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Differentiated Competitive Strategy Selection and Implementation for SMEs Based on Niche Theory

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Abstract: Against the backdrop of intensifying market competition and industrial chain restructuring, homogenized competition has become a core bottleneck for SME development. Policies such as the "14th Five-Year Plan for Promoting SME Development" explicitly advocate supporting SMEs in pursuing a differentiated development path characterized by specialization, refinement, distinctiveness, and innovation. This paper employs the ecological niche theory as an analytical framework to systematically dissect core challenges in SME differentiation, including ambiguous niche positioning, blind differentiation direction, weak resource integration capabilities, and insufficient dynamic adaptation. It proposes three differentiation strategies: niche separation, expansion, and optimization, while constructing end-to-end implementation strategies across precise positioning, resource integration, and dynamic adjustment dimensions. This research provides theoretical support and practical pathways for SMEs to break through competitive barriers, respond to policy directives, and achieve sustainable development.

Keywords: Niche theory; Small and medium-sized enterprises; Differentiated competition; Specialized, refined, distinctive, and innovative enterprises

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1. Introduction

As the "capillaries" of the national economy, SMEs play an irreplaceable role in stabilizing growth, promoting employment, and driving innovation. National policies such as the "14th Five-Year Plan for Promoting the Development of Small and Medium-sized Enterprises" and the "Guiding Opinions on Promoting the Healthy Development of Small and Medium-sized Enterprises" explicitly advocate "guiding SMEs to focus on their core businesses, enhance competitiveness, cultivate specialized, refined, distinctive, and innovative 'small giant' enterprises, and avoid homogeneous competition," charting a differentiated development path for SMEs. However, in reality, most SMEs are constrained by resource endowments and cognitive limitations, trapped in a vicious cycle of "low-price imitation—profit compression—survival struggles" within homogeneous competition. This makes it difficult for them to respond to policy directives and achieve high-quality development.

Originating from biology, niche theory posits that "species achieve coexistence and development by occupying unique ecological spaces." Its core tenets—unique positioning, symbiotic development, and dynamic adaptation—align

closely with SMEs' need for differentiated competition, offering a fresh analytical perspective to resolve their competitive challenges.

2. Core issues in differentiated competition for SMEs from an ecological niche perspective

2.1. Ambiguous ecological niche positioning

Niche positioning is the prerequisite for differentiated competition. However, most SMEs lack clarity in understanding the alignment of their "resources-capabilities-markets," failing to identify a unique ecological space. On one hand, they struggle to define their core competencies, confusing "survival skills" with "competitive advantages." For instance, manufacturing SMEs equate "low-cost production" with core capability, overlooking potential strengths like technological process improvements or customized services. This leads to significant overlap in their ecological niches with competitors. On the other hand, they fail to sufficiently segment market demands, neglecting to explore "niche needs" and "personalized requirements." They blindly target the mainstream markets dominated by large enterprises. For instance, retail SMEs follow trends by establishing comprehensive e-commerce platforms without focusing on the pain points of specific customer groups like elderly populations in rural counties or enthusiasts in niche fields. This traps them in a "big and comprehensive" yet unremarkable predicament. Furthermore, some enterprises equate ecological niche with product positioning, overlooking their ecological role within the industrial chain. For instance, component suppliers focus solely on product quality without recognizing their potential to occupy unique niches in areas like "supply chain rapid response" or "customized support services." This singular positioning dimension results in weak competitive barriers [1].

2.2. Blind pursuit of differentiation

Differentiation strategies should leverage vacant ecological niches or inherent comparative advantages. However, SMEs often pursue differentiation blindly through "trend-following imitation detached from actual demand." First, they lack the ability to identify vacant niches, failing to uncover competitive weaknesses through market research or industrial chain analysis. For instance, within the new energy vehicle supply chain, most SMEs cluster around power battery components while overlooking niches like customized charging equipment or used battery recycling. Second, differentiation remains superficial, equating "packaging upgrades" or "price tweaks" with true differentiation without addressing core aspects like product functionality, service models, or value propositions. For instance, food processing firms merely revamp packaging designs without developing functional products targeting health needs, making it difficult to build user loyalty through differentiation. Third, strategic choices deviate from inherent capabilities, pursuing "high-end positioning" or "diversification" blindly. For instance, traditional processing firms force entry into high-end equipment manufacturing despite insufficient technical reserves, rendering differentiation strategies unfeasible while depleting limited resources.

2.3. Weak resource integration capabilities

Securing and maintaining an ecological niche requires resource support. However, SMEs' dual challenges of "resource scarcity + weak integration capabilities" hinder their ability to consolidate differentiated advantages. Internally, SMEs often lack sufficient capital, technology, and talent reserves, with resources dispersed. For instance, technology-based SMEs may spread funding across multiple R&D directions without focusing on breakthroughs in core technologies, resulting in insufficient competitiveness for differentiated products. Externally, they lack collaborative capabilities with upstream/downstream partners, complementary enterprises, and research institutions, relying on limited resource channels. For instance, agricultural SMEs may depend solely on local raw material suppliers without partnering with agricultural e-commerce platforms or cold-chain logistics firms, hindering the formation of differentiated "production-distribution-sales" service chains. Additionally, some enterprises harbor "resource barrier" perceptions, overlooking the symbiotic value of ecological niches. For instance, parts manufacturers are reluctant to share technical standards with peers, missing

opportunities for joint development of specialized components in niche markets. This hinders the formation of resource aggregation effects, placing them at a distinct disadvantage when competing against large enterprises.

2.4. Insufficient dynamic adaptation of ecological niche

Dynamic market shifts, including technological innovation, policy adjustments, and demand upgrades, demand continuous niche optimization. Yet SMEs generally lack awareness and capacity for dynamic adaptation. First, their sensitivity to external changes is too low, failing to detect niche evolution signals. For instance, amid digital transformation, some traditional service-oriented SMEs cling to offline models, missing new opportunities in "omnichannel integration + personalized services," allowing peers to rapidly overtake them. Second, niche adjustments lag behind. Even when environmental shifts are recognized, strategic inertia and resource constraints hinder swift responses. For instance, high-pollution SMEs affected by environmental policies failed to pivot from "scale expansion" to "green production" in time, resulting in the obsolescence of their original niche and difficulties in establishing a new one. Third, adaptation methods remain limited. Companies focus solely on product adjustments to align with the environment, failing to optimize their ecological niche across multiple dimensions, such as their role in the industrial chain, cooperation models, and value creation. For example, retail enterprises merely add online sales channels without building a new ecological niche centered on "community operations + customized services," resulting in limited adaptation effectiveness.

3. Differentiated competitive strategy choices for SMEs based on niche theory

3.1. Niche separation strategy

The core of the niche separation strategy is to avoid overlapping niches with large enterprises or peers through "differentiated competition," precisely occupying underserved niche markets or vacant links in the industrial chain. This approach suits SMEs with ambiguous niche positioning or those engaged in blind, imitative competition. First, precisely target niche markets by identifying specialized, personalized niches based on distinct user needs. Examples include "age-friendly smart appliance retrofitting services" for elderly populations in rural counties or "lightweight gear customization" for outdoor camping enthusiasts—building differentiation by addressing specific customer pain points. Second, precise positioning within industrial chain segments. Avoid mainstream manufacturing by occupying unique niches in supporting services or auxiliary roles. For instance, within the new energy vehicle industry chain, bypass core battery component competition and instead target specialized segments like "customized charging station installation services" or "vehicle-specific equipment adaptation." Third, regional market differentiation. While large enterprises target mainstream markets in tier-1 and tier-2 cities, SMEs can cultivate tier-3 and tier-4 cities, counties, and rural markets. For instance, agricultural supply SMEs provide customized fertilizer formulations and planting guidance tailored to regional soil conditions, establishing region-specific ecological niches. Implementing this strategy requires enhanced market research and ecological niche identification capabilities. Utilize big data analysis and user interviews to precisely locate vacant niches, avoiding blind segmentation that leads to insufficient demand.

3.2. Niche expansion strategy

The niche expansion strategy builds upon existing core niches by vertically extending, horizontally expanding, or cross-industry integrating to broaden niche coverage. It involves integrating internal and external resources to construct symbiotic ecosystems, suitable for SMEs with limited resource integration capabilities and single core competencies. Vertical extension focuses on expanding upstream and downstream along the industrial chain. For example, agricultural SMEs transition from "single cultivation" to a full chain encompassing "processing and sorting—cold chain distribution—end-user retail," establishing an "integrated production and sales" niche to enhance their influence within the supply chain. Horizontal expansion emphasizes synergistic collaboration in complementary fields. For instance, technology-based SMEs leverage core technologies to extend from "product R&D" to comprehensive services including "technical consulting—

solution design—after-sales maintenance," or partner with complementary enterprises to build a collaborative "product + service" ecological niche. Cross-boundary integration focuses on cross-sector value creation. For example, traditional craft SMEs can integrate with cultural creativity and tourism sectors to develop cross-boundary niches like "intangible cultural heritage experiences + cultural products + educational tourism," achieving modern value transformation of traditional techniques. Implementing this strategy requires maintaining core competitive advantages to avoid blind diversification that disperses resources. Simultaneously, strengthen collaboration with upstream/downstream industry players and complementary enterprises to achieve symbiotic ecosystems through resource sharing.

3.3. Niche optimization strategy

The core of the niche optimization strategy lies in dynamically adapting to market changes through continuous refinement of internal capabilities and ecological roles, thereby consolidating existing niche advantages. This approach suits SMEs with insufficient dynamic niche adaptation and weak competitive barriers. On one hand, it involves strengthening internal capability optimization to enhance core competitiveness within existing niches. For instance, manufacturing SMEs can upgrade from "low-cost production" to "high-precision customization" by optimizing product functionality through R&D, or enhance production efficiency and responsiveness via digital transformation to build niche advantages in "rapid customization + flexible production." On the other hand, optimize external ecosystem collaboration models by upgrading from "single partnerships" to "deep symbiosis." For example, component suppliers can establish deep collaborative mechanisms with core OEMs—such as "joint R&D—synchronized production—rapid response"—to consolidate unique ecological niches in flexible supply chain support. Additionally, establish environmental sensing and dynamic adjustment mechanisms to promptly capture niche evolution signals through policy interpretation, industry analysis, and user feedback. For instance, when environmental regulations tighten, high-pollution SMEs should swiftly transition to a "green production + recycling" niche. Amid the digital wave, traditional service enterprises should upgrade to an "online-offline integration + personalized service" niche, ensuring continuous adaptation to market shifts.

4. Implementation strategies for differentiated competitive strategies in SMEs

4.1. Precise ecological positioning

Centered on "demand orientation + capability alignment," achieve precise niche anchoring through multidimensional analysis to resolve positioning ambiguity. First, construct a "three-dimensional research system" to accurately identify niche gaps: Market Dimension: Utilize big data analysis, user interviews, and industry report interpretation to uncover niche and personalized demands. For example, e-commerce consumption data reveals an unmet need for "lightweight outdoor gear for rural youth." Competitive Dimension: Map the ecological niche distribution within the industry to identify weaknesses of large enterprises and uncovered areas by peers. For instance, in the smart home supply chain, avoid competing with leading companies on core hardware and instead focus on the niche of "smart home adaptation and modification for the elderly." Self-dimension: Employ SWOT analysis to define core resources and capability boundaries, preventing unrealistic positioning [2]. Second, refine niche positioning dimensions to build differentiated labels: Lock in positioning through multiple dimensions—"product-service-customer base-geography-supply chain role." For example, an agricultural SME positions itself as a "customized supplier of organic grains from Northeast China's black soil," clearly defining core labels for product, customer base, service, and geography. Third, conduct small-scale validation to mitigate positioning risks: Gather user feedback through pilot sales or trial services to validate ecological niche positioning feasibility. For instance, technology-based SMEs may pilot lightweight digital transformation solutions for SMEs, then refine positioning based on feedback to prevent misalignment after large-scale investment.

4.2. Resource integration and capability enhancement

Focusing on precisely defined ecological niches, integrate resources and enhance core capabilities through dual pathways

of “internal optimization + external collaboration” to overcome resource scarcity and weak integration capacity. For internal resource optimization, implement a “resource concentration strategy” by channeling limited funds, talent, and technology into core niches. For example, manufacturing SMEs focus on “high-precision component customization” while scaling back non-core operations, investing in R&D and equipment upgrades. Simultaneously advance digital empowerment by introducing lightweight management systems and production software to boost resource efficiency—e.g., retail SMEs using membership systems to consolidate customer data and precisely match demands. For external resource coordination, build symbiotic ecosystem networks. Establish stable partnerships with upstream and downstream enterprises—e.g., component manufacturers signing long-term custom supply agreements with OEMs to ensure order stability. Collaborate with complementary businesses—e.g., cultural SMEs partnering with local tourism firms to co-develop “intangible cultural heritage + travel itinerary” products, sharing channels and user resources. Deepening industry-academia-research collaboration involves partnering with universities and research institutions to tackle core technologies. For example, SMEs in the new energy sector jointly develop core technologies for “small-scale energy storage devices” with universities to enhance product differentiation and competitiveness. Additionally, actively engaging with policy resources—such as applying for “Specialized, Refined, Distinctive, and Innovative” enterprise subsidies and R&D expense super-deductions—can reduce resource integration costs.

4.3. Dynamic adjustment mechanism

Establish a closed-loop mechanism of “environmental sensing-strategy adjustment-feedback optimization” to achieve dynamic niche adaptation and resolve issues of insufficient dynamic alignment. First, build an environmental sensing system to capture change signals promptly: Assign dedicated personnel to interpret policies, monitor industry dynamics, and track user needs. Subscribe to industry journals, engage with trade associations, and analyze user feedback data to stay informed about technological innovations, policy adjustments, and demand upgrades. For example, deploy green production technologies in advance of tightening environmental regulations. Amid the digital wave, promptly identify evolving digital transformation needs of SMEs. Second, develop flexible adjustment strategies for rapid response: Create contingency plans for different change types—e.g., initiate product iteration when market demands upgrade; adjust production or service focus during policy shifts; optimize ecological niche positioning when competitive landscapes change [3]. Simultaneously reserve resource buffers to ensure smooth implementation—e.g., allocate R&D funds for technological iteration to prevent resource shortages during adjustments. Third, establish a feedback optimization loop to continuously refine the ecological niche: Collect strategic implementation outcomes through user feedback, market sales data, and partner evaluations. Conduct regular ecological niche suitability assessments to analyze strengths and weaknesses, optimizing positioning, resource integration, and communication strategies. For instance, small-to-medium retail enterprises may identify growing demand among younger demographics through online sales data, prompting timely adjustments to product portfolios and communication channels to reinforce their “youthful personalized retail” niche advantage.

5. Conclusion

This paper leverages niche theory to address SMEs’ differentiation challenges in alignment with “specialized, refined, distinctive, and innovative” development policies. It first dissects four core issues—vague niche positioning and directional blindness—then proposes three differentiation strategies: separation, expansion, and optimization. A comprehensive implementation framework, “precise positioning-resource integration-dynamic adjustment,” is developed alongside a logical closed-loop process: “problem diagnosis-strategy selection-implementation assurance.” This research provides practical pathways for SMEs to avoid homogeneous competition and build core advantages, while offering theoretical references for policy implementation and industrial chain ecosystem optimization. Future efforts should refine strategic implementation guidelines tailored to the characteristics of SMEs across different industries and strengthen the role of

digital technologies in supporting niche adaptation, thereby empowering SMEs to achieve high-quality development.

Disclosure statement

The author declares no conflict of interest.

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