



The Blackcurrant World Conference

Niche Marketing of Agricultural Products
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Presentation Objective and Overview

Over the next 20 minutes I will provide a brief perspective on agricultural niche marketing in order, I hope, to set a platform for the following speakers who will discuss the specifics of their sector.

There are some generalized principles that I've indicated can be operationalised for strategic planning purposes. It will be interesting to discover, in the following talks, which principles have been emphasized in order to capture the value added surplus afforded by the market for each particular commodity, and which play a lesser role in strategic market development.

New Zealand Blackcurrant Sector Strengths

- Cohesive industry
- Reliable commodity market
- Synergies in processing
- Producer levy
- Critical mass



Basic (fundamental) Criteria for Niche Development

- Niche is of sufficient size to be profitable
- Niche has growth potential
- Negligible interest to competitors
- Firm has the requisite core competencies
- Entry barriers exist

Niche Continuance (how a niche survives)

- Become mainstream (e.g. whole grain bread, organics)
- Mature (become isolated but independent due to entry barriers), and remain relevant (e.g. organic Kamut™)
- Become a niche within a niche (e.g. specialty breads)

Niche Breakdown

(niche can disappear when)

- Point of differentiation with the mainstream disappears (e.g. field grown ginseng - woods cultivated and wild simulated ginseng remain a niche)
- Niche becomes accessible to another player (either mainstream or niche; e.g. flax seed oil (omega-3), high protein grains)

Market Turbulence

a factor in niche development and strategic planning

- Occurs when there is rapid and unpredictable market development
- May occur as the result of disruptive innovation
 - Niche marketer might be source of turbulence or a recipient of the effect
- ‘Natural’ turbulence from production variability and instability in inputs is an additional factor peculiar to agricultural niche markets

Why Networks are Important

They tend to:

- Reduce market turbulence – cooperation fosters stability and spreads the strategic planning load – critical mass
- Allow small and medium sized firms to maintain flexibility
- Allow firms to conduct low-cost research and opportunity analysis

Niche Development Alternatives

1. Become an ultra-specialist

- Define market narrowly
- Cultivate strong mutual interdependence with customers
- Match competencies with opportunities
- Avoid outsourcing

Advantage: maintain strong entry barriers

Disadvantage: growth impediments – danger of becoming too customer oriented at the expense of innovation

Niche Development Alternatives

2. Become a global player

- Control rather than own assets
- Alternative governance structure
- Global product demand – global vision
- Recruit managers with strong networks
- Sell a product with preemptive product attributes
- Maintain intangibles
- Develop a program of incremental innovation

Advantage: suits blackcurrant group developments to date

Disadvantage: need to incorporate strong points from other models

Niche Development Alternatives

3. Maintain strong customer orientation

- Compete on value, not price

Advantage: ability to change with your customer

Disadvantage: must be balanced with market intelligence and competitor benchmarking

Niche Development Alternatives

4. Be a vocal local

- Differentiate in the local market based on benefits and lifestyle segmentation variables
- Establish a local identity

Advantage: strong base market from which to innovate and expand niche markets

Disadvantage: limits creative market development

Discussion: Being a Global Player

- Maintain Intellectual Property rights
- Control and ownership are separate issues
- Maintain price inelasticity
- Stress 'key competitive advantage'

The Role of Niche Portfolios

Defined: The act of developing several niche markets simultaneously (e.g., powders, concentrates, IQF) usually based around an anchoring commodity.

Advantages:

- Fosters strategic flexibility
- Contributes, along with networking, to critical mass

Disadvantage:

- Dilutes scarce resources

The Role of Contingency Planning

Defined: Day-to-day decisions taken within the context of the strategic plan.

Advantage: encourages managers to keep abreast of a changing market

Disadvantage: costly in terms of scarce managerial and operational resources



Networks and Strategic Alliances

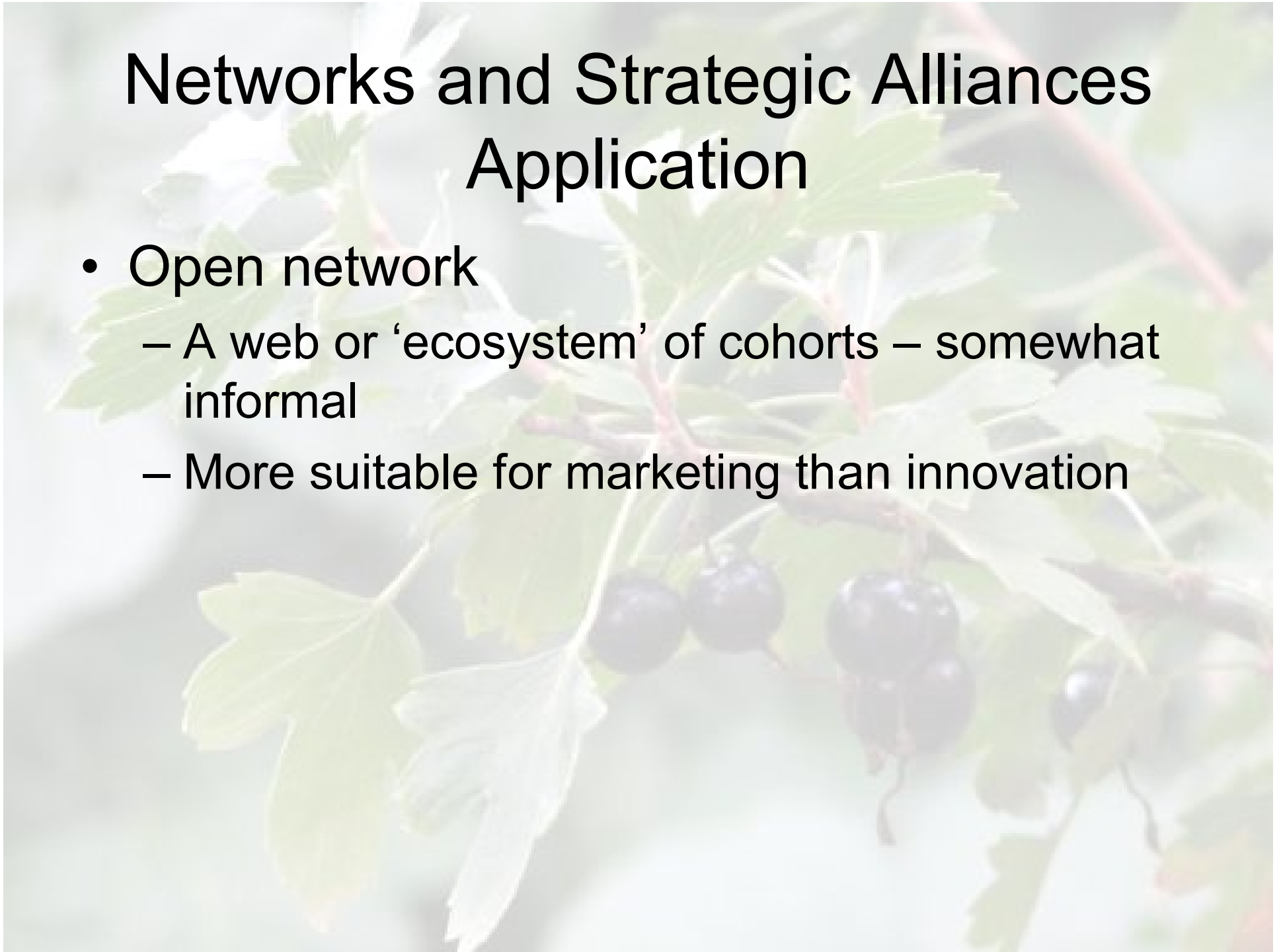
Application

- Joint venture consortia
 - Bring together complementary resources and capabilities
 - Synergies, joint learning, increase clout and critical mass
 - Share innovation costs and risks
 - Strategic planning

Networks and Strategic Alliances

Application

- Open network
 - A web or 'ecosystem' of cohorts – somewhat informal
 - More suitable for marketing than innovation



Networks and Strategic Alliances

Application

- Integral strategic alliance
 - Similar to joint venture but more focused and highly monitored
 - Separate alliance for each specific purpose; marketing, innovation, distribution, processing
 - Bring together complementary resources and capabilities - synergies

Strategic Balance

- Competitive strategy based on knowledge
 - Oblique strategy – leverages advantages with respect to extensive advantage of both customers and competitors. Appropriate for flanker attacks under competitors radar rather than a frontal attack. Suitable generally for niche markets.
 - Reactive strategy – unbalanced knowledge may lead to a reactive strategy. Extensive customer knowledge may lead to following mainstream customers too closely at the expense of niche innovation. Extensive competitor knowledge may lead to overreaction from competitors moves.

Strategic Dot-to-Dot

Successful niche marketers:

- Employ niche marketing as a bottom up strategy based on certain specific criteria
- Rely on innovation (transformational and incremental)
- Utilize barriers to entry, either natural or erected (innovation, customer service, structural, organizational)
- Build on distinctive competencies

Strategic Dot-to-Dot

- Utilize networks to shorten the value chain and maintain contact with suppliers and middlemen
- Develop a marketing orientation but as, or more important, display an entrepreneurial orientation
- Maintain a high level of flexibility
- Are committed to contingency planning
- Employ a portfolio of niches

Niche Marketing

- Can be carried out by firms of any size – but is suited to small and medium sized firms operating within networks
- Is a means by which firms can reduce their exposure to market turbulence. By building networks, and developing a portfolio of niches firms can better manage risk, build critical mass and maintain entry barriers and operate in a smaller more stable market

Going Forward

- Strategic Plan – National and International
 - Foster innovation
 - Product – incremental innovation
 - Market – niche portfolios
 - Organizational – networks
 - Maintain critical mass
 - Establish networks
 - ‘Novel’ horizontal and vertically integrated strategic alliances

