face increasing competitive pressure. For those firms that focus on a niche product approach, it is vital to have a specialized product that meets markets needs better than the competition can.

In addition, Cuthbert (2008), has summarized of series recommendations with respect to ways in which a firm might implement a niche strategy, which owes a good deal to the recent publication "A Handbook of Niche Marketing, Principles and Practices" for (Dalgic, 2006). In addition, a group demonstrates the trademark characteristics of niche marketers, as in the following Table:

**Table (2.1): Recommendations for implementing a niche marketing strategy**

<b>Authors</b>	<b>Recommendations</b>
<b>Simon (1996) in Dalgic (2006) Ed.</b>	<p>Become an ultra specialist</p> <ul style="list-style-type: none"> <li>▪ Follow a niche strategy – define markets very narrowly and create your own market</li> <li>▪ Cultivate strong mutual interdependence between you and your customer, built on economics and rationality (this helps create strong entry barriers)</li> <li>▪ Match internal competencies with external opportunities</li> <li>▪ Integrate technological orientation with marketing orientation</li> <li>▪ Avoid outsourcing core activities</li> </ul>
<b>Oviatt, B. M. &amp; P.P. McDougal (1994) in Dalgic (2006) Ed.</b>	<p>Become a Global Player</p> <ul style="list-style-type: none"> <li>▪ Control (rather than own) assets particularly unique knowledge that creates value in more than one country.</li> <li>▪ Importance of alternative governance structure to promote increased concentration of limited resources on the primary sources of competitive advantage</li> <li>▪ Choose a product mix with demand that is of a global nature</li> <li>▪ Maintain a global vision from inception</li> <li>▪ Recruit internationally experienced managers with strong networks</li> <li>▪ Sell a unique product with “pre-emptive” product attributes. Maintain unique intangible assets such as tacit know-how to sustain advantage</li> <li>▪ Maintain a program of incremental innovation</li> </ul>
<b>McKinsey (1993) in Dalgic (2006) Ed. (7), Shani and Chalasani (1992)</b>	<p>Maintain a Strong Customer Orientation</p> <ul style="list-style-type: none"> <li>▪ Change with your customer</li> <li>▪ Compete of value rather than price</li> <li>▪ Strong customer focus and customize products to meet market requirements</li> </ul>
<b>Dalgic (2006)</b>	<p>Be a Vocal Local</p> <ul style="list-style-type: none"> <li>▪ Differentiate based on local culture/lifestyle, products/services.</li> <li>▪ Establish a local identity</li> <li>▪ Market through public relations and publicity.</li> </ul>

It is noted that the focus (niche marketing) strategy is clearly used to aim for a niche or a section of the market which is not served well by mainstream competitors in the sector. Consequently a company implementing a focus strategy is most likely to succeed if it centers its efforts on a number of niche market sectors and serves only them to the exclusion of other broad market segments (Capon, 2008).

Moreover, according to Cuthbert (2008), the attractiveness of a niche is dependant on more than the size or nature of the segment. According to Porter (1985), as cited by Cuthbert (2008), structural



attractiveness is determined by five underlying sources of competition. The well known “five forces” model (Porter, 1985), looks beyond customer characteristics to all aspects of the industry and value chain. Accordingly, structural attractiveness of a market is determined by the following five sources of competition:

1. Barriers to entry (threat of new competitors)
2. The threat of substitutes
3. Bargaining power of suppliers
4. Bargaining power of customers
5. Intensity of rivalry among existing competitors (level of competition)

And he indicated that the first four forces combine to influence the fifth force, the level of competition in an industry. Similarly, as mentioned before, differentiation advantage can neutralize the threats of the forces mentioned in the same five forces. Also, according to Dalgic et al (from Cuthbert, 2008), for niche marketers to be successful, the majority of these forces must support the decision to enter a niche market.

#### **2.4.1. The link between sustainable differential advantage and market segment**

Satisfied customers are seen as the only source of the firm's profit, growth and security (Doyle, 2002). As mentioned before, searching for a differential advantage begins with understanding what customers' value (Doyle, 2002). And according to Thompson (2001), for a differentiation focus strategy to be successful, the market must be capable of clear segmentation, and the requirements for this were highlighted earlier.

To a customer, value is the utility or total satisfaction he or she perceives the product is offering, less the price to be paid for it, and less the other operating costs incurred over the life of the product

(Doyle, 2002). Additionally, customers differ in the benefits wanted, the amount they are able or willing to pay, the media they see and the quantities they buy. As such, market segmentation is the dividing up of a large and diverse market into small groups or sub-markets which consist of customers with the same or similar requirements from a product or service. Segmentation results from analysis of a large and diverse market, followed by defining the market segments or sub-markets.

According to Thompson (2001), market segments are specific groups of customers with broadly similar needs that can be identified and targeted, and often products and services are differentiated to appeal to specific segments. It therefore makes sense for marketers to segment the market and target one or more of these segments with specialized, tailored offerings (Doyle, 2002). Hence, if the segmentation is carried out correctly each market segment will be clearly and distinctly different from other market segments. If this is not the case, then the market segmentation is inefficient. According to Doyle (2002), companies that espouse one-to-one marketing find it useful to group or segment customers by value or need, so that they can manage them efficiently.

Lin (2002) has found in his study, "Segment Customer Brand Preference: Demographic or Psychographic" that use multi-segmentation variables to divide a market into several sub-markets and interpret sub-market brand preferences for satisfying consumer demands, are invaluable to developing marketing strategies that enhance business competitive advantages.

In addition, successful market segmentation allows companies to target the most viable segments, giving them the best chance of making the greatest profits. Alternatively, effective segmentation may highlight market segments which are being ignored by current competitors, hence providing an opportunity for potential new entrants to join the marketplace. This is due to effective market segmentation allowing companies the opportunity to develop products or services which have different marketing mixes and are segment specific. Depending on the segment to be targeted, different marketing mixes can be developed to provide a product or service which offers

- 5) Targeted communications: It is difficult for a company to deliver a clear message to a broad, undifferentiated market. Effective communications require a demonstration that an offer will meet the relevant needs of the potential buyer. This is much easier to achieve if the marketer is targeting a homogeneous market segment.
- 6) Stimulation of innovation: Segmentation offers a clearer understanding of how needs and economic values to customers vary across the market. When the market is segmented, however, new profit opportunities appear.
- 7) Market segment share: By focusing, companies can often achieve competitive production and marketing costs, and become the preferred choice of buyers in a specific segment.
- 8) Bases for segmentation: Unfortunately, segmentation is an art rather than a science. The task is to find the variable or variables that split the market into actionable segments. Segmentation variables are of two types: needs and profilers. Customer needs are the basic criteria for segmenting a market. The marketer will want to form segments made up of customers whose needs are homogeneous - who are seeking the same benefits - and so are likely to respond similarly to a particular marketing offer and strategy. The second type of segmentation variables are profilers. These are descriptive, measurable customer characteristics such as industry, geographic location, nationality, age and income. In general, these variables are complementary to each other.

In sum, only by segmenting markets are firms likely to be able to meet the needs of the individual customers effectively and profitably (Doyle, 2002). Where, the goal of market segmentation is to maximize understanding of a customer segment while creating a solution that provides value beyond that of competition. In addition, if the segmentation process has not been performed correctly, either the company or customers do not get the benefits which are as a result for this process. Hence, success in today's competitive marketplace is determined increasingly on identifying the subtle differences in a unique market segment so that an organization can have an

edge over a competitor. Businesses that sell to a highly segmented subgroup will be more successful; they will be more efficient since they know exactly what the customer wants. Thus, there are no average customers, but rather special customers who desire unique solutions. As a result, it will be creating differential advantage.

#### **2.4.2. The link between sustainable differential advantage and positioning**

In order to influence consumers' purchases, businesses position their products and services to highlight their differences from those of competitors (Burrow, 2009). Therefore, once a segment is chosen, the firm has to seek to build a differential advantage that will make its offer preferred to those of competitors. A differential advantage can be based upon an offer that provides higher utility or which is lower in price. To build a differential advantage, management need to understand what drives customer satisfaction and what drives the costs of meeting their requirements. It will then develop a marketing mix to implement this positioning strategy (Doyle, 2002). Where, the key positioning aims for companies are to position products or services such that they are perceived differently compared to competing products and services (Capon, 2008). The competitive positioning of the company is a statement of market targets, i.e. where the company will compete, and differential advantage, or how the company will compete. The positioning is developed to achieve the objectives laid down under the core strategy (Hooley, Piercy & Nicoulaud, 2008). Consequently, organizations must choose what to do and what not to do, which activities to undertake and which to ignore, and how they might be fused into a powerful mix (Thompson, 2001).

#### **2.5. Summary**

An increase in competition among companies active in the markets as well as further globalization of other markets may make companies leaving markets only the strongest. Due to this,

companies may be forced to find markets which can survive, grow and be profitable. Niche marketing may help companies to be like this. why do we wish to practice niche marketing; and we realize that not all customers are alike and we cannot sell all things to all customers? Sustainable Differential Advantage! A differential advantage is obtained when a firm offers customers value they cannot get elsewhere (Doyle, 2002); is a unique offering that is valued by your customer and is not available from the competition. It is not what you think it is or what you want it to be. It is what your customer believes and that is what counts. This perception is everything. How does niche marketing lead to sustainable differential advantage for a company?

In today's competitive environment, being a low-cost provider through the economies of scale cannot provide an adequate defense against opportunistic competitors, who target customers by cream-skimming, by offering lower prices to selected customer segments. Firms that are prevented from accurate and profitable mass customization by corporate culture and tradition, or by regulations, or by an outmoded information infrastructure, are believed to be vulnerable to such newer and more nimble competitors (Jiang, 2000). Therefore, a company with a sustainable differential advantage consistently outperforms competitors, that is, it earns greater economic profits. To achieve sustainable differential advantage, companies seek the best match between organizational abilities and market opportunities. Few, if any, competitive advantages can be sustained indefinitely, so the company must continually seek opportunities to create the most value (Spulber, 2009). In other words, a differential advantage is sustainable if others can't copy it or deliver the same thing, or if the cost or the time to develop a competing solution is very significant.

According to Baxter (2010), "In an era of globalization and increased competition, finding and reaching new consumers is of importance to every business." A firm can gain first mover advantage by being the first in occupying a market position or niche that allows for the gaining of resources, capabilities, and access that late movers cannot easily match (Ma, 2004).

According to Doyle (2002), market segmentation and positioning are the two fundamental marketing tasks. The fundamental proposition of segmentation is that not all consumers are equal; consumers have to be diverse in order for segmentation to be cost effective (Baxter, 2010) and in niche marketing you focus on the customer and you provide the customer with the products they need, now and in the future. So, we want to find segments which match company's capabilities rather than building capabilities that match customer needs. In other words, develop customers in the segments that are most profitable to our company by giving the customers in those segments what they want and communicating with them. This is the easiest and surest method for developing or creating sustainable differential advantage – doing something better than the competition.

According to Toften & Hammervoll (2009), "since a niche market is small compared with the larger, main market, there are fewer competitors." There is some evidence in the literature suggesting that niche-marketing strategy is a popular alternative (Dalgic and Leeuw, 1994). Further, this strategy seems to be beneficial for some firms, since such markets have been claimed to be more profitable (Toften & Hammervoll, 2009). Thence, accurate, detailed, and robust measurement techniques and expertise in directly interpreting the transaction data and obtaining valuable segments will increasingly become essential for competing successfully (Jiang, 2000). According to Hani & AlHawary (2009), a focused approach requires the firm to concentrate on a narrow, exclusive competitive segment (market niche), hoping to achieve a local rather than industry wide competitive advantage. There are cost focus seekers, who aim to obtain a local cost advantage over competition and differentiation focuser, who are looking for a local difference.

Simkin and Dibb (1998) have found that marketing practitioners making decisions about the most attractive target markets to enter will have a limited impact on eventual success. For example, in the steel industry the strength of the competitive forces is intense, which means that no player will be able to make substantial returns on its investment. By contrast, the market for soft drinks is characterized by relatively mild collective forces, so the potential for good returns is much better.

They also seem from the discussions that achieving service quality, maintaining the brand, reducing costs and differentiation of products are seen by respondents as potential routes to achieving increases in profitability, rate of market growth, market share, more satisfied customers and higher sales.

The research findings corroborate the assertion of Kotler, Keller, Ang, Leong & Tan (2009) that companies with a successful niche strategy are strongly dedicated to their customers, offering them superior performance, responsive service, and punctual delivery (rather than low price), that they stay in direct and regular contact with key customers, and that they emphasize continuous innovation directed at improving customer value. However, the research also found that those firms with successful niche strategies additionally have strong marketing capabilities, a specialized product, a thorough understanding of the market, the support of the entire company, and a loyal and steadfast consumer base. Hence, 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 (Dalgic and Leeuw, 1994).

Finally, to acquire sustainable differential advantage in any market, a firm needs to be able to deliver a given set of customer benefits at lower costs than competitors, or provide customers with a bundle of benefits its rivals cannot match. To realize the potential that core competencies create, a company must also have the imagination to envision markets that do not yet exist and the ability to stake them out ahead of competition (Hani & AlHawary, 2009). Thus, companies need to focus on specialization or niche marketing in order to remain successful in the competitive marketplace and create sustainable differential advantage.

Perhaps the most obvious summary that can be drawn from literature review above, conceptualize the relationships among niche marketing and creating a sustainable differential advantage in schematically proposed model, which reflects the expected relationships between niche marketing as independent variable and sustainable differential advantage as dependent

variable. In addition, review of the literature indicates substantial support for the position that niche marketing is a viable strategy for creating a sustainable differential advantage of organization, wherein this is through two essential elements: market segment and positioning. The market segment is concerned with which customers, needs, localities an organization targets (i.e. where the organization competes), while the positioning is concerned with how an organization distinguishes its offerings from those of its competitors (i.e. how the organization competes).



## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### ***3.1. Introduction***

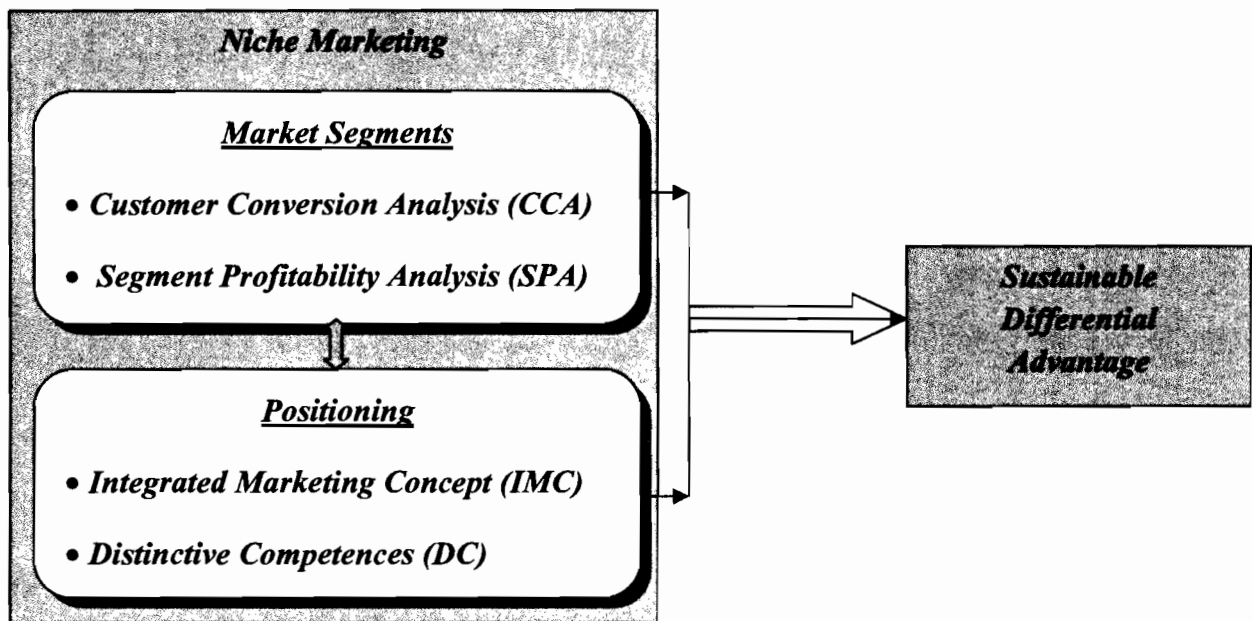
This chapter discusses the design of this research. It is divided into seven major sections. Following the introduction, the second section (3.2) presents the research framework. Section (3.3) presents the main hypothesis of the study. Section (3.4) gives an overview of the methodology used in this study and justifies why a quantitative survey methodology has been used. Section (3.5) includes the operational definition. The six section (3.6) describes the instrument used to collect the data. Discussing the data collection, including (sampling and data collection procedures) is the subject of section (3.7). And finally, section (3.8) explains the techniques of data analysis used in this study.

#### ***3.2. Research Framework***

As discussed earlier, this study is concerned with advancing our understanding of the importance of niche marketing in creating sustainable differential advantage. Furthermore, for the first time linkages between niche marketing and sustainable differential advantage have been integrated into one relationship model. This addresses a gap in the literature by providing a more complete model within the context of niche marketing. So, for better understanding of the relationships among study variables, the researcher has designed the following proposed model for the study based on the preceding literature review (see chapter two), which reflects the expected relationships between the independent and dependent variables.

The conceptual framework of this research that is shown in Figure (3.1), which has been developed to examine the research questions, includes the main hypothesis, which was tested. The hypothesis is identifying the effect of niche marketing on sustainable differential advantage creation

which is reflected from the interactions of niche marketing's elements (Market Segments and Positioning) to achieve niche marketing. Where Market Segments are chosen by using two major criteria: Customer Conversion Analysis (CCA) and Segment Profitability Analysis (SPA), while Positioning is based on the Integrated Marketing Concept (IMC) and Distinctive Competencies (DC) of the company.



*Figure (3.1): The relationship of Niche Marketing and Sustainable Differential Advantage*

### 3.3. Hypothesis / Hypotheses

The study rests on one main hypothesis, as follows:

**H<sub>0</sub>:** There is no relationship between Niche Marketing and Sustainable Differential Advantage creation.

### 3.4. Research Design

The data for this study were collected using the descriptive analytical method / survey-based methodology which involves the use of field data collection by questionnaire and statistically

analyzed to answer the study questions and test the hypothesis. This approach is important when causal relationships among the underlying theoretical constructs need to be examined.

### ***3.5. Operational Definition***

For better understanding of the terms used in the research, the following terms are operationally defined:

#### ***1. Niche Marketing:***

- It could be defined as “a positioning into small, profitable homogeneous market segments which have been ignored or neglected by others” (Dalgic & Leeuw, 1994).

#### ***2. Market Segments***

- Market segment is defined as “a customer group within the market that has special characteristics which are significant for marketing strategy” (Doyle, 2002).
- It is “a group within a market that is clearly identifiable based on certain criteria” (Lin, 2002).

#### ***3. Customer Conversion Analysis (CCA)***

- “The attempt by a manager to determine how many of potential prospects in a particular segment can be converted to customers and how large that served segment will be” (Blythe, 2006), is Customer Conversion Analysis.

#### ***4. Segment Profitability Analysis(SPA)***

- It is an “attempt to determine the contribution margin per pound invested to serve that segment” (Blythe, 2006).

## **5. Positioning**

- It is the “act of designing the company's offering and image to occupy a distinctive place in the mind of the target market” (Kotler et al., 2009).

## **6. Integrated Marketing Concept (IMC)**

- It could be defined as “a listening-first, database-dependent approach to marketing that includes both a willingness to segment and coordinate such strategic assets as product, price and place and to develop effective promotion strategies for key target audiences” (Sevier, 2000).

## **7. Distinctive Competences (DC)**

- They are defined as a set of related skills or capabilities that an organization uses to create value; the things that an organization does better than their competitors or does uniquely that distinguish or differentiate them from the ‘pack’.

## **8. Sustainable Differential Advantage (SDA)**

- It is a perceived difference that leads customers in the target segment to prefer one company's offer to those of others (Doyle, 2002).
- It occurs when a company provides products or services which appear different and distinctive compared to competitors' offerings by virtue of the way they are presented to the marketplace (Capon, 2008).

*Operationally definition:*

- Sustainable Differential Advantage refers to the different and distinctive advantage of an organization as influenced by market segment and positioning.

### 3.6. Measurement of Variables / Instrumentation

The data and information gathering of this study was done through a questionnaire designed for purposes of this research. Most importantly, this method is quick, inexpensive, efficient, and can be administered to a large sample. According to Clarke (1999), questionnaires are the most frequently used method of data collection and effectiveness in gathering empirical data from large samples.

In this study, the questionnaire used was divided into four parts (see Appendix (A)). The first part covers aspects of demographics while the last three parts reflecting the constructs of interest in the proposed model included a total of 51 items. These are presented in the questionnaire as follows:

**Part 1:** The first part of the questionnaire contained seven questions divided into two parts. The first part, contained items about the respondents' gender, age, educational qualification, and years of experience. The second part, included preliminary data about the company which are the name of company, year company was established and the most important food products of the company.

**Part 2:** The second part included 34 items which asked respondents about their perceptions of niche marketing.

*Table 3.1: Distribution of the items of the second part on the criteria of niche marketing*

<i>The Criteria of Niche Marketing</i>		<i>The Items</i>	<i>Number of The Items</i>
<i>Market Segments</i>	<i>Customer Conversion Analysis (CCA)</i>	<i>1 - 10</i>	<i>10</i>
	<i>Segment Profitability Analysis (SPA)</i>	<i>11 - 18</i>	<i>8</i>
<i>Positioning</i>	<i>Integrated Marketing Concept (IMC)</i>	<i>19 - 28</i>	<i>10</i>
	<i>Distinctive Competences (DC)</i>	<i>29- 34</i>	<i>6</i>
<i>Total of Items</i>			<i>34</i>

These items reflect four dimensions of niche marketing (Customer Conversion Analysis (CCA) and Segment Profitability Analysis (SPA) for the Market Segments; Integrated Marketing Concept (IMC) and Distinctive Competences (DC) for the Positioning). The above table shows the distribution of items in the second part of those dimensions.

**Part 3:** The third part contained 8 items about the benefits that the National Corporations for Food Industries in Taiz - Yemen can get from niche marketing. These items reflect the signification of niche marketing through its elements (Market Segments and Positioning).

**Part 4:** The fourth part contained 9 items, asking respondents about the degree of contribution that can be achieved by Niche Marketing in the Sustainable Differential Advantage creation for National Corporations for Food Industries in the Republic of Yemen.

In addition, the 4-point Likert type scale, ranging from (1=strongly disagree) to (4 = strongly agree) was used. Because this questionnaire was administered in a non-English-speaking area, translation and back-translation procedure of the instrument was used to ensure that the wordings of this questionnaire were done.

### ***3.7. Data Collection***

#### ***3.7.1. Sampling***

The study population is limited to national corporations for food industries in Taiz Governorate in the Republic of Yemen due to the convergence and diversity of national corporations for food industries in this Governorate. The total number of these corporations as determined by the Central Bureau of Statistics, in its book of year 2007 and data listed at the Commerce & Industrialism Room - 2010 in Taiz Governorate in Yemen, is seven corporations (see Appendix (B)). The respondent-corporations of study population were selected based on the following considerations:

- They are considered the oldest and largest corporations that manufacture food products in the Republic of Yemen and have a high financial, administrative, technical, production and marketing capacity and internal and external productivity of various food products.
- They are a gathering of various corporations for food industries (oils, margarine, butter industries, natural food products, soft drinks and mineral water industries, biscuits, sweets and pastries industries, juices and dairy products Industries).
- The large organizations are considered the subjects and center of more research and studies.
- The common denominator to National Corporations for Food Industries is that they produce items which interest the final consumers because they need them continuously, i.e. they are direct and fast connection to the consumers and their family.

The respondents of the study are limited to the managers and staffs of marketing management in National Corporations for Food Industries that include the following departments:

- Marketing Managers
- Managers of Sales
- Director of Design and Development
- Product Managers
- Promotion Section
- Department of the direct distribution
- Department of Advertising
- Marketing Research Department

These samples were chosen because they are influential in the decisions relevant to the marketing activities and practices in the corporation.

### 3.7.2. Data Collection Procedures

There were 100 questionnaires distributed to the staffs of marketing management in the corporations (the study population) of which 82 were recovered. Table 3.2 shows the number of questionnaires distributed, received and response rates.

**Table 3.2: Questionnaires Distributed, Received and Response Rates**

<b>No.</b>	<b>The Name of Company</b>	<b>Questionnaires Distributed</b>	<b>Questionnaires Received</b>	<b>Response Rates (%)</b>
1	Industrial Soft Drink Company, Ltd.	9	6	66.67
2	Yemen Company for Industry & Commerce (YCIC)	18	15	83.33
3	Yemen Company for Ghee and Soap Industry (YCGSI)	16	15	93.75
4	National Dairy & Food company (NADFOOD)	15	13	86.67
5	Paradise Company for Fruit Juice and Drinks	12	9	75
6	General Industries & Packages Company (Genpack)	18	14	77.78
7	Collector of Food Industries	12	10	83.33
<b>Total</b>		<b>100</b>	<b>82</b>	<b>82</b>

In order to ensure the quality of the findings and conclusions of this study, both validity and reliability assessments are discussed below.

- **Reliability**

Reliability refers to the possibility of obtaining the same results if it repeated the study in similar conditions by using the same tool. Zikmund (2003) defined reliability as “the degree to which measures are free from random error and therefore yield consistent results”. That means



reliability refers to “the extent to which a scale produces consistent results if repeated measurements are made on the variables of concern” (Malhotra, 2003).

There are two frequently used indicators of a scale’s reliability in research; they are the test-retest reliability and internal consistency. “Test-retest reliability is concerned with the reliability coefficient obtained with a repetition of the same measure on a second occasion.”(Sekaran, 2003) Whereas “the internal consistency refers to the degree to which the items that make up the scale are all measuring the same underlying attribute” (Pallant, 2007)

In this study, the Cronbach’s coefficient alpha was used to measure the internal consistency or to determine the degree of reliability of the instrument of the study and ensure that the specified items are sufficient in their representation of the underlying constructs, including niche marketing (market segment and positioning) and sustainable differential advantage. Where, the result amounted to 92.7% which is higher than the accepted minimum of 60%. The Cronbach’s coefficient alpha value for each variable is shown in Table 3.4.

**Table 3.3: Cronbach’s Coefficient Alpha Value**

<b>No. of Items</b>	<b>Cronbach’s coefficient alpha value</b>
<b>56</b>	<b>0.927</b>

**Table 3.4: Cronbach’s Coefficient Alpha Value of Each Variable**

	<b>Scale Mean if Item Deleted</b>	<b>Scale Variance if Item Deleted</b>	<b>Corrected Item-Total Correlation</b>	<b>Cronbach’s Alpha if Item Deleted</b>
Gender	171.0000	293.210	-.080	.928
Age	170.5610	290.225	.109	.928
Educational Qualification	169.5122	291.710	.015	.929
Experience	170.2439	288.927	.105	.929
Data for Company	168.5122	302.278	-.205	.942

	<i>Scale Mean if Item Deleted</i>	<i>Scale Variance if Item Deleted</i>	<i>Corrected Item-Total Correlation</i>	<i>Cronbach's Alpha if Item Deleted</i>
MSCCAX1	168.7805	287.507	.252	.927
MSCCAX2	168.9268	280.513	.443	.926
MSCCAX3	169.4634	284.968	.258	.927
MSCCAX4	168.8049	284.060	.411	.926
MSCCAX5	168.6829	286.540	.348	.927
MSCCAX6	169.1829	280.941	.384	.926
MSCCAX7	168.8293	288.341	.169	.928
MSCCAX8	168.8293	280.390	.611	.925
MSCCAX9	168.9268	282.562	.371	.926
MSCCAX10	168.8171	284.275	.375	.926
MSSPAX11	169.0732	288.908	.181	.928
MSSPAX12	168.8902	287.926	.234	.927
MSSPAX13	168.7927	288.290	.265	.927
MSSPAX14	169.0244	284.987	.366	.926
MSSPAX15	169.0976	285.571	.349	.927
MSSPAX16	169.1463	285.509	.305	.927
MSSPAX17	168.8902	285.877	.330	.927
MSSPAX18	169.0122	284.975	.324	.927
PIMCX 19	168.7317	283.730	.483	.926
PIMCX20	168.8415	281.740	.546	.925
PIMCX21	168.8415	282.999	.479	.926
PIMCX22	168.6951	281.029	.626	.925
PIMCX23	168.8049	279.640	.528	.925
PIMCX24	169.0610	272.675	.720	.923
PIMCX25	168.8049	281.468	.507	.925
PIMCX26	168.7317	282.199	.570	.925
PIMCX27	168.6341	278.087	.718	.924

	<i>Scale Mean if Item Deleted</i>	<i>Scale Variance if Item Deleted</i>	<i>Corrected Item-Total Correlation</i>	<i>Cronbach's Alpha if Item Deleted</i>
PIMCX28	168.7927	279.179	.613	.925
PDCX 29	168.7317	275.310	.696	.924
PDCX30	169.0854	274.128	.692	.924
PDCX31	168.8049	279.542	.698	.924
PDCX32	168.7439	282.761	.496	.926
PDCX33	169.1707	274.464	.602	.924
PDCX34	168.6829	283.750	.432	.926
X35	168.8780	280.059	.505	.925
X36	168.8537	282.349	.481	.926
X37	168.8049	278.529	.649	.925
X38	168.9146	277.783	.587	.925
X39	168.8415	279.789	.603	.925
X40	168.8171	279.929	.519	.925
X41	169.0122	281.370	.417	.926
X42	168.7927	277.648	.646	.924
XX43	169.1707	278.291	.629	.925
XX44	169.0366	280.332	.617	.925
XX45	169.0610	280.478	.546	.925
XX46	169.1220	280.800	.541	.925
XX47	168.9268	278.612	.623	.925
XX48	168.8537	277.089	.697	.924
XX49	169.0244	279.506	.485	.926
XX50	168.9512	280.269	.598	.925
XX51	168.8049	280.455	.646	.925

- ***Validity***

According to Zikmund (2003), validity means “the ability of a scale to measure what is intended to be measured”. Added to this, validity represents the relationship between the construct and its indicators. Therefore, the questionnaire (instrument of the study) has been offered for scrutiny by two Lecturers who are specialists in marketing studies and whose comments and observations or suggestions were taken into account. In addition, the opinion and experience of the supervisor of the study to ascertain the veracity of the tool and its ability to collect the necessary data accurately was also sought.

Hence, both the validity and the reliability tests support the appropriateness of the instrument used for the study.

### ***3.8. Techniques of Data Analysis***

To analyze the data, statistical techniques were adopted. The Statistical Package for the Social Sciences (SPSS) version 14 was used to analyze the preliminary data and provide descriptive analysis about research sample such as, Cronbach’s coefficient alpha: to ensure the internal consistency of measurable item scale; frequency and percentages: for the purpose analysis of the responses of the study sample; mean: to describe and determine the importance and level applied for niche marketing criteria and the benefits that are derived from that; standard deviation: to find out dispersion of answers the study sample from their means; T-Test and one sample test: to evaluate and measure the statistically significance; Chi-Square Test: to test the main hypothesis of the study and Correlation coefficient (Spearman): to identify the type and strength of the relationships between the IV and the DV.

## CHAPTER IV

### PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

#### ***4.1. Introduction***

The previous chapter detailed research methodology adopted to test the proposed model, and to answer the research questions of the study. The purpose of this chapter is to present the data gathered regarding the "The Importance of Niche Marketing in Creating Sustainable Differential Advantage of National Corporations for Food Industries in the Republic of Yemen" and presents the results of the data analysis and interpretation of such data. Following the introduction, the second section (4.2) presents the characteristics of respondents. The third section (4.3) presents the results and analysis of the data and interpretation. The fourth section (4.4) tests the main hypothesis of the study. And finally, correlation analysis is in section (4.5).

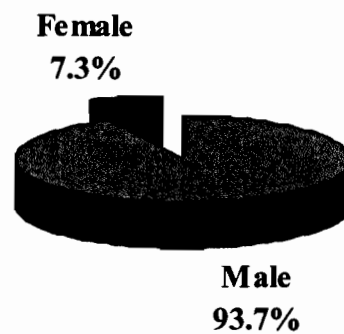
#### ***4.2. Characteristics of Respondents***

The respondents' demographical data is presented in Table 4.1

Table 4.1 shows the personal characteristics of the managers and staffs of marketing management in National Corporations for Food Industries of the 82 persons, in terms of gender, age, educational qualification and length of service in the company (Experience), as follows:

1. **Gender:** The result in Table 4.1 reveals that the majority of the managers and staffs of marketing management in National Corporations for Food Industries are male, where the percentage of males is 92.7% while the percentage of female is 7.3%. The reason is probably due to lack of university education of Yemeni women and involvement in different jobs. The proportion of female as a manager and staff of marketing management in National Corporations for Food Industries in Yemen of 7.3% is considered a good rate, which means that the

management of National Corporations for Food Industries in Yemen gives a chance for both males and females.



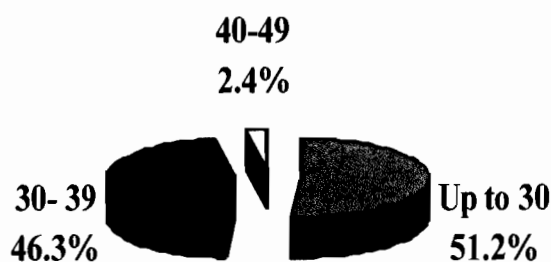
*Figure( 4.1): Respondents' Gender*

*Table 4.1: Demographic Profile of Respondents*

<i>Personal Characteristics</i>		<i>Number</i>	<i>%</i>
<b>Gender</b>	<b>Male</b>	<b>76</b>	<b>92.7</b>
	<b>Female</b>	<b>6</b>	<b>7.3</b>
<b>Total</b>		<b>82</b>	<b>100</b>
<b>Age</b>	<b>Up to 30</b>	<b>42</b>	<b>51.2</b>
	<b>30- 39</b>	<b>38</b>	<b>46.3</b>
	<b>40-49</b>	<b>2</b>	<b>2.4</b>
	<b>50+</b>	<b>0</b>	<b>0</b>
<b>Total</b>		<b>82</b>	<b>100</b>
<b>Educational Qualification</b>	<b>High School</b>	<b>10</b>	<b>12.2</b>
	<b>Diploma</b>	<b>16</b>	<b>19.5</b>
	<b>Undergraduate Degree</b>	<b>54</b>	<b>65.9</b>
	<b>Postgraduate Degree</b>	<b>2</b>	<b>2.4</b>
<b>Total</b>		<b>82</b>	<b>100</b>
<b>Length Of Service In The Company(<i>Experience</i>),</b>	<b>1-4 years</b>	<b>36</b>	<b>43.9</b>
	<b>5-9 years</b>	<b>24</b>	<b>29.3</b>
	<b>10 years and above</b>	<b>22</b>	<b>26.8</b>
<b>Total</b>		<b>82</b>	<b>100</b>

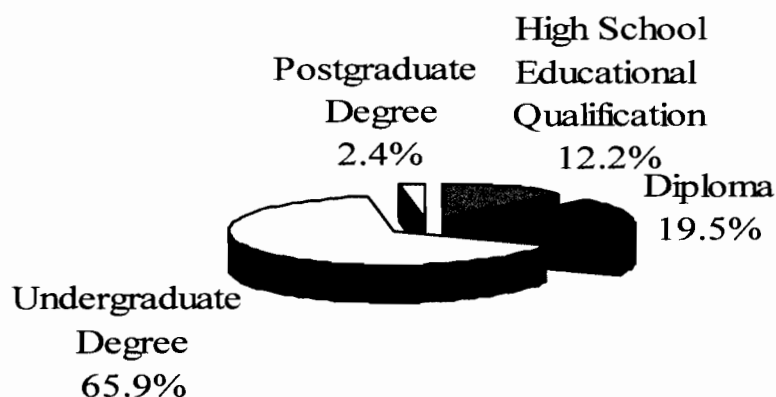
2. **Age:** In terms of age, the majority of the managers and staffs of marketing management in National Corporations for Food Industries are under the age of 40 years, where the percentage of those who are aged 30-39 years and under 30 are 46.3% and 51.2%, respectively. The

proportion of people who are aged 40-49 years and 50+ years are **2.4%** and **0%**, respectively. This means that the largest proportion of the managers and staffs of marketing management in National Corporations for Food Industries are under the age of 40 years, which indicates that the majority of National Corporations for Food Industries in Yemen have taken their decisions and bear their marketing responsibilities through the young abilities and energies.



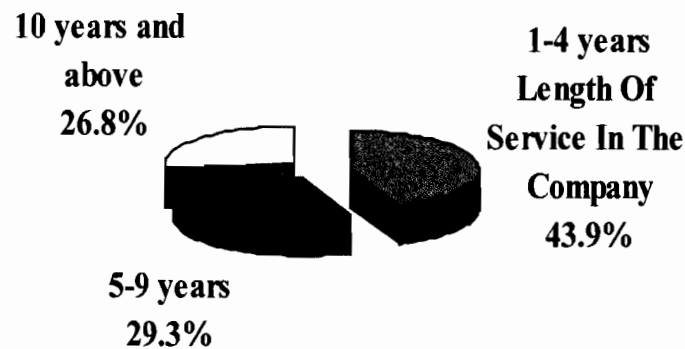
**Figure (4.2): Respondents' Age**

3. **Educational Qualification:** Those who have undergraduate degree and postgraduate degree have accounted **65.9%** and **2.4%**, respectively. While the percentage of who have diploma and high school graduates only is **31.7%**. This reflects the concern of the National Corporations for Food Industries in Yemen to provide the marketing managements cadres that are qualified and committed.



**Figure (4.3): Respondents' Educational Qualification**

4. **Length of Service in the Company (Experience):** The period of service in the field of marketing in the company of two categories: 5-9 years and 10 years and above for the study respondents were 29.3% and 26.8%, respectively, while those who were in the field of marketing in the company for at least 4 years was 43.9%. This means that the majority of the managers and staffs of marketing management in National Corporations for Food Industries have good experience in marketing and they have the ability to understand and identify the marketing practices that contribute to the competitive advantage creation for their organizations.



*Figure (4.4): Respondents' Experience*

It can be assumed that the respondents have the ability to deal objectively with the study's questionnaire and this gives an indication of the possibility of greater reliance on the answers of managers and staffs of marketing management in National Corporations for Food Industries to the said questionnaire.

#### ***4.3. Analysis and Interpretation of Data***

The study attempts to answer four key questions, wherein a drafted set of items in the questionnaire were answered by managers and staffs of marketing management in National Corporations for Food Industries in Yemen (the study sample).



**Sub-problem 1: What is the perception of National Corporations for Food Industries' management and staff on niche marketing?**

In order to ensure validity of the arithmetic mean of the sample with the arithmetic mean of the study population, an independent sample T-Test was carried out to measure the perception of the respondents on niche marketing. The 0.05 level of significance was used. The statistical one sample T-Test was also utilized to test the conditions of use. Since the sample size is 82 more than the required sample size of 30, the sample met the requirements of normal distribution in testing the following hypothesis: The average of respondents' answers about the components of the first variable (Niche Marketing) is equal to zero against the hypothesis that the average of respondents' answers about the components of the first variable (Niche Marketing) is not equal to zero.

- Null hypothesis  $H_0 : \bar{X} = 0$  ( $\bar{X}$  = the average of respondents' answers about the components of the first variable (Niche Marketing)).
- Alternative hypothesis  $H_a : \bar{X} \neq 0$

The results of the independent sample t-test are shown in Table 4.2, and Table 4.3.

**Table 4.2: One-Sample Statistics for the Respondents' Perception on niche marketing**

**T-Test (SIG. LEVEL=0.05) & (TEST VALUE=0)**

<b>Niche Marketing Criteria</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Std. Error Mean</b>	<b>Significance</b>
<b>1- Customer Conversion Analysis</b>	82	3.1488	.39354	.04346	Significant
<b>2- Segment profitability Analysis</b>	82	3.0823	.37176	.04105	Significant
<b>Market Segments</b>	82	3.1155	.30318	.03348	Significant
<b>3- Integrated Marketing Concept</b>	82	3.2793	.45426	.05016	Significant
<b>4- Distinctive Competences</b>	82	3.2033	.52380	.05784	Significant
<b>Positioning</b>	82	3.2413	.46436	.05128	Significant
<b>All Niche Marketing Criteria</b>	82	3.1784	.33558	.03706	Significant

**Table 4.3: One-Sample Test Results for the Respondents' Perception on niche marketing**

Niche Marketing Criteria	Test Value= 0						Significance
	t	df	Sig.(2-ailed)	Mean Difference	95 % Confidence Interval of the Difference		
					Lower	Upper	
1- Customer Conversion Analysis	72.453	81	.000	3.14878	3.0623	3.2353	Significant
2- Segment profitability Analysis	75.080	81	.000	3.08232	3.0006	3.1640	Significant
Market Segments	93.056	81	.000	3.11555	3.0489	3.1822	Significant
3- Integrated Marketing Concept	65.370	81	.000	3.27927	3.1795	3.3791	Significant
4- Distinctive Competences	55.378	81	.000	3.20325	3.0882	3.3183	Significant
Positioning	63.208	81	.000	3.24126	3.1392	3.3433	Significant
All Niche Marketing Criteria	85.768	81	.000	3.17840	3.1047	3.2521	Significant

Through the test results, as Table 4.3 shown, the null hypothesis can be rejected and the alternative hypothesis can be accepted because the calculated value of t (**85.768**) is higher than the tabular value of t which is at degree of freedom 81 (**1.6639**) (see Appendix C) for all niche marketing criteria at the 0.05 level of significance. The results show that the values which are calculated are statistically significant.

For a more in-depth analysis, the level of perception for each criterion of niche marketing was taken separately, as follows:

#### **A- Market Segments**

##### **1. Customer Conversion Analysis (CCA)**

For purposes of measuring the level of perception of the respondents on the market segments criterion (Customer Conversion Analysis (CCA)) when doing niche marketing, the 10 items in the

questionnaire, as shown in Table 4.4 which shows the means, standard deviation and qualitative interpretation of answers of the respondents were identified.

**Table 4.4: The Means, Standard Deviation and of Qualitative Interpretation Market Segments Creation (Customer Conversion Analysis (CCA))**

<b>No. of Item</b>	<b>Items of Customer Conversion Analysis</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Qualitative Interpretation</b>
1	Our company concentrates its marketing efforts on a group which seeks for a distinctive mix of benefits.	3.2927	0.55528	Very High
2	Our company aims at being a big fish in a small pond instead of being a small fish in a big pond.	3.1463	0.77175	High
3	Our company concentrates its marketing efforts on a segment that have no real competitors or markets which have been ignored by other companies.	2.6098	0.79747	Very High
4	Our company finds markets which have opportunities for an entrance company to exercise its superior competence.	3.2683	0.58897	Very High
5	Our company concentrates on customer needs.	3.3902	0.49081	Very High
6	Our company seeks to carve out a small part of the market whose needs are not fulfilled.	2.8902	0.84629	High
7	Our company determines which customers are best by creating a list of the criteria that are most important to us and our business.	3.2439	0.65849	High
8	We direct our marketing efforts on finding new customers that fit our preferred customer profile.	3.2439	0.57865	High
9	Our company targets customers who want a unique or superior product.	3.1463	0.75559	High
10	Our company targets segments that respond to the company's marketing efforts including changes to the marketing program over time.	3.2561	0.62482	Very High
<b>The General Means and Standard Deviations</b>		<b>3.1488</b>	<b>0.39354</b>	<b>High</b>

*Note: Weak (1 to 1.74); Middle (1.75 to 2.4); High (2.5 to 3.24) and Very High (3.25 to 4)*

From the above table, the general mean was high where it reached **3.1488** and with general standard deviation of **0.39354**. Also, it was noted that the highest mean was **3.3902** with standard deviation of **0.49081** for item number five which refers to concentrating on customer needs while the lowest mean was for items number three and six which focus on taking into account the competition factor and a specific small segment when determine the targeting segment, where they

reached the mean **2.6098** and **2.8902**, respectively and with standard deviation of **0.79747** and **0.84629**, respectively. This reflects the perception of the respondents for the Customer Conversion Analysis (CCA) criterion.

## **2. Segment Profitability Analysis (SPA)**

Eight items were developed to measure the Segment Profitability Analysis criterion. Table 4.5 shows that, the general mean was high where it reached **3.0823** and with general standard deviation of **0.37176**. This is a positive sign but there are variations in evaluating the market segment by this criterion as reflected in items 11, 15, 16 and 18 in the questionnaire, where they reached mean **3**; **2.9756**; **2.9268** and **3.061**, respectively and with standard deviation of **0.54433**; **0.56603**; **0.64369** and **0.65447**, respectively. And this shows there are some limitations in understanding and application of this criterion.

**Table 4.5: The Means, Standard Deviation and of Qualitative Interpretation of Market Segments Creation (Segment Profitability Analysis (SPA))**

<b>No. of Item</b>	<b>Items of Customer Conversion Analysis</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Qualitative Interpretation</b>
<b>11</b>	Our company concentrates its marketing efforts on segments sufficient size, to be potentially profitable.	<b>3</b>	<b>0.54433</b>	<b>High</b>
<b>12</b>	Our company finds markets which have growth potential.	<b>3.1829</b>	<b>0.54723</b>	<b>High</b>
<b>13</b>	Our company finds markets which have sufficient purchasing ability.	<b>3.2805</b>	<b>0.452</b>	<b>Very High</b>
<b>14</b>	Our company looks into the contribution margin for each market segment by considering the costs of making sales.	<b>3.0488</b>	<b>0.58589</b>	<b>High</b>
<b>15</b>	Our company calculates the profitability of the segment by setting off its sales revenues against its costs.	<b>2.9756</b>	<b>0.56603</b>	<b>High</b>
<b>16</b>	Our company concentrates on targeting segment whose profitability corresponds to a market segment.	<b>2.9268</b>	<b>0.64369</b>	<b>High</b>
<b>17</b>	Our company targets segment that is large and profitable enough to make it worthwhile for the company.	<b>3.1829</b>	<b>0.56934</b>	<b>High</b>
<b>18</b>	Our company targets segment whose profit potential is greater than the costs involved in creating a marketing program.	<b>3.061</b>	<b>0.65447</b>	<b>High</b>
<b>The General Means and Standard Deviations</b>		<b>3.0823</b>	<b>0.37176</b>	<b>High</b>

*Note: Weak (1 to 1.74); Middle (1.75 to 2.4); High (2.5 to 3.24) and Very High (3.25 to 4)*

## **B- Positioning**

### **3. Integrated Marketing Concept (IMC)**

Table 4.6 shows the perception of the respondents on the positioning criterion (Integrated Marketing Concept (IMC)) for the purpose of measuring their level of perception when doing niche marketing.

**Table 4.6: The Means, Standard Deviation and of Qualitative Interpretation of Positioning Creation (Integrated Marketing Concept (IMC))**

<b>No. of Item</b>	<b>Items of Customer Conversion Analysis</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Qualitative Interpretation</b>
19	Our company objectives and policies are aimed directly at creating satisfied customers.	3.3415	0.52633	Very High
20	Our company uses marketing information and market research to complete market segmentation.	3.2317	0.57303	High
21	Information about customer needs and requirements is collected regularly.	3.2317	0.57303	High
22	We put major effort into building stronger relationships with key customers and customer groups.	3.378	0.53611	Very High
23	We provide products which are carefully crafted to our customer segment, but only after intense research and testing were done.	3.2683	0.70358	Very High
24	Our company concentrates on identifying needs, wants, and requirements that are being addressed poorly or not at all by other companies.	3.0122	0.80881	High
25	We differentiate our products from other similar products.	3.2683	0.6295	Very High
26	Our company concentrates on the effectiveness of implementing the marketing mix and the development of a strong brand.	3.3415	0.52633	Very High
27	The pricing, promotion, product development, and distribution strategies are all planned with an eye toward the competition.	3.439	0.58999	Very High
28	The design of marketing mix programmes (product, price, promotion and distribution) reflect the proposition on offer and shape customers' perceptions about the nature of that offer.	3.2805	0.63391	Very High
<b>The General Means and Standard Deviations</b>		<b>3.2793</b>	<b>0.45426</b>	<b>Very High</b>

*Note: Weak (1 to 1.74); Middle (1.75 to 2.4); High (2.5 to 3.24) and Very High (3.25 to 4)*

Based on the responses of the respondents the general mean was very high where it reached **3.2793** and with general standard deviation of **0.45426**. This confirms that the National Corporations for Food Industries in Yemen (the study sample) give their attention to the Integrated Marketing Concept (IMC) criterion. It is to be noted that item 27, which is on the concentration of the National Corporations for Food Industries on planning of marketing mix toward the competition, was the highest mean was **3.439** with standard deviation of **0.58999**.

#### **4. Distinctive Competences (DC)**

There are developed six items to measure the Distinctive Competences (DC) criterion. Table 4.7 shows that, the general mean was high where it reached **3.2033** and with general standard deviation of **0.5238**.

**Table 4.7: The Means, Standard Deviation and of Qualitative Interpretation of Positioning Creation (Distinctive Competences (DC))**

<b>No. of Item</b>	<b>Items of Customer Conversion Analysis</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Qualitative Interpretation</b>
<b>29</b>	Our company uses core competencies (Reliability, Initiative & Creativity, Innovation, close relationships with customers and suppliers, ..etc.) to implement value creating strategies that satisfy customers' needs.	3.3415	0.72384	Very High
<b>30</b>	Company's resources or core competencies (technical knowledge, skills, equipment, procedures and materials, .etc.) are rare, or unique.	2.9878	0.77768	High
<b>31</b>	We use the most effective way to supply our products such as wholesaler, retailer, agents, etc.	3.2683	0.54544	Very High
<b>32</b>	Our distinctive competencies contribute to creating value for customers.	3.3293	0.56775	Very High
<b>33</b>	Our distinctive competencies are hard for competitors to imitate or copy.	2.9024	0.86937	High
<b>34</b>	Our distinctive competencies can be leveraged to other products and markets.	3.3902	0.5828	Very High
<b>The General Means and Standard Deviations</b>		<b>3.2033</b>	<b>0.5238</b>	<b>High</b>

*Note: Weak (1 to 1.74); Middle (1.75 to 2.4); High (2.5 to 3.24) and Very High (3.25 to 4)*

The above table also shows that there is weakness in the application of this criterion by some of the respondents as stated in items 30 and 33 in the questionnaire, where they reached mean **2.9878** and **2.9024**, respectively and with standard deviation of **0.77768** and **0.86937**, respectively. So, it requires to pay more interest on this criterion because it has importance in creating a sustainable differential advantage.

Hence, it can be said that there is a difference in the application of niche marketing criterions where some of the National Corporations for Food Industries focus on the requirements of some criterions and neglect the other requirements.

To summarize, the following table (Table 4.8) shows the level of perception of the respondents of the National Corporations for Food Industries in Yemen on niche marketing. It is noted that the level of general perception of the niche marketing criteria was high with a total mean of **3.178404** and standard deviation of **0.335576**. The highest mean was for the Integrated Marketing Concept (IMC) **3.2793** with standard deviation of **0.45426** while the lowest mean was for the Segment Profitability Analysis (SPA) **3.0823** with standard deviation of **0.37176**.

**Table 4.8: The Perception of National Corporations for Food Industries in Yemen on Niche Marketing**

No.	Niche Marketing Criteria		Mean	Standard Deviation	The Level
1	Market Segments	Customer Conversion Analysis (CCA)	3.1488	0.39354	High
2		Segment Profitability Analysis (SPA)	3.0823	0.37176	High
Total			3.115549	0.303176	High
3	Positioning	Integrated Marketing Concept (IMC)	3.2793	0.45426	Very High
4		Distinctive Competences (DC)	3.2033	0.5238	High
Total			3.2413	0.46436	High
The General Total			3.178404	0.335576	High

Note: Weak (1 to 1.74); Middle (1.75 to 2.4); High (2.5 to 3.24) and Very High (3.25 to 4)

This result represents an optimistic view of the respondents on the application of niche marketing criteria. And this level may be due to good overall perception of the niche marketing criteria or to the presence of a clear vision of niche marketing by managers and staffs of the marketing management of the National Corporations for Food Industries in Yemen.

**Sub-problem 2: *What benefits do the management and staffs of National Corporations for Food Industries get from niche marketing?***

The table 4.9 shows the benefits that can be achieved through niche marketing as perceived by the respondent - managers and staffs of marketing management in National Corporations for Food Industries in Yemen.

**Table 4.9: *The Means, Standard Deviation and Rank of Benefits that the Management and Staffs of National Corporations for Food Industries get from Niche Marketing***

<b>No.</b>	<b>Niche Marketing Benefits</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Rank</b>
1	Focusing or niche marketing allows the company to direct its resources to certain value chain activities to build competitive or differential advantage.	3.1951	0.7104	6
2	Idea of specialization in niche marketing leads us to the distinctive competences which a company needs to pursue niche markets.	3.2195	0.60908	5
3	Niche marketing by market segments meet customer needs through tailoring goods and services.	3.2683	0.6295	2
4	Niche marketing by market segments get advantages that are based on long-term interests of customers.	3.1585	0.72809	7
5	Niche marketing by positioning contribute in establishing and communicating the distinctive benefits of the market offering.	3.2317	0.61461	4
6	Niche marketing leads us to create a cost-effective way to find potential customers.	3.2561	0.6994	3
7	Niche marketing enables us to spend more time improving our relationships with existing customers rather than looking for new customers.	3.061	0.75926	8
8	Niche marketing leads us in creating or offering something that is perceived as unique in the marketplace.	3.2805	0.67173	1
<b><i>The General Means and Standard Deviations</i></b>		<b>3.2088</b>	<b>0.5734</b>	



In terms of benefits, number 1 is on the creating or offering of unique products or services; number 2 is on the meeting customer needs; number 3 is on the creating a cost-effective way to find potential customers; number 4 is on the contribution in establishing and communicating the distinctive benefits of the market offering; number 5 is on the leading to the distinctive competences which a company needs to pursue niche markets; number 6 is on the allowing the company to direct its resources to certain value chain activities to build competitive or differential advantage; number 7 is on the getting advantages that are based on long-term interests of customers and the last one on the enabling to spend more time improving relationships with existing customers rather than looking for new customers .

Thus, there was strong agreement that the National Corporations for Food Industries in Yemen through niche marketing can meet customer needs, create a cost-effective way to find potential customers and creating or offering something that is perceived as unique in the marketplace, wherein were reflected in items 3, 6 and 8 in the table 4.9.

**Sub-problem 3: *What is the effect of Niche Marketing in terms a) Market segments; b) Positioning on creating Sustainable Differential Advantage for National Corporations for Food Industries in the Republic of Yemen?***

For the purpose of measuring the degree of contribution that can be achieved by niche marketing in the Sustainable Differential Advantage creation for the National Corporations for Food Industries in Yemen (the study sample), there are 9 items in the questionnaire identified as shown in Table 4.10.

The Table 4.10 shows the effect of niche marketing on sustainable differential advantage creation as the respondents have considered. The general effect of niche marketing on sustainable differential advantage creation was high with total mean **3.07859** and total standard deviation of **0.503452**. And this indicates that the agreement of most of the respondents on the effect of the

application of niche marketing on the sustainable differential advantage creation with some variation, which may be due to the non-application of all the requirements of niche marketing criteria.

**Table 4.10: The Means, Standard Deviation and Rank of the effect of niche marketing on creating a Sustainable Differential Advantage as identified by the Management and Staffs of National Corporations for Food Industries**

<b>No.</b>	<b>Sustainable Differential Advantage Items</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Rank</b>
1	We can create a cost-effective way to find potential customers.	2.9024	0.6594	9
2	We capitalize on opportunities to create new niche marketing divisions.	3.0366	0.57618	6
3	We provide products which appear different and distinctive compared to competitors' offerings.	3.0122	0.63817	7
4	We are supplying the 'right' things at the lowest possible economic cost.	2.9512	0.62662	8
5	We are as good as and ideally better than our strongest competitor.	3.1463	0.6502	3
6	We are targeting and serving the widest possible market.	3.2195	0.64835	2
7	We have a unique selling proposition which will persuade customers to buy from us rather than from anyone else.	3.0488	0.76823	5
8	We are able to serve a narrow market segment more effectively than one larger industry-wide competitor.	3.122	0.59608	4
9	Customers can see a distinct difference between our products and those offered by competitors.	3.2683	0.54544	1
<b>The General Means and Standard Deviations</b>		<b>3.07859</b>	<b>0.503452</b>	

In terms of the effect of niche marketing on sustainable differential advantage creation, number 1 is on that customers can see a distinct difference between company's products and those offered by competitors; number 2 is on the targeting and serving the widest possible market; number 3 is on that the company is as good as and ideally better than its strongest competitor; number 4 is on that the company is able to serve a narrow market segment more effectively than one larger industry-wide competitor; number 5 is on that the company has a unique selling proposition which will persuade customers to buy from it rather than from anyone else; ; number 6 is on that the company capitalizes on opportunities to create new niche marketing divisions; number 7 is on that the company provides products which appear different and distinctive compared to competitors'

offerings; number 8 is on that the company is supplying the 'right' things at the lowest possible economic cost and the last one on the company can create a cost-effective way to find potential customers.

In order to ensure conformity of the arithmetic mean of the sample with the arithmetic mean of the study population, an independent sample T-Test was carried out to measure the effect of niche marketing on sustainable differential advantage creation by measuring the average of the respondents' answers at the 0.05 level of significance with the corresponding confidence level of 95% for the items of the dependent variable (Sustainable Differential Advantage) in the questionnaire (fourth part) in. testing the following hypothesis: The average of respondents' answers about the items of the dependent variable (Sustainable Differential Advantage) is equal to zero against the hypothesis that the average of respondents' answers about the items of the dependent variable (Sustainable Differential Advantage) is not equal to zero.

- Null hypothesis  $H_0: \bar{X} = 0$  ( $\bar{X}$  = the average of respondents' answers about the items of the dependent variable (Sustainable Differential Advantage)) .
- Alternative hypothesis  $H_a: X \neq 0$

The results of the independent sample t-test are shown in Table 4.11 and Table 4.12.

The test results in table 4.12 indicate that the calculated value of t (**55.373**) is higher than the tabular value of t which is at degree of freedom 81 (**1.6639**) (see Appendix (C)) for all sustainable differential advantage items. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted. It means that the values which are calculated are statistically significant.

**Table 4.11: One-Sample Statistics for the effect of niche marketing on the sustainable differential advantage creation**

*T-Test (SIG. LEVEL=0.05) & (TEST VALUE=0)*

<b>Sustainable Differential Advantage Items</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Std. Error Mean</b>
We can create a cost-effective way to find potential customers.	82	2.9024	.65940	.07282
We capitalize on opportunities to create new niche marketing divisions.	82	3.0366	.57618	.06363
We provide products which appear different and distinctive compared to competitors' offerings.	82	3.0122	.63817	.07047
We are supplying the 'right' things at the lowest possible economic cost.	82	2.9512	.62662	.06920
We are as good as and ideally better than our strongest competitor.	82	3.1463	.65020	.07180
We are targeting and serving the widest possible market.	82	3.2195	.64835	.07160
We have a unique selling proposition which will persuade customers to buy from us rather than from anyone else.	82	3.0488	.76823	.08484
We are able to serve a narrow market segment more effectively than one larger industry-wide competitor.	82	3.1220	.59608	.06583
Customers can see a distinct difference between our products and those offered by competitors.	82	3.2683	.54544	.06023
<b>All Sustainable Differential Advantage Items</b>	82	3.0786	.50345	.05560

**Table 4.12: One-Sample Test for the effect of niche marketing on the sustainable differential advantage creation**

<b>Sustainable Differential Advantage Items</b>	<b>Test Value= 0</b>					
	<b>t</b>	<b>df</b>	<b>Sig. (2-tailed)</b>	<b>Mean Difference</b>	<b>95 % Confidence Interval of the Difference</b>	
					<b>Lower</b>	<b>Upper</b>
We can create a cost-effective way to find potential customers.	39.858	81	.000	2.90244	2.7576	3.0473
We capitalize on opportunities to create new niche marketing divisions.	47.724	81	.000	3.03659	2.9100	3.1632
We provide products which appear different and distinctive compared to competitors' offerings.	42.742	81	.000	3.01220	2.8720	3.1524
We are supplying the 'right' things at the lowest possible economic cost.	42.649	81	.000	2.95122	2.813 5	3.0889
We are as good as and ideally better than our strongest competitor.	43.819	81	.000	3.14634	3.0035	3.2892
We are targeting and serving the widest possible market.	44.966	81	.000	3.21951	3.0771	3.3620
We have a unique selling proposition which will persuade customers to buy from us rather than from anyone else.	35.937	81	.000	3.04878	2.8800	3.2176
We are able to serve a narrow market segment more effectively than one larger industry-wide competitor.	47.427	81	.000	3.12195	2.9910	3.2529
Customers can see a distinct difference between our products and those offered by competitors.	54.261	81	.000	3.26829	3.1484	3.3881
<b>All Sustainable Differential Advantage Items</b>	<b>55.373</b>	<b>81</b>	<b>.000</b>	<b>3.07859</b>	<b>2.9680</b>	<b>3.1892</b>

#### 4.4. Test the main hypothesis of the study

The main hypothesis of the study provides that there is no relationship between Niche Marketing and Sustainable Differential Advantage creation. For the purpose of testing the hypothesis, the chi-square test of independence is used.

**Table 4.13: Chi-Square Test**

	<i>Value</i>	<i>df</i>	<i>Asymp. Sig. (2-sided)</i>
<i>Pearson Chi-Square</i>	1041.400 <sup>a</sup>	507	.000
<i>Likelihood Ratio</i>	397.657	507	1.000
<i>Linear-by-Linear Association</i>	33.780	1	.000
<i>N of Valid Cases</i>	82		

a. 560 cells (100.0%) have expected count less than 5. The minimum expected count is .02

Through the Chi-Square test results as shown in table 4.13, we reject the null hypothesis and accept the alternative hypothesis and conclude that there is a significant relationship between Niche Marketing and Sustainable Differential Advantage creation.

#### 4.5. Correlation Analysis

In this section, Spearman's correlation coefficient (non-parametric correlations) is used to explore the relationship between the independent variable (IV) and the dependent variable (DV). Correlation coefficients are able to provide a numerical summary of the direction and the strength of the linear relationship between the IV and the DV. Spearman's correlation coefficients ( $r$ ) range from -1 to +1 and the sign in front indicates whether there is a positive or negative correlation. The findings of correlations between the independent variable (Niche Marketing) and the dependent variable (Sustainable Differential Advantage) are summarized in Table 4.14.

**Table 4.14: The correlations between Niche Marketing and the Sustainable Differential Advantage (N =82)**

<b>Spearman's rho</b>		<b>Niche Marketing</b>	<b>Sustainable Differential Advantage</b>
	<b>Niche Marketing</b>	<b>Correlation Coefficient</b> <b>Sig. (2-tailed)</b> <b>N</b>	.612** .000 82
	<b>Sustainable Differential Advantage</b>	.612** .000 82	1.000 . 82

**\*\* Correlation is significant at the 0.01 level (2-tailed).**

Through the correlation coefficient analysis as shown in the Table 4.13, there is a significant, (moderate) and positive correlation between niche marketing and sustainable differential advantage creation of the National Corporations for Food Industries in Yemen ( $r = 0.612$ ,  $p < .01$ ). And this correlation shows that the sustainable differential advantage creation is influenced by application of niche marketing.

## **CHAPTER V**

### **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION**

#### ***5.1. Introduction***

Chapter four presented the results of the data analysis and interpretation of such data. This final chapter aims to present the summary of findings, conclusions and recommendations formulated to fulfill the purpose of this research through answering the research questions formulated in Chapter One. These are: RQ1: What is the perception of National Corporations for Food Industries on niche marketing? RQ2: What benefits do the management and staffs of National Corporations for Food Industries get from niche marketing? RQ3: What is the effect of Niche Marketing in terms a) Market segments; b) Positioning on creating Sustainable Differential Advantage for National Corporations for Food Industries in the Republic of Yemen? RQ4: Is there a relationship between Niche Marketing and Sustainable Differential Advantage?

This chapter is divided into three sections. Following this section, the findings obtained from the analysis of the data are summarized in section 5.2. The next section 5.3 identifies the final conclusions drawn based on discussion of the research findings. Recommendations of this study are detailed in section 5.4.

#### ***5.2. Summary of Findings***

This study aimed to implant the modern method and logical styles of marketing for development of Yemeni business organizations by a developed and empirically tested model that leads to a better understanding of the relationship between niche marketing and sustainable differential advantage. Further, it examined the effect of niche marketing on sustainable differential advantage. And as

discussed in chapter one, the researcher has designed the proposed model for the study based on the literature review in chapter two.

In order to achieve the research goals, a self-made questionnaire addressed to managers and staffs of marketing management of the National Corporations for Food Industries in Yemen, which included a total of 51 items. There were 100 questionnaires distributed of which 82 were recovered in seven national corporations for food industries in the Republic of Yemen, namely: 1) Industrial Soft Drink Company, Ltd.; 2) Yemen Company for Industry & Commerce (YCIC); 3) Yemen Company for Ghee and Soap Industry (YCGSI); 4) National Dairy & Food company (NADFOOD); 5) Paradise Company for Fruit Juice and Drinks; 6) General Industries & Packages Company (Genpack) and 7) Collector of Food Industries.

The results of this study largely support the hypothesized relationships in the proposed model. According to the findings from the inferential analyses, the proposed IV is significant and positively correlated to the DV. Therefore, the main proposed hypothesis ( $H_0$ : There is no relationship between Niche Marketing and Sustainable Differential Advantage creation.) in this study was rejected and the alternative hypothesis was accepted. For more details, the findings are presented in the following points:

- 1) The percentage of respondents was 82% where 92.7% of the respondents were male and 7.3% were female, and this means that the management of National Corporations for Food Industries in Yemen gives a chance to both sexes. The percentages of respondents, according to age were distributed as: aged under 30; 30-39 years; 40-49 years and 50+ years were 51.2%; 46.3%; 2.4%; 0%, respectively. The percentage of respondents who have undergraduate degree and postgraduate degree from the managers and staffs of marketing management in National Corporations for Food Industries had accounted 68.3%, while the percentage of those who have diploma and high school graduates only was 31.7%. With regard to the period of service in the field of marketing in the company, the percentage of



those who were in the two categories: 5-9 years and 10 years and above was **56.1%**, while those who were in the field of marketing for at least 4 years was **43.9%**. This is a good indicator that the National Corporations for Food Industries in Yemen depend on the young cadres and qualified and have experience in the field of marketing.

- 2) To answer the first research question (RQ1), the respondents' level of general perception on the niche marketing criteria was high with a total mean of **3.178404** and total standard deviation of **0.335576** compared to the assumed level. But the respondents' perception on the niche marketing criteria was varied from criterion to another, wherein the highest mean was for the Integrated Marketing Concept (IMC) criterion **3.2793** with standard deviation of **0.45426** while the lowest mean was for the Segment Profitability Analysis (SPA) criterion **3.0823** with standard deviation of **0.37176**.
- 3) To answer the second research question (RQ2), the general mean for the level of degree of the benefits that can be achieved through niche marketing was **3.2088**, a high level, with general standard deviation of **0.5734**. This indicated the agreement of the study sample on the benefits that are realized from the application of niche marketing, especially the benefits of meeting customer needs, creating a cost-effective way to find potential customers and creating or offering something that is perceived as unique in the marketplace.
- 4) To answer the third research question (RQ3), the results of the study showed the agreement of most of points of view of the study sample on the effect of the application of niche marketing in the sustainable differential advantage creation with some variation, where the general effect of niche marketing on sustainable differential advantage creation was high with total mean of **3.07859** compared to the assumed level and total standard deviation of **0.503452**.
- 5) To answer the fourth research question (RQ4), the results of the Spearman's correlation coefficient showed that there is a statistically significant, moderate and positive correlation

between niche marketing and the sustainable differential advantage creation of the National Corporations for Food Industries in Yemen ( $r = 0.612$ ,  $p < .01$ ).

### **5.3. Conclusions**

Marketing theories and practice create the real benefits for organizations. The aim is to create and maintain their competitive advantage or sustainable differential advantage. However, to make these theories successful in achieving this aim is difficult. In this context, this study makes a contribution to the marketing literature by proposing a model that reflects the relationship between niche marketing and sustainable differential advantage creation. This model provides a deeper understanding of the various niche marketing practices and to provide insight to successful creation of sustainable differential advantage.

In the light of what has been presented in this study, the following conclusions are drawn:

- 1) The management of National Corporations for Food Industries in Yemen employs both sexes (male and female) but the majority of the managers and staffs of the marketing management in National Corporations for Food Industries are male. The reason is probably due to lack of university education of Yemeni women and involvement in different jobs.
- 2) Majority of the National Corporations for Food Industries in Yemen have taken their decisions and bear their marketing responsibilities through the young abilities and energies and who are cadres, qualified, scientifically appropriate, and have a good experience and ability in marketing to understand and identify the marketing practices that contribute to the competitive or sustainable differential advantage creation for their organizations. Where, the majority of the managers and staffs of marketing management in National Corporations for Food Industries are under the age of forty years who have undergraduate degree and postgraduate degree and work in the field of marketing for more than five years.

- 3) The level of perception of the National Corporations for Food Industries in Yemen is high for niche marketing. Observation, however, would show that some National Corporations for Food Industries do not show great interest on some requirements of niche marketing criteria. i.e. there is variation in the perception of National Corporations for Food Industries on niche marketing and application of niche marketing criteria, where they focus on some requirements of niche marketing criteria and neglect the other requirements as the Segment Profitability Analysis (SPA) criterion. The reason may be due to poor overall perception of the niche marketing criteria or the absence of a clear vision of niche marketing for managers and staffs of marketing management in National Corporations for Food Industries in Yemen that can guide them.
- 4) There is agreement on the benefits realized from the application of niche marketing as perceived by the managers and staffs of marketing management (the study sample). This shows the importance of niche marketing, especially in meeting customer needs, creating a cost-effective way to find potential customers and creating or offering unique products or services in the marketplace.
- 5) Niche marketing assists the National Corporations for Food Industries to achieve or create a sustainable differential advantage.
- 6) There is a statistically significant, moderate and positive correlation between niche marketing and the sustainable differential advantage creation of the National Corporations for Food Industries in Yemen.

#### ***5.4. Recommendation***

Based on the conclusions the following recommendations are provided:

- 1) It is suggest that managers and staffs of marketing management, in particular those in the National Corporations for Food Industries in Yemen, should utilize niche marketing as an important concept in responding to market need and in improving performance of the National Corporations for Food Industries (the study sample) and creation a sustainable differential advantage.
- 2) The National Corporations for Food Industries in Yemen have to expand their interest in niche marketing through the following:
  - Implement all the criteria of niche marketing, and the application process must be comprehensive rather than focusing on certain criteria and neglect other criteria, such as segment profitability analysis criterion.
  - Consolidate the conviction of top management and guide and educate the managers and staffs on the importance of niche marketing and the benefits resulting from its application.
  - Take the competition factor into account when determining the target segment.
  - Concentrate more on targeting a specific small segment or customers who want a unique or superior product.
  - Seek to differentiate their products from other similar products.
  - Expand the marketing research and build an effective marketing information system.
  - Get the distinctive competencies that contribute to the achievement of sustainable differential advantage and which are difficult to copy by competitors.
- 3) Establish a Yemeni association of professors and experts in marketing aimed to strengthen the role of marketing in the Yemeni market and establish marketing studies that serve consumers and organizations in the Yemeni society.

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# APPENDICES

*APPENDIX (A)*



**UNIVERSITI UTARA MALAYSIA**  
**COLLEGE OF BUSINESS**

06010 UUM Sintok, Kedah Darul Aman, Malaysia. Tel: 604 - 928 4000

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December 22, 2010

Dear Marketing Officer

Greetings!

I, the undersigned, am working on a research entitled "The Importance of Niche Marketing in Creating Sustainable Differential Advantage of National Corporations for Food Industries in the Republic of Yemen," in order to provide additional information to the management and staffs of national corporations for food industries in the Republic of Yemen on Niche Marketing which can contribute to the creation of Sustainable Differential Advantage. This project is a part of my master program requirement at Universiti Utara Malaysia and under the supervision of Professor Dr. Cristina G. Gallato.

The researcher is a Yemeni national and is working at Taiz University in Yemen. After the study, she will provide you with a summary report that includes relevant information and recommendations for possible adoption.

In this connection, kindly fill up the attached questionnaire as objective as possible. Rest assured that strict confidentiality shall be observed in treating the data. Thank you very much.

Truly yours,

Mrs. Fatiha Mahdi Ahmed Ali

Researcher

Noted by:

Supervisor: Prof. Dr. Cristina G. Gallato

## ***Questionnaire***

### **The Importance of Niche Marketing in Creating Sustainable Differential Advantage of National Corporations for Food Industries in the Republic of Yemen**

**1. There are some questions for classification purposes only. Please respond to these questions by ticking (✓) in the boxes provided for each statement.**

**A. Preliminary data for managers and staffs of marketing management in the company**

Q1: Gender

☐ Male      ☐ Female

Q2: Age

☐ Up to 30      ☐ 30- 39      ☐ 40-49      ☐ 50+

Q3: What is your highest educational qualification?

☐ High School      ☐ Diploma      ☐ Undergraduate degree      ☐ Postgraduate degree

Q4: How many years have you worked at this company?

☐ 1-4      ☐ 5-9      ☐ 10 and above

**B. Preliminary data for company**

▪ Name of Company: .....

▪ Year Established: .....

▪ Most Important Food Products of Company:

1)..... 2)..... 3).....

4)..... 5) ..... 6).....

2. Below are some questions about your perception of Niche Marketing and how your company reacts to it. Please rate how much you agree or disagree with each statement by ticking (✓) under the number opposite to such statement.

No.	Statements	Strongly Disagree	Disagree	Agree	Strongly Agree
		1	2	3	4
1.	<b><u>Market Segments:</u></b> <b>• Customer Conversion Analysis (CCA)</b> Our company concentrates its marketing efforts on a group which seeks for a distinctive mix of benefits.				
2.	Our company aims at being a big fish in a small pond instead of being a small fish in a big pond.				
3.	Our company concentrates its marketing efforts on a segment that have no real competitors or markets which have been ignored by other companies.				
4.	Our company finds markets which have opportunities for an entrance company to exercise its superior competence.				
5.	Our company concentrates on customer needs.				
6.	Our company seeks to carve out a small part of the market whose needs are not fulfilled.				
7.	Our company determines which customers are best by creating a list of the criteria that are most important to us and our business.				
8.	We direct our marketing efforts on finding new customers that fit our preferred customer profile.				
9.	Our company targets customers who want a unique or superior product.				
10.	Our company targets segments that respond to the company's marketing efforts including changes to the marketing program over time.				
11.	<b>• Segment Profitability Analysis (SPA)</b> Our company concentrates its marketing efforts on segments sufficient size, to be potentially profitable.				
12.	Our company finds markets which have growth potential.				
13.	Our company finds markets which have sufficient purchasing ability.				
14.	Our company looks into the contribution margin for each market segment by considering the costs of making sales.				
15.	Our company calculates the profitability of the segment by setting off its sales revenues against its costs.				

No.	Statements	Strongly Disagree	Disagree	Agree	Strongly Agree
		1	2	3	4
16.	Our company concentrates on targeting segment whose profitability corresponds to a market segment.				
17.	Our company targets segment that is large and profitable enough to make it worthwhile for the company.				
18.	Our company targets segment whose profit potential is greater than the costs involved in creating a marketing program.				
19.	<p><b><u>Positioning:</u></b></p> <p>• <i>Integrated Marketing Concept (IMC)</i></p> <p>Our company objectives and policies are aimed directly at creating satisfied customers.</p>				
20.	Our company uses marketing information and market research to complete market segmentation.				
21.	Information about customer needs and requirements is collected regularly.				
22.	We put major effort into building stronger relationships with key customers and customer groups.				
23.	We provide products which are carefully crafted to our customer segment, but only after intense research and testing were done.				
24.	Our company concentrates on identifying needs, wants, and requirements that are being addressed poorly or not at all by other companies.				
25.	We differentiate our products from other similar products.				
26.	Our company concentrates on the effectiveness of implementing the marketing mix and the development of a strong brand.				
27.	The pricing, promotion, product development, and distribution strategies are all planned with an eye toward the competition.				
28.	The design of marketing mix programmes (product, price, promotion and distribution) reflect the proposition on offer and shape customers' perceptions about the nature of that offer.				
29.	<p>• <i>Distinctive Competences (DC)</i></p> <p>Our company uses core competencies (Reliability, Initiative &amp; Creativity, Innovation, close relationships with customers and suppliers, ..etc.) to implement value creating strategies that satisfy customers' needs.</p>				

No.	Statements	Strongly Disagree	Disagree	Agree	Strongly Agree
		1	2	3	4
30.	Company's resources or core competencies (technical knowledge, skills, equipment, procedures and materials, ..etc.) are rare, or unique.				
31.	We use the most effective way to supply our products such as wholesaler, retailer, agents, etc.				
32.	Our distinctive competencies contribute to creating value for customers.				
33.	Our distinctive competencies are hard for competitors to imitate or copy.				
34.	Our distinctive competencies can be leveraged to other products and markets.				

3. The following these questions ask you about your opinions on the benefits that your company gets from Niche Marketing. Please rate how much you agree or disagree with each statement by ticking (✓) under the appropriate weight which represents your opinion on each line.

No.	Statements	Strongly Disagree	Disagree	Agree	Strongly Agree
		1	2	3	4
35.	Focusing or niche marketing allows the company to direct its resources to certain value chain activities to build competitive or differential advantage.				
36.	Idea of specialization in niche marketing leads us to the distinctive competences which a company needs to pursue niche markets.				
37.	Niche marketing by market segments meet customer needs through tailoring goods and services.				
38.	Niche marketing by market segments get advantages that are based on long-term interests of customers.				
39.	Niche marketing by positioning contribute in establishing and communicating the distinctive benefits of the market offering.				
40.	Niche marketing leads us to create a cost-effective way to find potential customers.				
41.	Niche marketing enables us to spend more time improving our relationships with existing customers rather than looking for new customers.				
42.	Niche marketing leads us in creating or offering something that is perceived as unique in the marketplace.				

4. Below are questions that refer to the degree of contribution that can be achieved by Niche Marketing in the Sustainable Differential Advantage creation for the National Corporations for Food Industries. Please rate how much you agree or disagree with each statement by ticking (✓) under the appropriate weight which represents your opinion on each line.

No.	Statements	Strongly Disagree	Disagree	Agree	Strongly Agree
		1	2	3	4
43.	We can create a cost-effective way to find potential customers.				
44.	We capitalize on opportunities to create new niche marketing divisions.				
45.	We provide products which appear different and distinctive compared to competitors' offerings.				
46.	We are supplying the 'right' things at the lowest possible economic cost.				
47.	We are as good as and ideally better than our strongest competitor.				
48.	We are targeting and serving the widest possible market.				
49.	We have a unique selling proposition which will persuade customers to buy from us rather than from anyone else.				
50.	We are able to serve a narrow market segment more effectively than one larger industry-wide competitors.				
51.	Customers can see a distinct difference between our products and those offered by competitors.				

## APPENDIX (B)

### The population of study

(The National Corporations for Food Industries which have recorded at The Commerce & Industrialism Room in Taiz – Yemen-2010)

No.	The Name of Company	Year of Established	The Number of Employees	The Type	Date of Recorded	The Address	The Most Important Food Products of Company	Website & E-mail
1	Industrial Soft Drink Company, ltd.	1968	210	Limited	1972/2/28	Al Haseb	Soft Drinks (Beverage) and filling it in the empty returnable glass bottles (Cola, Limon, Orange, Apple & Pomegranate)	<a href="mailto:jstdcltd@y.net.ye">jstdcltd@y.net.ye</a>
2	Yemen Company for Industry & Commerce (YCIC)	1970	2550	Corporation	1970/7/13	AlHawban	Biscuits (Marie, Bingo, Warda, Borbon, Abuwalad, Smiley, Al-Haddaf, Biscy,...); Sweets (Toffee, Hard-Boiled, Lolipops, Peppermint Tablets,...); Panning Products (Mambo, Banose, Custard, Creme Caramel, Galley); Wafer(Prince, Wafer Aziz, Waseem, Choco Top, Canary, Plane ,...); Cake (Kernaly, Brownies, Afnan Saly Cake, Bingo, Bahja, Sponge Cake,...) & Cookies (Al-Belad, Hayati, Tamara Bars , Filled Cookies ,... )	<a href="http://www.ycic.com">www.ycic.com</a> <a href="mailto:crm@ycic.com">crm@ycic.com</a>
3	Yemen Company for Ghee and Soap Industry (YCGSI)	1975	1346	Corp.	1983/12/31	Hdhiran	Ghee Products (Kamaria, Blue Girl, Green Girl, Sheno, Al-Badia); Margarine Products (Almontaz, Almaida) & Oils Products (Chef, Altabbakh, kareem, Palma)	<a href="http://www.ycgsl.com">www.ycgsl.com</a> <a href="mailto:ycgsl@yemen.net.ye">ycgsl@yemen.net.ye</a>

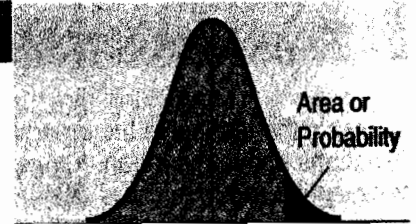


4	National Dairy & Food company (NADFOOD)	1983	1350	Corp.	1994/11/9	AlHawban	Milk (AlHana, AlBakary, AlMontaz, Telal, Ala Kaifak); Juice (Breeze, Alaela, AlHaddaf)	<a href="mailto:nadfood@y.net.ye">nadfood@y.net.ye</a> <a href="mailto:info@nadfood.com">info@nadfood.com</a>
5	Paradise Company for Fruit Juice and Drinks	1983	122	Limited	1986/6/30	Al Haseb	Drink (Primo, Sun Quick, pomegranate, rose); vinegar; Tiehaus Tea; Others	<a href="mailto:paradiseco@y.net.com">paradiseco@y.net.com</a>
6	General Industries & Packages Company (Genpack)	1984	1782	Corporation	1994/11/9	AlHawban	Snack foods (Tassaly Tarzan, Bfck, Debdoop, Al-Habooob); Cosmetics and personal care (Hair creams,, Fine Cream , Only Skin Cream , Baeuty , Sanitary pads ); Sweets & Chocolates (Roxy , Oasis ,Heroes , Oscar , Coconut Caramel , Caramel Peanuts , Choco , Star , Sinbad , Linda , Banda, Al-Abtal, Al-Nugoom, Toffee, Al-Basha, Al-Waha) , Lollipops (Konooz ) General Food Stuffs (Spaghetti and Al-Maeda, Short Pasta: Noody, Al-Dhiafa, Al-Fanar Halwa Confectionery), Printing (Text Books for Schools, Packaging Papers, Printing Books, Magazines, Calendar and the Holly Book of Quraan)	<a href="mailto:genpack@y.net.ye">genpack@y.net.ye</a>
7	Collector of Food Industries	1987	146	Limited	1993/6/3	Al Haseb	Biscuits (Marie Al-Jamal, Oki, Hdhhd, Glucose, Target); Weaver shot; Dolphin Bfck; Mint hot; Others.	<a href="mailto:paradiseco@y.net.com">paradiseco@y.net.com</a>

## APPENDIX (C)

### Statistical Tables:

Entries in the table give  $t$ -values for an area or probability in the upper tail of the  $t$ -distribution. For example, with 10 degrees of freedom and a .05 area in the upper tail,  $t_{.05} = 1.812$ .



**TABLE 4 (Continued)**

Degrees of Freedom	Upper-Tail Areas ( $\alpha$ )					
	.25	.10	.05	.025	.01	.005
81	0.6775	1.2921	1.6639	1.9897	2.3733	2.6379
82	0.6775	1.2920	1.6636	1.9893	2.3727	2.6371
83	0.6775	1.2918	1.6634	1.9890	2.3721	2.6364
84	0.6774	1.2917	1.6632	1.9886	2.3716	2.6356
85	0.6774	1.2916	1.6630	1.9883	2.3710	2.6349
86	0.6774	1.2915	1.6628	1.9879	2.3705	2.6342
87	0.6773	1.2914	1.6626	1.9876	2.3700	2.6335
88	0.6773	1.2912	1.6624	1.9873	2.3695	2.6329
89	0.6773	1.2911	1.6622	1.9870	2.3690	2.6322
90	0.6772	1.2910	1.6620	1.9867	2.3685	2.6316
91	0.6772	1.2909	1.6618	1.9864	2.3680	2.6309
92	0.6772	1.2908	1.6616	1.9861	2.3676	2.6303
93	0.6771	1.2907	1.6614	1.9858	2.3671	2.6297
94	0.6771	1.2906	1.6612	1.9855	2.3667	2.6291
95	0.6771	1.2905	1.6611	1.9853	2.3662	2.6286
96	0.6771	1.2904	1.6609	1.9850	2.3658	2.6280
97	0.6770	1.2903	1.6607	1.9847	2.3654	2.6275
98	0.6770	1.2902	1.6606	1.9845	2.3650	2.6269
99	0.6770	1.2902	1.6604	1.9842	2.3646	2.6264
100	0.6770	1.2901	1.6602	1.9840	2.3642	2.6259
110	0.6767	1.2893	1.6588	1.9818	2.3607	2.6213
120	0.6765	1.2886	1.6577	1.9799	2.3578	2.6174
130	0.6764	1.2881	1.6567	1.9784	2.3554	2.6142
140	0.6762	1.2876	1.6558	1.9771	2.3533	2.6114
150	0.6761	1.2872	1.6551	1.9759	2.3515	2.6090
$\infty$	0.6745	1.2816	1.6449	1.9600	2.3263	2.5758

For a particular number of degrees of freedom, entry represents the critical value of  $t$  corresponding to a specified upper-tail area,  $\alpha$ .