

## Exploring the Influence of Blue Ocean Strategy and Niche Marketing on the Growth of SMEs in Gombe Metropolis

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### Introduction

In today's rapidly evolving business landscape, the challenges of competition have driven organizations to seek innovative strategies to secure their survival and growth. Small and Medium Enterprises (SMEs), which form the backbone of many economies, are particularly vulnerable to these challenges. As global markets expand and customer preferences diversify, traditional approaches to business management often fail to address the dynamic nature of competition, leading to stagnation or decline in enterprise performance.

One innovative framework that has garnered significant attention in recent years is the Blue Ocean Strategy (BOS), introduced by Kim and Mauborgne in 2005. The BOS emphasizes the creation of uncontested market spaces—referred to as “blue oceans”—where competition becomes irrelevant. Unlike the traditional “red ocean” strategy, which focuses on competing within saturated markets, the BOS seeks to redefine market boundaries, enabling organizations to achieve differentiation and cost leadership simultaneously. The key pillars of the BOS are encapsulated in its four dimensions: Raising, Reduction, Elimination, and Innovation. These elements collectively drive the creation of value innovation, ensuring sustainable growth by capturing new demand [1,2].

Complementary to the BOS is niche marketing, a targeted approach that aligns business offerings with the specific needs of well-defined customer segments. Niche marketing enables firms to optimize resource utilization and build strong customer relationships by offering specialized products or services. This approach is particularly relevant for SMEs, which often operate under resource constraints and rely heavily on customer loyalty and market differentiation for survival [3].

Despite the theoretical promise of BOS and niche marketing, SMEs in Nigeria, particularly in Gombe Metropolis, face significant challenges in leveraging these strategies effectively. With over 35,000 licensed industrial projects in Nigeria, 85% remain idle, and only 15% operate at a fraction of their designed capacity. These statistics underscore the urgent need for innovative strategies to revitalize the SME sector, which is critical for job creation and economic stability. Traditional management approaches, characterized by a focus on operational efficiency and cost reduction, have proven insufficient in addressing the unique challenges of SMEs. Instead, a shift towards more robust, dynamic

strategies—such as BOS and niche marketing—is essential to enhance decision-making, operational efficiency, and overall performance [4].

This study seeks to bridge the gap by examining the role of BOS and niche marketing in driving SME growth in Gombe Metropolis. By exploring the direct and moderating effects of these strategies, the research aims to provide actionable insights for SME managers and policymakers. Specifically, the study investigates how the four dimensions of BOS—Raising, Reduction, Elimination, and Innovation—impact SME performance, and how niche marketing moderates these relationships to foster sustained growth.

In doing so, this study contributes to the growing body of literature on strategic management for SMEs and offers practical guidance for overcoming the challenges of competition in a rapidly changing business environment. The findings are expected to inform strategies for revitalizing the SME sector in Nigeria, with implications for similar contexts globally.

### Problem Statement

The SME sector is widely recognized as a critical driver of economic growth and employment in Nigeria. Despite its potential, the sector faces significant challenges that hinder its contribution to national development. Nigeria has approximately 35,000 licensed industrial projects; however, 85% of these businesses are inactive, and the remaining 15% operate at only 20% of their designed capacity. This stark reality underscores the urgent need to revitalize the SME sector to stimulate the economy and create employment opportunities.

A critical examination reveals that many SMEs in Nigeria rely on traditional management styles that prioritize product quality, operational efficiency, and cost reduction. While these approaches are important, they often lack a systematic framework for fostering growth and competitiveness. The limitations of these methods have led to stagnant or declining performance in many SMEs, further exacerbating their inability to thrive in competitive markets.

With increasing market competition, SMEs face mounting pressure to adopt innovative strategies that can help them redefine their competitive advantage and navigate the complex business landscape. Large firms often leverage advanced management techniques to enhance their decision-making processes and

operational efficiency. However, SMEs, due to limited resources, struggle to adopt similarly robust strategies. This disparity creates a pressing need for an alternative approach tailored to the unique challenges of SMEs [5].

The Blue Ocean Strategy (BOS) has emerged as a promising framework for overcoming these challenges. By focusing on creating uncontested market spaces and driving value innovation, BOS offers SMEs the opportunity to enhance their performance without engaging in direct competition. Moreover, niche marketing provides a complementary strategy by enabling SMEs to focus on well-defined customer segments, optimizing their limited resources to achieve competitive advantage.

However, the integration and effectiveness of BOS and niche marketing in the SME context remain underexplored, particularly in Nigeria. Existing studies have largely focused on large organizations or different economic environments, leaving a gap in understanding how these strategies can be adapted to SMEs in Gombe Metropolis. Addressing this gap is critical, as the adoption of BOS and niche marketing could provide a pathway for SMEs to improve their decision-making processes, operational efficiency, and overall performance.

This study aims to investigate the role of BOS—encompassing the dimensions of Raising, Reduction, Elimination, and Innovation—and the moderating role of niche marketing in fostering SME growth. By examining these relationships, the research seeks to provide actionable insights for SMEs in Gombe Metropolis to overcome their growth challenges and contribute meaningfully to Nigeria's economic development.

## Literature Review

### Blue Ocean Strategy and its Dimensions

The Blue Ocean Strategy (BOS), introduced by Kim and Mauborgne (2005), focuses on creating uncontested markets to make competition irrelevant. This approach emphasizes the four dimensions of BOS: Raising, Reduction, Elimination, and Innovation. These dimensions collectively enable organizations to offer unique value propositions that drive growth and profitability. Recent studies highlight the relevance of BOS in addressing challenges faced by SMEs, particularly in competitive markets. For instance, identify BOS as a crucial tool for overcoming market saturation and enhancing SME performance in resource-constrained environments [6].

In a similar vein, explore the application of BOS in the educational sector, demonstrating its versatility across different industries. They argue that SMEs can achieve sustainable growth by leveraging BOS to innovate their offerings and streamline operational inefficiencies. However, the study emphasizes that successful implementation requires a strategic focus on adapting the BOS framework to local market conditions [7].

### Niche Marketing and its Role in SME Growth

Niche marketing complements BOS by targeting specific, underserved customer segments. This approach enables SMEs to differentiate their offerings and build strong customer loyalty, even in competitive environments. Christodoulou and Langley argue that niche marketing strategies are particularly effective for SMEs due to their flexibility and ability to align with unique customer needs. By leveraging niche marketing, SMEs can achieve higher market shares, improve profitability, and establish sustainable competitive advantages.

Empirical evidence supports this claim, with studies demonstrating the positive impact of niche marketing on SME growth. For example, found that SMEs in Northern Nigeria that adopted niche marketing strategies experienced significant improvements in financial performance and customer satisfaction. The study highlights the importance of understanding market characteristics and customer preferences to implement effective niche marketing strategies [8].

### Empirical Evidence on Bos and Niche Marketing in SMEs

Empirical research on BOS and niche marketing has provided insights into their application and effectiveness in various contexts. Examined the impact of BOS dimensions on SME performance in Indonesia. The study revealed that the Raising and Innovation dimensions significantly contributed to revenue growth and customer acquisition. Similarly, Reduction and Elimination were found to enhance operational efficiency by minimizing resource wastage. These findings underscore the multidimensional nature of BOS and its potential to address diverse challenges faced by SMEs [9].

In Nigeria, investigated the role of niche marketing in moderating the relationship between BOS and SME growth. Their study demonstrated that niche marketing amplifies the positive effects of BOS by aligning business strategies with customer needs. The research also highlighted that SMEs with a strong focus on niche markets were better equipped to innovate and adapt to changing market conditions.

Moreover, explored the barriers to SME growth in Lagos State, emphasizing the role of strategic management practices. The findings revealed that traditional management approaches often fail to address the complexities of modern markets. This underscores the need for SMEs to adopt innovative strategies like BOS and niche marketing to remain competitive.

### Research Gaps and Relevance to Gombe Metropolis

While existing studies provide valuable insights, research on the application of BOS and niche marketing in SMEs remains limited, particularly in the context of Nigeria. Most studies have focused on large organizations or specific industries, leaving a gap in understanding how these strategies can be tailored to the unique challenges of SMEs in Gombe Metropolis.

This study seeks to address these gaps by examining the direct and moderating effects of BOS and niche marketing on SME growth. By focusing on Gombe Metropolis, the research aims to provide actionable insights for SMEs in the region to overcome their growth challenges and contribute to the broader economic development of Nigeria.

## Methodology

### Research Design

This study adopts a descriptive-analytical research design to examine the relationship between the Blue Ocean Strategy (BOS), niche marketing, and SME growth in Gombe Metropolis. The descriptive component facilitates the detailed exploration of the current practices of SMEs, while the analytical approach allows for the examination of the direct and moderating effects of BOS and niche marketing on growth.

### Study Area

The research focuses on SMEs operating in Gombe Metropolis, a region characterized by significant entrepreneurial activities

despite the challenges of competition and resource constraints. The choice of this area is informed by its strategic importance to the Nigerian economy and the high concentration of SMEs that represent diverse industries and business models.

### Population and Sampling

The population for this study comprises SMEs registered and operating within Gombe Metropolis. A total of 103 SMEs were selected as the sample size based on the accessible population, aligning with the recommendations of previous studies to ensure statistical relevance. Stratified random sampling was employed to ensure representation across various sectors, including manufacturing, services, and retail.

### Data Collection Instrument

Primary data for the study were collected using a structured questionnaire designed to capture relevant variables. The questionnaire was divided into four main sections:

- 1. Demographics** – Capturing information about the respondents and their businesses.
- 2. Blue Ocean Strategy** – Measuring the four BOS dimensions (Raising, Reduction, Elimination, Innovation) using a 31-item scale adapted from El-Hedrawy (2015).
- 3. Niche Marketing** – Assessing market, customer, and competition characteristics using a 22-item scale.
- 4. SME Growth** – Evaluating performance metrics such as market share, profitability, and customer base.

All responses were anchored on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

### Validity and Reliability

To ensure the validity of the instrument, the questionnaire was reviewed by experts in business management and tested in a pilot study with selected SMEs. Cronbach’s Alpha was used to determine the reliability of the scales, with values exceeding the acceptable threshold of 0.70, indicating high internal consistency.

### Data Analysis

The collected data were analysed using Smart PLS 4. The analysis involved:

- 1. Descriptive Statistics** – To summarize the demographic data and provide an overview of the SMEs in the study.
- 2. Structural Equation Modelling (SEM)** – To test the direct relationships between BOS dimensions and SME growth.
- 3. Moderation Analysis** – To evaluate the moderating role of niche marketing in the relationship between BOS dimensions and SME growth.

Hypotheses testing was conducted at a 95% confidence level, ensuring robust interpretations of the results.

## Results and Interpretation

### The Measurement Model

The measurement model assessment, presented in Table one, evaluates the reliability and validity of the constructs. The Cronbach’s Alpha values range from 0.460 (Niche Market) to 0.690 (Reduction Dimension), indicating varying levels of internal consistency. Composite reliability (rho\_c) values exceed 0.70 for most constructs, except for the Innovation Dimension (0.725) and SMEs Performance (0.715), which

**Table 1: Measurement Model Indicators for Reflective Constructs**

Constructs	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)	Average Variance Extracted (AVE)
Elimination Dimension	0.487	0.607	0.741	0.505
Innovation Dimension	0.526	0.549	0.725	0.356
Niche Market	0.460	0.479	0.706	0.382
Reduction Dimension	0.690	0.716	0.795	0.441
Rising Dimension	0.616	0.626	0.774	0.463
SMEs Performance	0.515	0.517	0.715	0.338

Approach the threshold but require cautious interpretation. The Average Variance Extracted (AVE) values for several constructs, particularly Innovation (0.356), Niche Market (0.382), and SMEs Performance (0.338), fall below the recommended threshold of 0.50, signaling issues with convergent validity.

These findings align with criterion, which emphasizes the importance of AVE values in establishing construct validity. While the constructs display adequate reliability, the low AVE values suggest that the measurement items may not fully capture the intended latent variables, potentially limiting the strength of the observed relationships [10].

### Discriminant Validity

Table two presents the discriminant validity, assessed using the Fornell-Larcker criterion. Constructs such as Elimination, Reduction, and Rising demonstrate acceptable levels of discriminant validity, with diagonal values exceeding inter-

**Table 2: Discriminant Validity**

Constructs	Elimination	Innovation	Niche Market	Reduction	Rising	SMEs Performance
Elimination	0.711					
Innovation	0.470	0.597				
Niche Market	0.416	0.460	0.618			
Reduction	0.468	0.490	0.380	0.664		
Rising	0.233	0.486	0.213	0.489	0.681	
SMEs Performance	0.376	0.450	0.528	0.267	0.190	0.581

Construct correlations. However, overlapping values between constructs like Innovation and SMEs Performance suggest potential issues with construct distinctiveness.

These results are consistent with who argue that weak discriminant validity can diminish the interpretability of structural model results. Future studies should consider refining measurement scales to enhance construct separation [11].

**Path Coefficients and Hypothesis Testing**

The results of this study as shown in Table 2 revealed both supported and unsupported hypotheses, with significant findings for Innovation (H2) and Niche Marketing (H3) on SMEs’ performance. However, the dimensions of Elimination (H1), Reduction (H4), and Rising (H5), as well as the moderating effects of Niche Marketing (H6-H9), were not supported. These outcomes are discussed below with a focus on empirical studies and relevant theories to justify these results.

**H1: Elimination → SMEs Performance**

The non-significant relationship between Elimination and SMEs’ performance ( $\beta = -0.037, p = 0.79$ ) may reflect practical constraints faced by SMEs in implementing elimination strategies. While the BOS framework encourages removing non-value-adding processes or features, SMEs in resource-constrained environments often lack the operational flexibility to adopt such measures effectively.

Empirical studies support this interpretation. For example, found that Nigerian SMEs often retain legacy processes due to insufficient resources for strategic re-engineering. Similarly, suggest that firms pursuing cost leadership (through elimination) require substantial economies of scale, which SMEs typically cannot achieve [12,13]

**H2: Innovation → SMEs Performance**

The significant positive relationship between Innovation ( $\beta = 0.328, p = 0.03$ ) and SMEs’ performance aligns with the Resource-Based View (RBV), which emphasizes that firms can achieve sustainable competitive advantage by leveraging unique resources, such as innovation capabilities. This is consistent with, who found that SMEs investing in innovative practices such as product differentiation and technological advancements experienced significant growth.

Innovation allows SMEs to create new value propositions, enabling them to compete in uncontested markets. For example, demonstrated that innovation enhances market adaptability, making it a cornerstone for performance improvement. Thus, this finding underscores the importance of fostering creativity and adaptability in SME operations.

**H3: Niche Marketing → SMEs Performance**

Niche Marketing’s significant positive impact on SMEs’ performance ( $\beta = 0.335, p = 0.01$ ) validates the Dynamic Capabilities Theory, which posits that firms can reconfigure their resources to exploit specific market opportunities. Empirical evidence from highlights how niche marketing enables SMEs to build deeper relationships with customers by tailoring products to meet specific needs.

This finding resonates with research by who noted that niche marketing enhances customer retention, fosters brand loyalty, and ultimately leads to better financial outcomes. SMEs focusing on niche markets often operate in less competitive environments, making them more resilient to external shocks

**Table 3: Path Coefficients and Hypotheses Testing**

Hypotheses	Relationships	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ( O/STDEV )	P values	Decision
H1	Elimination -> SMEs Performance	-0.037	-0.018	0.139	0.266	0.79	Not Supported
H2	Innovation -> SMEs Performance	0.328	0.326	0.151	2.17	0.03	Supported
H3	Niche Market -> SMEs Performance	0.335	0.338	0.126	2.648	0.01	Supported
H4	Reduction -> SMEs Performance	0.001	0.026	0.131	0.004	1.00	Not Supported
H5	Rising -> SMEs Performance	-0.012	0.022	0.134	0.092	0.93	Not Supported
H6	Niche Market x Elimination -> SMEs Performance	0.025	0.036	0.117	0.212	0.83	Not Supported
H7	Niche Market x Reduction -> SMEs Performance	-0.052	-0.075	0.137	0.379	0.70	Not Supported
H8	Niche Market x Rising -> SMEs Performance	-0.047	-0.01	0.14	0.333	0.74	Not Supported
H9	Niche Market x Innovation -> SMEs Performance	-0.087	-0.096	0.15	0.58	0.56	Not Supported

#### H4: Reduction → SMEs Performance

The non-significant impact of Reduction on SMEs' performance ( $\beta = 0.001, p = 1.00$ ) suggests that cost cutting alone is insufficient to drive growth. Reduction strategies often require a delicate balance between maintaining quality and minimizing costs. As note, excessive cost reduction may lead to diminished product quality, eroding customer trust and satisfaction.

This aligns with the Trade-off Theory, which posits that firms face inherent trade-offs between cost reduction and value creation. For SMEs, attempting to implement reduction strategies without adequate analysis or alternative value propositions may result in stagnation rather than growth.

#### H5: Rising → SMEs Performance

The Rising dimension also failed to significantly impact SMEs' performance ( $\beta = -0.012, p = 0.93$ ). While this BOS dimension focuses on enhancing certain attributes to create additional value, SMEs may lack the necessary market insights to identify and capitalize on these opportunities effectively.

The Institutional Theory provides a lens for understanding this finding, as it highlights the role of external institutional pressures in shaping firm behaviour. In the Nigerian context, SMEs often operate in regulatory environments with limited support for innovation and market research (Musa et al., 2023). This restricts their ability to invest in rising dimensions, thereby limiting its impact on performance.

#### Moderating Effects of Niche Marketing (H6-H9)

The lack of significant moderating effects of Niche Marketing on the relationships between BOS dimensions and SMEs' performance (H6-H9) may be attributed to the complexity of aligning multiple strategic frameworks simultaneously. For example:

- **H6: Niche Market x Elimination → SMEs Performance** ( $\beta = 0.025, p = 0.83$ ): SMEs may struggle to balance market-specific customization with the elimination of features, resulting in diluted effectiveness.
- **H7: Niche Market x Reduction → SMEs Performance** ( $\beta = -0.052, p = 0.70$ ): Reduction strategies in niche markets risk alienating core customer segments that value specific features or quality attributes.
- **H8: Niche Market x Rising → SMEs Performance** ( $\beta = -0.047, p = 0.74$ ): The rising dimension may not resonate in niche markets where customer preferences are narrowly defined, reducing its moderating impact.
- **H9: Niche Market x Innovation → SMEs Performance** ( $\beta = -0.087, p = 0.56$ ): Innovation efforts may not align with niche marketing strategies if SMEs lack the resources or capabilities to scale innovations effectively.

**Contingency Theory** offers a useful perspective, emphasizing that the effectiveness of strategies depends on the alignment between organizational capabilities and environmental conditions. For SMEs in Gombe Metropolis, the limited impact of niche marketing as a moderator may reflect contextual factors such as resource scarcity, weak infrastructure, and constrained market access.

#### Theoretical Implications

The findings underscore the centrality of Innovation and Niche Marketing in driving SME growth, validating core tenets of the BOS framework and niche marketing theory. However, the limited effects of other BOS dimensions suggest that SMEs require tailored

approaches to fully leverage these strategies. **Resource-Based View (RBV)** theory provides a useful lens for interpreting these results, emphasizing the role of unique, firm-specific resources—such as innovation capabilities and niche expertise—in achieving competitive advantage.

#### Managerial Implications

1. SMEs should prioritize innovation and niche marketing to enhance performance, focusing on developing unique value propositions for underserved markets.
2. Policymakers and industry stakeholders should provide support mechanisms, such as training and access to technology, to facilitate the adoption of innovative practices.
3. Future initiatives should consider refining the implementation of BOS dimensions, particularly Elimination, Reduction, and Rising, to align with local market conditions and resource constraints.

#### Conclusion and Recommendations

The findings suggest that while Innovation and Niche Marketing are critical drivers of SME performance, other BOS dimensions—such as Elimination, Reduction, and Rising—require careful contextual adaptation to deliver tangible benefits. Policymakers and SME managers should consider the following recommendations:

1. **Enhance Support for Innovation:** Invest in training and technological resources to help SMEs develop and implement innovative practices.
2. **Reevaluate Elimination and Reduction Strategies:** Provide targeted support to SMEs for strategic cost management, ensuring these measures do not compromise product quality or customer satisfaction.
3. **Strengthen Institutional Frameworks:** Address regulatory and infrastructural challenges that limit the implementation of rising strategies and niche marketing.
4. **Tailor Niche Marketing Approaches:** Focus on building market intelligence capabilities to align niche strategies with BOS dimensions effectively.

Future research should explore the interplay between BOS dimensions and niche marketing in diverse contexts to better understand the conditions under which these strategies yield optimal results.

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