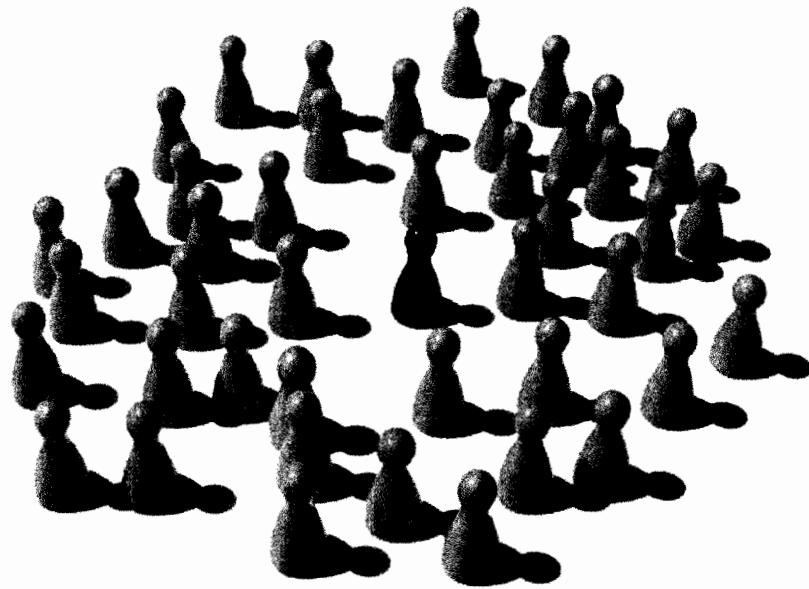


**The Importance of Niche Marketing in Creating Sustainable
Differential Advantage of National Corporations for Food Industries
in the Republic of Yemen**

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:

Fatihya Mahdi Ahmed Ali

(801167)

**UNIVERSITI UTARA MALAYSIA
COLLEGE OF BUSINESS**

© Fatihya Mahdi Ahmed Ali, 2011, All Rights Reserved



KOLEJ PERNIAGAAN
(College of Business)
Universiti Utara Malaysia

PERAKUAN KERJA KERTAS PROJEK
(Certification of Project Paper)

Saya, mengaku bertandatangan, memperakukan bahawa
(I, the undersigned, certified that)

FATIHYA MAHDI AHMED ALI (801167)

Calon untuk Ijazah Sarjana
(Candidate for the degree of) **MASTER OF SCIENCE (MANAGEMENT)**

telah mengemukakan kertas projek yang bertajuk
(has presented his/her project paper of the following title)

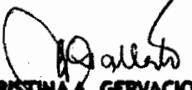
**THE IMPORTANCE OF NICHE MARKETING IN CREATING SUSTAINABLE
DIFFERENTIAL ADVANTAGE OF NATIONAL CORPORATIONS FOR FOOD
INDUSTRIES IN THE REPUBLIC OF YEMEN**

Seperti yang tercatat di muka surat tajuk dan kulit kertas projek
(as it appears on the title page and front cover of the project paper)

Bahawa kertas projek tersebut boleh diterima dari segi bentuk serta kandungan dan meliputi bidang ilmu dengan memuaskan.

(that the project paper acceptable in the form and content and that a satisfactory knowledge of the field is covered by the project paper).

Nama Penyelia : **DR. CRISTINA G. GALLATO**


DR. CRISTINA G. GERVACIO-GALLATO
Professor
UUM College of Business
Universiti Utara Malaysia

Tandatangan : **DR. CRISTINA G. GERVACIO-GALLATO**

Tarikh : **31 JANUARY 2011**

PERMISSION TO USE

In presenting this thesis in partial fulfillment of the requirements for a postgraduate degree from the Universiti Utara Malaysia, the author agrees that the Universiti Library may make it freely available for inspection. The author further agree that permission for copying of this thesis in any manner in whole or in part, for scholarly purposes may be granted by my supervisor or in their absence by the Dean of the Graduate School. It is understood that any copying or publication or use of this thesis or parts thereof for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to Universiti Utara Malaysia for any scholarly use which may be made of any material from my thesis. Requests for permission to copy or to make other use of materials in this thesis, in whole or in part, should be addressed to:

Dean of Postgraduates Studies of College of Business,

Universiti Utara Malaysia,

06010 Sintok,

Kedah Darul Aman,

Malaysia.

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

ACKNOWLEDGMENTS

I wish to present my appreciation to all those who extended their support in many different ways.

I would firstly like to thank my supervisor *Professor Dr. Cristina G. Gallato*, who has provided me supervision, guidance and advice. This research project would not have been success without her constant support and concern. So, I was very fortunate to be under her supervision.

My special thanks go to my husband, *Dr. Abdulmalek Ahmed Al-Maamary*, who has been a constant source of inspiration. I am greatly appreciative of his support, generosity and encouragement throughout my thesis.

I owe particular thanks to *Dr. Norashidah Binti Hashim* and *Prof. Dr. Ruswiaty Suryasaputra* who have afforded me advice and help.

Last but not least, my great appreciation and enormous thanks are due to my family who were always in my mind and heart during this journey. My parents, my sisters, remained a constant source of encouragement, inspiration, and strength. Specifically, I would like to thank my wonderful mum and dad who have always supported me and taught me how to strive to achieve my goals and dreams.

I thank you all!

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.

TABLE OF CONTENTS

DEDICATION	i
ACKNOWLEDGMENTS	ii
ABSTRACT	iii
TABLE OF CONTENTS	iv
LIST OF FIGURES	vii
LIST OF TABLES	viii
LIST OF ABBREVIATIONS	ix
CHAPTER I : INTRODUCTION	1-7
1.1. Background of the Study.....	1
1.2. Problem Statements.....	4
1.3. Research Questions	5
1.4. Research Objectives	6
1.5. Significance of the Study	6
1.6. Scope and Delimitation	7
CHAPTER II: LITERATURE REVIEW	8-52
2.1. Introduction	8
2.2. Niche Marketing Overview	9
2.2.1. What is a niche?	9
2.2.2. What is a niche marketing?	10
2.2.3. Elements of Niche Marketing:	13
2.2.3.1. Market Segment	14
2.2.3.1.1. Customer Conversion Analysis	16
2.2.3.1.2. Segment Profitability Analysis	17
2.2.3.2. Positioning.....	19
2.2.3.2.1. Intergrated Marketing Concept	20
2.2.3.2.2. Distinctive Competences.....	21

2.2.4. Niche Marketing Evolution.....	24
2.2.5. Benefits of niche marketing	25
2.3. The Sustainable Differential Advantage Overview	28
2.3.1. The Nature of Sustainable Differential Advantage	29
2.3.2. Sources of Differential advantage.....	36
2.4. Niche marketing and Sustainable Differential advantage	40
2.4.1. The link between Sustainable Differential advantage and Market Segment	44
2.4.2. The link between Sustainable Differential advantage and Positioning.....	48
2.5. Summary	48
CHAPTER III: RESEARCH METHODOLOGY	53-64
3.1. Introduction	53
3.2. Research Framework.....	53
3.3. Hypothesis / Hypotheses	54
3.4. Research Design.....	54
3.5. Operational Definition.....	55
3.6. Measurement of Variables/ Instrumentation.....	57
3.7. Data Collection.....	58
3.7.1. Sampling.....	58
3.7.2. Data Collection Procedures.....	60
3.8. Techniques of Data Analysis.....	64
CHAPTER IV : PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA..	65-82
4.1. Introduction	65
4.2. Characteristics of Respondents	65
4.3. Analysis and Interpretation of Data	68
4.4. Test The Main Hypothesis Of The Study.....	81
4.5. Correlation Analysis.....	81
CHAPTER V: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION	83-88
5.1. Introduction	83

5.2. Summary of Findings	83
5.3. Conclusions	86
5.4. Recommendation.....	87
BIBLIOGRAPHY	89

APPENDICES

APPENDIX (A) : Questionnaire

APPENDIX (B) : The population of study

APPENDIX (C) : Statistical Tables : t-Distribution

LIST OF FIGURES

Figure (2.1): Niche Strategies	14
Figure (2.2): Advantage-creating Resources.....	23
Figure (2.3): Routes to Competitive Advantage	33
Figure (2.4): Types of Differential Advantage.....	34
Figure (2.5): Generic Competitive Strategies	41
Figure (3.1): The relationship of Niche Marketing and Sustainable Differential Advantage.....	54
Figure (4.1): Respondents' Gender.....	66
Figure (4.2): Respondents' Age.....	67
Figure (4.3): Respondents' Educational Qualification	67
Figure (4.4): Respondents' Experience	68

LIST OF TABLES

Table 2.1: Recommendations for implementing a niche marketing strategy.....	43
Table 3.1: Distribution of the items of the second part on the criteria of niche marketing	57
Table 3.2: Questionnaires Distributed, Received and Response Rates.....	60
Table 3.3: Cronbach's Coefficient Alpha Value.....	61
Table 3.4: Cronbach's Coefficient Alpha Value of Each Variable.....	61
Table 4.1: Demographic Profile of Respondents	66
Table 4.2: One-Sample Statistics for the Respondents' Perception on niche marketing	69
Table 4.3: One-Sample Test Results for the Respondents' Perception on niche marketing	70
Table 4.4: The Means, Standard Deviation and Qualitative Interpretation of Market Segments Creation (Customer Conversion Analysis (CCA)).....	71
Table 4.5: The Means, Standard Deviation and Qualitative Interpretation of Market Segments Creation (Segment Profitability Analysis (SPA))	72
Table 4.6: The Means, Standard Deviation and Qualitative Interpretation of Positioning Creation (Integrated Marketing Concept (IMC)).....	73
Table 4.7: The Means, Standard Deviation and Qualitative Interpretation of Positioning Creation (Distinctive Competences (DC)).....	74
Table 4.8: The Perception of National Corporations for Food Industries in Yemen on Niche Marketing	75
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.....	76
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.....	78
Table 4.11: One-Sample Statistics for the effect of niche marketing on the sustainable differential advantage creation.....	80
Table 4.12: One-Sample Test for the effect of niche marketing on the sustainable differential advantage creation.....	80
Table 4.13: Chi-Square Test.....	81
Table 4.14: The correlations between Niche Marketing and the Sustainable Differential Advantage (N =82)	82

LIST OF ABBREVIATIONS

CCA	Customer Conversion Analysis
SPA	Segment Profitability Analysis
IMC	Integrated Marketing Concept
DC	Distinctive Competences
SDA	Sustainable Differential Advantage
SCA	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,

The contents of
the thesis is for
internal user
only

BIBLIOGRAPHY

Baxter, S. (2010). *Evidence on the Marketing Approaches Targeting Gay and Lesbian Consumers*. Global Journal of Business Research, Volume 4, Number 2, pp. 125–139.

Blythe, Jim (2006). *Principles & Practice of Marketing*. Copyright Thomson Learning, London, UK, pp.197-205.

Burrow, J.L.(2009). *Marketing*, 3rd Ed., South-Western. Cengage Learning, The United States of America, pp.182-189.

Business Dictionary.com, Copyright©2010 Web Finance, Inc., <http://www.businessdictionary.com/definition/niche-marketing.html>

Capon, C. (2008). *Understanding Strategic Management*. First Edition, FT Prentice Hall, Pearson Education Limited, England, pp. 204-237.

Clarke, A. (1999). *Evaluation Research: An Introduction to Principles, Methods and Practice*. Thousand Oaks, CA: Sage Publication.

Crambie, M.A., C.J. Hickman and M.L. Johnson (1978). *Penguin Dictionary of Biology*, 6th ed., Penguin, London.

Cuthbert, R. H.(January, 2008). *Strategic Planning – Niche Marketing in the Agriculture Industry*. Project Report, Department of Rural Economy , Faculty of Agriculture & Forestry, and Home Economics, University of Alberta, Edmonton, Canada.

Dalgic, T. and M. Leeuw (1994). *Niche Marketing Revisited: Concepts, Applications, And Some European Cases*. European Journal of Marketing, Vol. 28 No. 4, © MCB University Press, 0309-0566, pp. 39-55.

Doyle,P.(2002). *Marketing Management and Strategy*. 3rd Ed., FT Prentice Hall, Pearson Education, England, pp.61-84.

Ferrell,O.C. & M.D. Hartline, (2008). *Marketing Strategy*. 4th Edition, South-Western, Cengage Learning, The United States of America, pp.168.

Gudlaugsson, T. & A. P. Schalk, (July, 2009). *Effects of Market Orientation on Business Performance: Empirical Evidence from Iceland*. The European Institute of Retailing and Services Studies, Reykjavik, Iceland.

Hani Jehad S. & F., A. AlHawary. (2009). *The Impact of Core Competencies on Competitive Advantage: Strategic Challenge*. International Bulletin of Business Administration, ISSN: 1451-243X Issue 6, © EuroJournals, Inc. <http://www.eurojournals.com>.

Hamel, G. and C.K. Prahalad. (1990). *The core competency of the corporation*. Harvard Business Review 68(3): 79-93.

Hooley, G., Saunders & N.F. Piercy (2004). *Marketing Strategy and Competitive Positioning*. 3rd Ed., FT Prentice Hall, Pearson Education, England.

Hooley, G.; N.F. Piercy & B. Nicoulaud (2008). *Marketing Strategy and Competitive Positioning*, 4th Ed., FT Prentice Hall, Pearson Education Limited, Harlow, England.

Jiang, P.(2000). *Segment-based mass customization: an exploration of a new conceptual marketing Framework*. Internet Research: Electronic Networking Applications and Policy, Volume 10, Number 3, # MCB University Press, ISSN 1066-2243, pp. 215±226.

Karadag, I. & W. G. Kim (2006, May). Comparing market-segment-profitability analysis with department-profitability analysis as hotel marketing-decision tools. Academic magazines, Scholarly magazines, Cornell Hotel & Restaurant Administration Quarterly , HighBeam® Research, a part of The Gale Group, Inc. © Copyright 2010, from: <http://www.highbeam.com/doc/1G1-145065967.html>

Kerin, R.A.; S.W. Hartley, & W. Rudelius (2009). *Marketing: The Core*, 3rd Ed., McGraw-Hill/Irwin, Americas, New York, NY, pp. 190-204.

Klein, J. (July, 2001). *A Critique of Competitive Advantage*, Critical Management Studies Conference, Scientific Generics, Cambridge, CB2 5GG, UK.

Kotler, P., (September/ October 1991). *From Mass Marketing to Mass Customization, Planning Review*, pp. 11-47.

Kotler, P. & K.L. Keller & Ang, S.M. S.H.Leong & C.T. Tan (2009). *Marketing Management: An Asian Perspective*, 5th Edition , Prentice Hall.

Leeflang, P.S.H.(1990). *Market Segmentation*. Unpublished European Business Studies Seminar, (03-1990).

Lambkin, M. and S.Day. (July 1989). *Evolutionary Processes in Competitive Markets: Beyond the Product Life Cycle*, Journal of Marketing, pp. 4-20.

Lin,C.F. (2002). *Segment customer brand preference: demographic or psychographic*. Journal of Product & Brand Management, Vol. 11 No. 4, © MCB UP LIMTED, 106-0421,DOI 10.1108110610420210435443, pp. 249-268.

Ma, H. (2004). *Toward Global Competitive Advantage Creation, Competition, Cooperation, And Co-Option*. Management Decision, Vol. 42 No. 7, q Emerald Group Publishing Limited 0025-1747 DOI 10.1108/00251740410550961, pp. 907-924.

Malhotra, N. K. (2003). *Marketing Research: An Applied Orientation*, 3rd Ed., Upper Saddle River, N.J: Pearson Education Inc.

Martin, B. A. S., C. K. C. Lee & F.Yang, (2004, Winter). *The influence of ad model ethnicity and self referencing on attitudes*. Journal of Advertising, 33(4), pp. 27-37.

McKenna, R. (December 1988). *Marketing in an Age of Diversity*. Harvard Business Review, November- , pp. 88-95.

Nisberg, J. N., & D. C. Nierenberg (2004, May 17). *A professional approach to niche marketing*. [Electronic Version] Accounting Today, 18(9), pp. 8-11.

Narver, J.C., S.F. Slater & B. Tietje, (1998). *Creating a market orientation*. Journal of Market-Focused Management, Vol. 2, pp. 241-55.

On Cue Executive Consulting, 2009, from www.thestrategyworkshop.com.

Pallant, J.F. (2007). *SPSS Survival Manual*. 3rd Edition, Open University Press, United Kingdoms.

Parrish, E. D., N. L. Cassill & W. Oxenham (2006). *Niche market strategy for a mature marketplace*. Marketing Intelligence & Planning, Vol. 24 No.7, q Emerald Group Publishing Limited, 0263-4503, DOI 10.1108/02634500610711860, pp. 694-707.

Phillips, J.C. and Peterson, H.C. (2001). *Segmenting and differentiation of agri-food niche markets: examples from the literature*. Staff paper, Michigan State University, East Lansing, MI.

Prajogo, D.I. (2007). *The relationship between competitive strategies and product quality*. Industrial Management & Data Systems, Vol.107, No.1, q Emerald Group Publishing Limited, 0263-5577, DOI 10.1108/02635570710719061, pp. 69-83, available at: www.emeraldinsight.com/0263-5577.htm

Sekaran, U. (2003). *Research Methods for Business: A Skill Building Approach*. 4th edition, John Wiley & Sons Inc., U.S.

Sevier, R.A. (2000, February 24). *Exploring the relationship between strategic planning and integrated marketing*. Unpublished draft.

Shani, D. and Chalasani, S. (1992). *Exploiting niches using relationship marketing*. The Journal of Services Marketing, Vol. 6 No. 4, pp. 43-52.

Shemwell, D. J., U. Yavaş, and Z. Bilgin (1998). *Customer-service provider relationship: An empirical test of a model of service quality, satisfaction and relationship oriented outcome*. International Journal of Service Industry Management, Vol. 9, pp. 155-168

Simkin, L. & S. Dibb (1998). *Prioritising target markets*. Marketing Intelligence & Planning, 16/7, pp. 407-417.

Spulber, D. F. (2009). *Economics And Management Of Competitive Strategy*. ©World Scientific Publishing Co. Pte. Ltd., Jun, from <http://www.worldscibooks.com/business/7171.html>

Stanton, W.E.J., M.J. Etzel and B.J. Walker (1991). *Fundamentals of Marketing*, McGraw-Hill, New York, NY.

Thompson, J.L. (2001). *Strategic Management*, Fourth Edition, Thomson Learning, Holborn, London.

Toftsen, K. & T. Hammervoll. (2009). *Niche firms and marketing strategy an exploratory study of internationally oriented niche firms*. European Journal of Marketing, Vol. 43 No. 11/12, q Emerald Group Publishing Limited 0309-0566, DOI 10.1108/03090560910989948, pp. 1378-1391.

Toftsen, K. & T. Hammervoll. (2010). *Niche marketing and strategic capabilities: an exploratory study of specialised firms*, Marketing Intelligence & Planning, Vol. 28 No. 6, q Emerald

Group Publishing Limited, 0263-4503, DOI 10.1108/02634501011078138, pp. 736-753, available at: www.emeraldinsight.com/0263-4503.htm

Webster's Dictionary, Pamco Publishing Co., New York, NY, 1992.<<http://www.websters-onlinedictionary.org>>

Zikmund, W. G. (2003). *Business Research Method*, 8th Ed., Cincinnati, Ohio: Thomson/South-Western, p. 330-331.