

Strategic Planning in Agricultural Niche Markets

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Abstract

It is important to understand how niche markets evolve; how adaptive change is addressed through the adoption of niche marketing activities; and how firms strategically manage the niche marketing process. The research addresses the issue of why firms seek out niche markets and what leads these firms to success. Niche characteristics that are attractive to small and medium sized firms are examined to increase our understanding of how firms become specialized (highly adapted) for their chosen niche and thereby lessen the competition.

Research propositions based on the following study objectives provide a framework to discuss findings:

1. Identify the characteristics of an attractive niche market.
2. Develop a normative model of the strategic planning process of small and medium sized enterprises.
3. Outline a conceptual framework for comparing the normative model developed with the actual strategic planning practices of agricultural niche marketers.
 - a) Develop a set of propositions that enable the comparison of the actual practices of study participants with those expected based on the literature.
 - b) Identify the key activities that are related to the actions of niche marketers.
4. In light of the findings, to restate three key concepts: the characteristics of an attractive niche; the archetypal niche marketer; and the process by which niche marketers conduct strategic planning.

A multiple-case holistic design was selected and data was collected from case studies and analyzed. The principal analytical technique used was pattern matching.

Explanation building was applied in order to draw conclusions about the correspondence between what was expected (based on the literature) and reflected in the normative model, and the actual decision making practices of the study population.

Although niche marketing is an accepted strategy in the marketing literature as a means of adaptive change, the research suggests that selecting a niche market was not a

planned strategy by the agricultural niche marketers studied, but rather one that came about through serendipity. However, once it became clear the firm was involved in a niche marketing activity, management engaged in strategic planning. Furthermore, the firm did not commit to producing a single niche product but rather a portfolio of products to cover several markets.

The findings of this research contribute to the conceptual development of niche marketing and the theory of niche markets and to a better understanding of the decision making process of small and medium sized firms producing agricultural products for niche markets. Findings confirm that limiting competition by establishing and maintaining barriers to entry are important for a sustainable niche market.

Results indicate that among the strategies employed by successful niche marketers, the forming of alliances and the development of horizontal and vertical networks are among the most common and most important strategies. Horizontal alliances provide a means for small and medium sized firms to share resources, while vertical alliances shorten the distance between the firm and the final consumer, and provide an economical means of market research and customer relations management.

Preface

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1 Overview of the Study

1.1 Introduction

This thesis examines niche marketing as an adaptive strategy. The blackcurrant industries in Canada and in New Zealand provide the context within which the decisions of growers, processors and exporters are examined. A review of the literature in the areas of niche marketing, competitive strategies and decision making in small business is undertaken. Data on the strategic planning practices of agricultural niche marketers are reported, the relevance of these findings to conceptualizing the importance of niche marketing in the context of rural small business, the impact on agricultural policy, and the implications for further research are discussed.

1.2 Background

In many developed countries, primary agriculture is undergoing significant changes. Traditional commodity markets are increasingly being supplemented or even displaced by niche markets served by firms producing specialty products (Statistics Canada, 2009). These firms may be engaged in a variety of legal and informal relationships along the value chain that are designed to facilitate the marketing and movement of products, and to protect the interests of the value chain.

1.2.1 Nature of the Problem

1.2.1.1 Agricultural Firms as Small and Medium Sized Enterprises

The development of agriculture throughout the industrialized world has been associated with technological change. The trend in the adoption of new technology in agricultural production and management has been termed the industrialization of agriculture (Council on Food, Agriculture and Resource Economics, 1994). Observations consistent with the industrial model of development in the agricultural sector suggest trends toward mechanization; fewer, larger and more specialized units; a shift in usage from

internally produced inputs to those purchased from third party suppliers; and increasingly complex management systems.

The substitution of capital for labour has contributed to the trend toward mechanization. As relative factor prices change, rational managers attempt to use less of more expensive inputs through factor substitution. On the output side, primary commodities have been subject to cyclical variation in supply and demand. The reality of price swings in cyclical commodity markets has been well documented (Lipsey et al., 1994). It has also been established that the long-term trends have tended toward over supply and depressed commodity prices in many sectors (Prasada et al., 2010).

Specialization, the concentration on a single enterprise or commodity, has accompanied the increase in mechanisation and the increase in unit size and scale. The tendency toward lower product prices is typical of primary industries, which in agriculture are generally represented in the literature as adhering to the parameters of perfect competition. A competitive environment in which the individual firm has little control over final product price and limited power with respect to acquiring inputs and marketing products typifies this structure. This competitive environment is subject to negative impacts from all of Porter's Five Forces (Porter, 1980) where the individual firm can face intense rivalry, has very little power in bargaining with customers or suppliers, and generally cannot prevent new entrants (low barriers to entry), or the encroachment of substitute products.

Under these circumstances the firm often finds that internal control has been eroded due to greater reliance on external sources for resources (capital, labour, production inputs). This tends to lead to lower profit margins on a per unit basis. These trends are linked, and when taken collectively have resulted in what Munton et al. (1985) refers to as the *technological treadmill*. When managers face lower per unit product prices, many attempt to maintain profit levels by increasing scale and volume and reducing costs.

Traditionally the issue of lower profits overall is resolved by increasing firm size, and attempting to achieve economies of scale. There is also pressure to adopt income stimulating (output increasing) inputs and to adopt new technology in the hope of lowering unit cost of production. The on-going requirement to adopt new technology for

cost reduction and the reliance on inputs externally purchased, contributes to the reality of being on the technological treadmill.

The technological treadmill describes the consequences of increasing investment in the technology associated with low-cost production as a coping mechanism to deal with lower per-unit profit margins. Changes in the organizational landscape see many industries lobbying for adjustment mechanisms at the macro level. These are often in the form of tariffs, subsidies, or other forms of protection. Farm managers' responses to individual changes in the external or internal environment have been variously categorized. For example, Bryant and Johnston (1992) developed a conceptual framework to examine the process of farm-level adjustment. In their model the decision to consider change could result in a continuation of the status quo or in taking action that might involve adaptive change such as diversification.

1.2.1.2 The Nature of Niche Markets

The origin of the term *niche* is discussed more fully in Chapter Two. However, by way of introduction, it appears that the term was developed early in the ecological literature. The concept of a niche has been applied to both the space occupied and to the role of the occupier. This is important information for examination of the characteristics of the marketing niche in agriculture and to be able to make an assessment of the features of firms that seek out niche markets.

Many authors maintain that there is no clear definition of niche marketing in the literature (Dalgic, 2006). The literature does, however, describe a niche market as separate and distinguishable from other markets and provides several conceptual sources for the definition used in this thesis. The characteristics of an attractive niche were described by Shani and Chalasani (1992) and by Kotler (2003).

These descriptions, together, provide an account of the characteristics of an attractive niche market that is applied in this thesis. The characteristics of an attractive niche market are as follows:

- The niche is of sufficient size and purchasing power to be profitable.
- The niche has growth potential.
- The niche is of negligible interest to competitors.
- The firm should have the required skills and resources to exploit the niche.
- The firm gains certain economies through specialization.
- The niche should provide entry barriers for competitors.
- The customers in the niche have a distinct set of needs.
- The customers will pay a premium price to the firm that best satisfies their needs.

The nature of these characteristics and the conceptual basis for establishing their authenticity with regard to the application to small and medium sized enterprises involved in niche agricultural markets is a subject of this research.

1.2.1.3 Adaptive Change and the Role of Niche Marketing

Increasing size and scale of a firm's operation is the most commonly applied remedy to the problems associated with decreasing profit margins (Goddard et al. 1993). However, adaptive adjustment is increasingly recognized as a possibility (Ilbery, 1991; Bollman, 1992; Dimara et al., 2003). Adaptive adjustments tend to be more specific (site, market, product or resource) and therefore less obvious. Some forms of specialization, such as adding an enterprise that is new and relatively untried in the agriculture community, have been defined as adaptive change (Ilbery, 1991).

One strategy that may be employed to foster macro-diversification is to support micro-specialization (Bollman et al., 1992). In the literature, niche marketing is viewed primarily as a defensive strategy (Parrish, 2003; Dalgic, 2006), but in the context of micro-specialization fostering macro-diversification, it can also be viewed as an adaptive strategy that can be either defensive or offensive in nature.

Niche marketing is a form of adaptive change that can be initiated at the firm level. The risk associated with a niche position may be mitigated somewhat when implemented as part of a product portfolio. Also, when adopted, niche marketing can partially restore some aspects of control (with respect to Porter's Five Forces) and hence, in strategic

terms, may be risk reducing in the long term. In his work, Porter (1985) identified three generic competitive strategies: cost leadership, differentiation, and focus. These strategies can be implemented at the firm level to create competitive advantage. Selection of a focus (niche market) strategy should position the firm to leverage its strengths in defence against the negative effects of these forces.

1.3 Purpose of the Study

This study is based on the premise that it is important to understand how niche markets evolve; how the process of adaptive change is addressed through the adoption of niche marketing activities; and how firms strategically manage the niche marketing process. The research will address the issue of why firms seek out niche markets and what it is about these firms that lead to success. This thesis will also examine the characteristics of a niche that makes it attractive to small and medium sized firms. Through an examination of niche characteristics, the research increases our understanding of how firms become specialized (highly adapted) for their chosen niche and thereby lessen the competition. This thesis will also assess the importance of niche marketing at the firm level, which enables small and medium sized agricultural enterprises to maintain profitable operations without necessarily increasing the size or scale of the firm's operational base.

1.3.1 Study Objectives and Propositions

The specific objectives of the study are:

1. To identify the characteristics of an attractive niche market.
2. To develop a normative model of the strategic planning process of small and medium sized enterprises.
3. To outline a conceptual framework for comparing the normative model developed with the actual strategic planning practices of agricultural niche marketers.
 - a) To develop a set of propositions that enable the comparison of the actual practices of study participants with those expected based on the literature.
 - b) To identify the key activities that are related to the actions of niche marketers.

4. In light of the findings, to restate three key concepts: the characteristics of an attractive niche; the archetypal niche marketer; and the process by which niche marketers conduct strategic planning.

The study propositions are:

Proposition One:

The decision to enter a niche market is a planned business strategy and is based on an assessment of the attractiveness of a given niche.

This proposition focuses the research toward the identification of characteristics of an attractive niche and the strategic process used in niche selection (objectives one, two and four).

Proposition Two:

Niche marketers understand the underlying characteristics of a niche market in terms of minimizing competition and reducing exposure to turbulence.

This proposition guides the research in an examination of the strategic planning process suggested by objectives two and three.

Proposition Three:

Niche marketing firms exhibit planning behaviour. Firms develop strategic and operating plans that capitalize on their distinctive competencies. This action enables the firm to narrow its strategic focus and develop a strong competitive position in a chosen niche market.

The research focus engendered in this proposition is to determine how niche marketers operationalize their decision making process as outlined in objective three.b and what key activities are related to this decision. By specializing a firm may be able to solidify barriers to entry and achieve longer term sustainability (objectives three and four).

1.4 Thesis Outline

The thesis is organized into seven chapters. Chapter One provides the background for the study. Chapter Two presents a review of the literature on niche marketing and discusses the characteristics of an attractive niche market. Chapter Three discusses the relevant literature in the areas of strategic planning and small business management. A normative model of the strategic planning process is developed in Chapter Three. The study propositions are set out in Chapter Four. Chapter Five is devoted to a review of the literature on research methodology and argues for the specific case study design chosen for this thesis. Data analysis is undertaken in Chapter Six where the key activities of niche marketers observed in this study are compared to expected activities based on a review of the literature and reflected in the study propositions. These results are summarized and discussed in Chapter Seven and conclusions are drawn with respect to the similarities and differences between the proposed strategic planning and niche marketing models and the actual practices of study participants. Conclusions and recommendations are followed by a discussion of the implications for further research and the application to policy.

2 Review of the Relevant Literature on Niche Markets and Niche Marketing

2.1 Niche Marketing in Context

Niche marketing has been identified as a form of adaptive change that can be initiated at the firm level. In order to develop and implement an adaptive strategy, the firm's management is obliged to consider the role of the new strategy in the context of existing ongoing operations. In strategic terms, the role of the proposed niche is placed in the context of the future outlook of the firm taking into consideration the firm's portfolio mix, individual product life cycle and marketing mix strategies.

From a strategic planning perspective, a niche market strategy engenders "an emphasis on a particular need, or geographic, demographic or product segment" (Teplensky et al., 1993). However, the focus in most of the literature is from the perspective of the market rather than the product (Dalgic and Leeuw, 1994; Weinstein, 1994; Kara and Kaynak, 1997; Parrish et al., 2006). A review of the literature establishes the premise that niche marketing is identifiable as a strategy (Leflang, 1990; Kotler, 2003; Dalgic, 2006; Parrish et al., 2006), is separable from other mainstream strategies (Weinstein, 1994; Kara and Kaynak, 1997; Dalgic, 2006), and is a viable alternative for small and medium sized enterprises (Ilbery and Kneafsey, 1999; Dimara et al., 2003; Maye and Ilbery, 2006).

Given this premise, it is suggested that a niche marketing strategy could contribute to solving the problem of narrowing profit margins and thereby lessen the effects of the technological treadmill for some small and medium sized firms. To be in a position to evaluate niche marketing as a viable strategy for small and medium sized firms, it is important to define niche marketing and discuss its relationship to strategic planning.

2.1.2 Niche Marketing Defined

While some authors assert that there is no clear and consistent definition for niche marketing (Dalgic, 2006), there is broad agreement that it is closely related to market segmentation and is generally portrayed in the literature as having a pull marketing approach – that first identifies the market and then develops a product for that market (Parrish et al., 2006). All the same, a number of researchers have speculated on a definition of niche marketing.

A first step to define niche marketing is an examination of the etymology of *niche*. This is presented in order to provide the context within which a business definition of the concept will be advanced. *Webster's* dictionary gives the origin of niche as middle French from *nicher* to nest and defines niche as: “A recessed space or hollow; specifically a recess in a wall for a statue or the like, any position specifically adapted for its occupant.” In architecture) and in business terms: “A specialized market” (Webster, 2007). The *Oxford Dictionary Online* gives the origin as French for *recess* from the Latin *nidus* or nest and defines niche as: “a specialized but profitable corner of the market”.

The Oxford definition implies that the niche concept may have been more fully developed in the context of an ecological niche, which refers to an ecosystem where a particular set of ecological or natural relationships may be filled by different species in different geographical areas. As to an etymology of the term, it appears that it was first used by ecologists to describe a species' position and use of resources within an environment and was coined by Joseph Grinnell in 1917 in his paper “The Niche relationships of the California Thrasher” (Grinnell, 1917). Vandermeer (1972) credits Grinnell with early use of the concept and states that it was in a paper in 1924 that Grinnell first used the word *niche* to refer to an animal's ecological position in the world. However, according to Odum (1971) it was Charles Elton, a British ecologist who gave the first working definition to the term in 1927 with reference to the place in the community in which the animal belongs. Elton's concept was popularized by Evelyn Hutchinson in 1958 in his concluding remarks to the Cold Spring Harbour Symposia on Quantitative Biology (Hutchinson, 1958) discussing the ecological space occupied by

an organism rather than its role as put forth by Grinnell. According to Vandermeer (1972), the role that Grinnell (1917) describes, is primarily a notion of the distribution of individuals in an area, whereas Hutchinson describes a space (similar in concept to the *Webster* definition above) that may or may not be filled by a species (in fact may be vacant and waiting for an occupant).

Odum and Smalley (1959) are credited with exploring the idea that the primary benefit from occupying an ecological niche is to limit competition and that barriers to entry are an important feature in maintaining a competitive environment. Popielarz and Neal (2007) introduce the concept of the fundamental niche in contrast to the realized niche. The fundamental niche includes all of the environmental conditions under which a species can thrive where as a realized niche encloses only those environments in which a species actually does thrive. The authors point out that propositions regarding niche dynamics refer to realized niches because these dynamics depend primarily on resource dimensions. In contrast considerations involving organizational forms require propositions about fundamental niches. The definition of a fundamental niche informs the discussion on the development of the research objectives and propositions.

The niche concept has also been applied in the field of human ecology. Hardesty (1975), for example, contends that the Hutchinsonian concept of the ecological niche can be made operational for research in human ecology. Hardesty (1975) reiterates the ecological position that a niche is defined by the environmental conditions for which the organism is best suited and, acknowledging Vandermeer (1972), points out that niche theory suggests that the organism occupies a distinctive space and that the reason for adopting this strategy is to minimize competition.

Parallels have also been drawn between the ecological niche and the marketing niche. Lambkin and Day (1989) refer to the similarities of a market niche with an ecological niche, pointing out that in both cases organizations and organisms live in their immediate physical environment and must adapt to a changing macro-environment (Lambkin and Day, 1989; Dalgic and Leeuw, 1994).

Dalgic and Leeuw (1994) continue the exploration of the concept of a niche through the comparison of a marketing niche with an ecological niche with a more specific

comparison of a biological eco-system with the macro-environment of a firm. In this analogy, like a living organism, the organization lives in a changing environment and, as described by Hooley and Saunders (1993), occupies a pocket or a niche. Niche marketing, then, is the act of mobilizing the resources of the firm to enter a niche market.

Shani and Chalasani (1992), define niche marketing as the process of carving out a small part of the market whose needs are not fulfilled. By specializing along market, customer, product or marketing mix lines a firm can match the unique needs of the niche. This is consistent with strategic thinking as Stanton et al. (1991) looked at niche marketing as a method to meet customer needs by tailoring goods and services toward small markets. The strategies by which relatively small firms can survive by carving out niches that are too small and therefore not considered worthwhile for mainstream companies to address is also well developed (Hamel and Prahalad, 1990; Pravit, 1990; Leflang, 1990; Ilbery and Kneafsey, 1999; Jain, 2005). The process by which these firms identify and occupy these niches is collectively known as niche marketing.

Target marketing, focused marketing, concentrated marketing and micro-marketing are often used as synonyms for niche marketing (Dalgic and Leeuw, 1994). It is however, none of these (Parrish et al., 2006). Because of the possible confusion related to the use of these terms it is important to both define niche marketing and also place niche marketing in perspective with market segmentation and its derivatives. This discussion will provide the context within which the elements of a niche marketing strategy will be individually analysed and then reassembled into a holistic concept appropriate to serve as the platform to study the action of small and medium sized agricultural firms which we deem niche marketers.

If a niche is considered to be a small market consisting of individual customers or a small group of customers with similar characteristics or needs, then it may be asked how this is different from market segmentation and targeting. After a search of the literature, Kara and Kaynak (1997) came to the conclusion that niche marketing takes segmentation one step further by creating a distinct group of customers. Weinstein (1994) referred to niche marketing as a “form of concentrated marketing”. Linneman

and Stanton (1992) got somewhat closer to a modern definition with the idea that niche marketing is the splitting of traditional markets into smaller segments and then devising separate marketing programs (marketing mix) for each segment or niche. It was, however, from Shani and Chalasani (1992) that Kotler (2003) and Dalgic (2006), also borrowing from the strategic planning literature of Pravit (1990), developed the concept in its present form.

Shani and Chalasani (1992) define niche marketing as a creative process they termed *nichemanship*. Nichemanship is a method of carving out a small part of the market whose needs are not fulfilled, and matching these unique needs by specializing along market, customer, product, or marketing mix lines. Shani and Chalasani (1992) provide a basic distinction between niche marketing and segmentation. They describe segmentation as a top-down approach, whereas niche marketing is a bottom-up approach. Specifically, firms engaged in market segmentation strategies break up the total market on the basis of differences. All segment members are subsequently considered identical for marketing and promotion purposes, and the emphasis is on splitting the market into smaller manageable parts. In contrast, niche marketing is a strategy of aggregation based on similarities. Since the emphasis is on individuals, niche markets are generally smaller in size than market segments and the goal is to fulfil a specific need. These characteristics are summarized in **Table 2.1**.

Table 2.1: A Comparison of Segmentation and Nichemanship Philosophy

Segment	Niche
Top-down approach	Bottom-up approach
“Breaking up” based on differences	Aggregating based on similarities
All segment members are considered identical	Emphasis on individuals
Larger in size	Smaller in size
Emphasis on splitting to smaller manageable parts	Emphasis on fulfilling a specific need

Source: Shani and Chalasani (1992, p. 25)

Dalgic and Leeuw (1994) accept the basic distinction offered by Shani and Chalasani and include the additional observable difference between niche marketing and segmentation: that a niche fulfils a specific need, whereas the purpose of segmentation

is to delineate a manageable part of the market. This concept is an important contribution to the theory of niche marketing and will be considered again when discussing the market structure observed in the blackcurrant industry.

2.2 Niche Markets in Relation to Mainstream and Commodity Markets

2.2.1 Mainstream and Commodity Markets

Models used to describe mainstream markets are many and diverse. Some, like the life cycle model, discuss longevity in terms of continued relevance to the target population. Others that are more closely aligned with the principles of micro-economics emphasize aspects of control; specifically the range of control over resources and market access, from the near complete control of the monopolist through to the relatively wide ranging competitive environment of monopolistic competition. The economic theory of monopolistic competition was originally developed to deal conceptually with the experience of product differentiation (Chamberlin, 1933). The market structure is similar to perfect competition with one important difference, because firms sell a differentiated product they have some (though limited) power over price and there is an economic incentive to advertise in the marketplace (Lipsey et al., 1994). A consistent feature of these models is the representation of markets as a continuing manifestation, in some fashion, of the overall business landscape. There is in these models an inherent element of stability. Mainstream markets are also commonly referred to as commodity markets particularly with respect to firms engaged in various sorts of primary production.

Commodity markets are usually characterised as perfectly competitive in nature with all of the requisite characteristics of the lack of the ability of the individual firm to set price; dictate the terms for acquiring resources; secure access to markets; or control the quantity of product offered in the marketplace. These markets are characterised as being relatively stable *in total* but at the mercy of fluctuating conditions of supply and demand

in the world marketplace in the short run. Individual firms compete on price and not on the basis of product differentiation. For commodities, fluctuating price is often the result of worldwide commodity production cycles. Because of the absence of meaningful differentiation, commodities are generally mass marketed and as such distributors often utilize a push strategy. Therefore the focus of advertising through the value chain is for the purpose of product awareness rather than brand recognition.

2.2.2 Niche Markets in Relation to Mainstream Markets

The concept that most markets consist of a mainstream market and a series of niches is well established in marketing literature (McKenna, 1988; Shani and Chalasani, 1992; Kotler, 2003; Dalgic, 2006). Also, most mainstream markets, according to McKenna, (1988) evolve from niche markets mainly because niche marketing teaches many important lessons about customers, such as thinking about them as individuals with specific needs. A customer focus, derived from niche marketing, helps companies respond faster to demand changes. Moreover, because niche markets are not easily identified in their infancy, managers, according to McKenna (1988), need to keep one foot in the product technology area and one in the market opportunity arena. In other words, managers need to maintain an element of flexibility when assessing the viability of an opportunity.

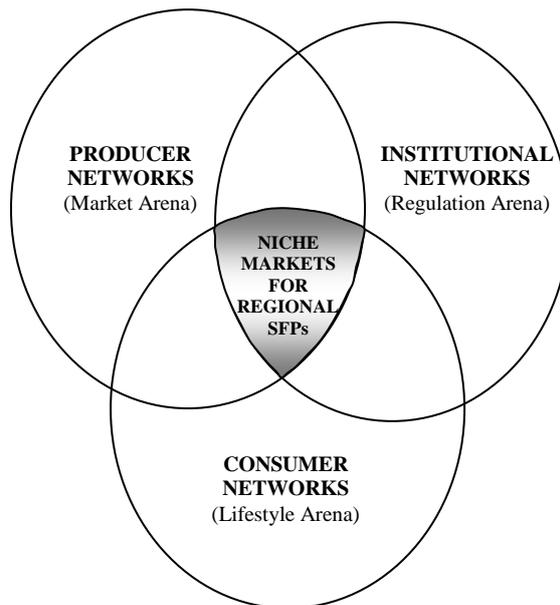
Niche markets and their place within the overall marketing milieu of mainstream and commodity markets can be discussed from the perspective of defining a niche market; the philosophy of nichemanship; and the relationship of a niche market to a mainstream market. The evolution of marketing strategy from a mass market approach to targeted segmentation is widely accepted and acknowledged.

Mainstream markets are also commonly referred to as commodity markets particularly with respect to the agricultural sector which is the primary subject of study of this thesis. Ilbery and Kneafsey (1999) focus this analysis with an examination of the potential of niche markets for specialty food products (SFPs). The term SFP was coined to convey the idea of products which are perceived to have an identifiable geographical

origin and which are also differentiated in a positive manner from standard products (therefore termed quality products), are recognized as such by consumers and therefore able to command a *market benefit*. Such products, according to these authors, are generally produced by small and medium-sized enterprises (SMEs) and can be marketed in ways that exploit the cultural meanings attached to the region of production. Ilbery and Kneafsey (1999) cite examples of SMEs engaged in marketing SFPs including: Shetland Lamb, Worcestershire cider and Central cheese.

Conceptualizing the linkages involved, the authors represent the process in terms of networks where the term *network* is defined as “a group or system of interconnected people or things” (*Oxford English Dictionary*, 2000). The conceptualization of this relationship with respect to regional specialty markets is presented in **Figure 2.1**.

Figure 2.1: Networks in Niche Markets for Regional Specialty Products (SFPs)

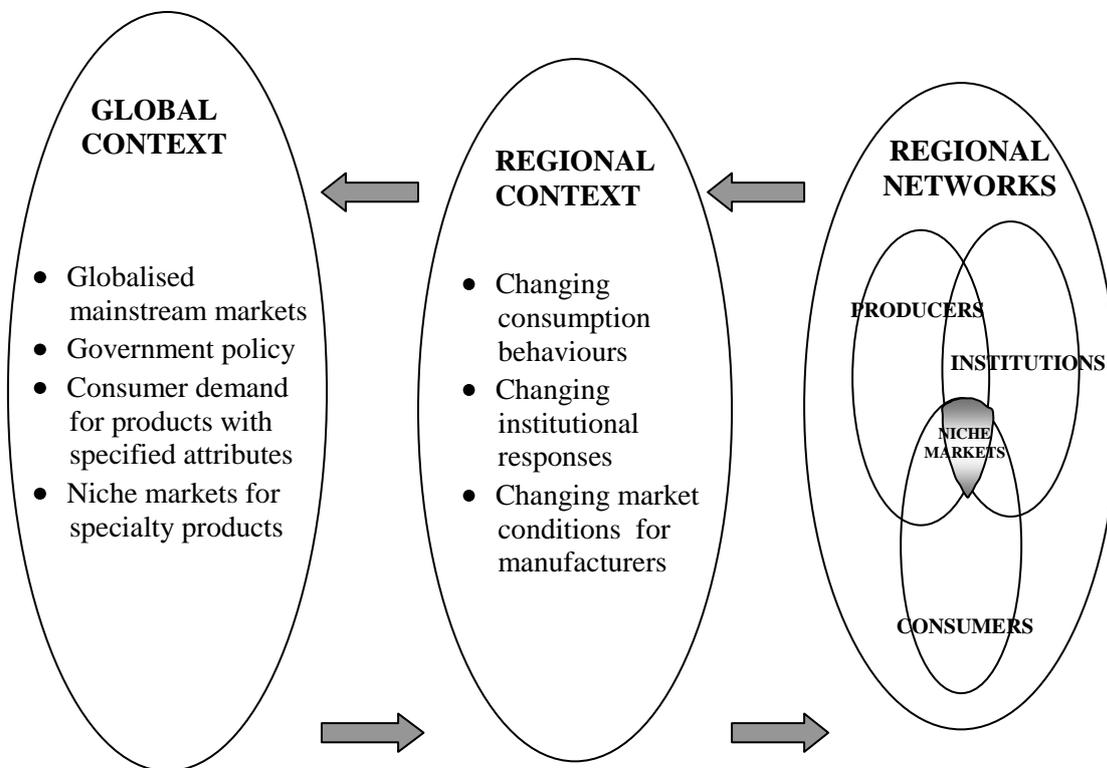


Source: Ilbery and Kneafsey, 1999, p 2212

Producers operate within a complex business environment which, according to Ilbery and Kneafsey (1999), is shaped by the interplay of global change in the agri-food system and by localized institutions and consumer responses. The objective of producer networks, according to this study, is to strengthen the patterns of alliances between producing firms and their potential allies; their consumers. The study emphasised that

networks may offer a competitive advantage as alliances are created with middlemen and consumers. It is further suggested that it is possible that particular configurations of producers, institutions and consumers involved in niche markets for regional SFPs may combine to resist the encroachment of larger multinational firms that may attempt to enter the market. The stability of the niche market is enhanced by producers' ability, through the network, to maintain a close relationship with the consumer. This is reflected in the relationship depicted in **Figure 2.2**.

Figure 2.2: Conceptualizing Global-Local Relationships within Niche Markets



Source: Adapted from Ilbery and Kneafsey (1999, p. 2217)

The above discussion highlights the diverse circumstances under which niche markets are created and the interconnectedness of the actors and institutions involved in the value chain. The creation of niche markets has been studied from a number of theoretical perspectives drawing on concepts from regulation theory, network theory

and marketing/consumption studies. Niche markets have also been conceptualized in the literature as the intersection of producer/manufacturer, consumer and institutional networks (Ilbery and Kneafsey, 1999; Dimara et al., 2003; Page and Tassier, 2004; Maye and Ilbery, 2006). The literature has also borrowed from the field of social ecology where, for example, firms' decisions to adopt organic cultivation and enter a niche market is viewed as their response to changing consumers perceptions of quality (Dimara et al., 2003).

Figure 2.2 conceptualizes the interaction of these forces in a dynamic global market. Niche markets for SFPs are portrayed in the global context competing with mass produced mainstream products for the consumers' attention. **Figure 2.2** demonstrates how actors at each stage are in a constant process of building relationships either individually or through networks. This discussion is supported by marketing/consumption theories which have focused on relationship building. This is an important topic and is reintroduced in **Section 2.6** in relation to strategic planning and niche marketing strategies.

2.3 Niche Market Strategy

The literature identifies niche marketing as primarily a defensive strategy which is more successful when the firm is able to implement a strategic initiative to reduce competition in the marketplace (Ries and Trout, 1986; Leflang, 1990; Dalgic, 2006; Hezar et al., 2006). The literature also recognizes niche marketing as a strategy for business (notably small and medium sized business) to participate in a more stable long term market position through relationship marketing, the development and maintenance of barriers to entry through product, organizational (networking) and market innovation. This relationship is not necessarily straight forward, however, as the literature also identifies small business as potentially better equipped to deal with a turbulent market through innovativeness and flexibility. These assertions are explored in the following section which reviews the literature on the nature of niche markets and the strategic orientation of niche marketers.

Parrish (2003) reiterates that one of the main advantages of niche marketing is that the firm has a much smaller customer base, and therefore gets to know the customer very well. This makes the company much more able to satisfy the customer and in the process build loyalty and the potential for additional sales. Parish (2003), studying large firms in the textile business, found that these firms developed niche domestic markets as a means of competing against multinational lower cost producers, rather than competing in the mainstream market on the basis of price and volume. In contrast, Ilbery and Kneafsey (1999), addressing the development of niche markets for specialty food products, studied mainly small firms and their close networks. Although Ilbery and Kneafsey (1999) studied different firm types in very dissimilar industries, their conclusions were comparable to those reached by Parish (2003). Ilbery and Kneafsey (1999) stated that it was clear “that there are opportunities for producers to build relatively stable networks with final consumers” (Ilbery and Kneafsey, 1999 p. 2213). They also assert that building networks of close associations with middlemen and consumers would serve as a barrier to the entry of multinational mass marketing firms (Murdoch, 1995; Ilbery and Kneafsey, 1999; Dimara et al., 2003; Maye and Ilbery, 2006).

The type of market was also the subject of comment in the literature. Droge et al. (2008) examined the success of new products launched into highly turbulent environments. Among other variables, they looked at the impact of innovativeness and market intelligence on the success of a new product launch. They found that innovativeness directly predicted new product success when turbulence was high, and market intelligence directly engenders new product success when turbulence was low. They also reported that environmental turbulence affects the indirect impact of strategic proactiveness on new product success. Environmental turbulence was assessed by measuring market turbulence, competitive intensity, and rate of technological change: the three major sources of uncertainty identified in their model. The instrument used to measure turbulence was a five question, seven point Likert scale developed by Millar and Droge and reported in 1986 as *environmental uncertainty* (Miller and Droge, 1986).

The findings indicate that innovative firms have greater success in turbulent environments. So the line of reasoning can now be established that if niche marketing, through relationship building and the development of closely held networks, fosters stability then it would be reasonable to speculate that where the mainstream market is turbulent, a product developed for a specific niche market might provide the requisite entry barriers to maintain niche stability. This strategy might also lessen the need for constant and costly innovation. Once established in the niche, the firm would apply a blend of innovation and market intelligence as the means to maintain the niche.

Miller and Droge (1986) also addressed the issue of whether the influence of organizational structure on innovativeness and market intelligence is moderated by turbulence. The organizational literature largely views bureaucratic structures as performance enhancing under conditions of stability (Covin and Slevin, 1989), and that a flexible, less formal structure facilitates adjustment in turbulent environments (Calantone et al., 2003). Calantone et al. (2003) reported empirical support for this view although the results were not as strong as expected. This would appear to support the position of small and medium sized firms being well positioned to deal with turbulent environments if, as assumed, SMEs have a less rigid organizational structure. The literature appears to bear this out (Sexton and Van Auken, 1982; Lyles et al., 1993) and is examined in more depth in Chapter Three.

Bhattacharya et al. (1996) looked at turbulence in its many forms, but in particular, with respect to top-down versus bottom-up strategic planning approaches in the manufacturing sector. The study classified turbulence in terms of market factors: lead times, volume changes and changes to product specifications, and internal process factors such as technology and development or design related issues. One aspect of manufacturing turbulence that was identified as more of a concern for manufacturers and processors of primary products is when systems have to deal with the variability and uncertainty of inputs. This is also referred to as *natural turbulence* by Ilbery and Kneafsey (1999), and occurs when there is uncertainty in any given year as to the quantity and quality of raw product available for secondary manufacture and processing. This study found that there was a need to develop a bottom-up turbulence minimizing dimension that would complement the conventional top-down approach to processing.

Bhattacharya et al. (1996) argued that this dimension is related to increased efficiency and that there is a distinct competitive advantage to be gained by introducing a time based strategy that reduces market and internal turbulence. Skinner (1974), discussing the *focused factory*, introduced the concept of a scope-based focus. Bhattacharya et al. (1996) adapted this concept into a strategy that a firm can employ to reduce turbulence by first reducing the range of product markets (to serve fewer niche markets) and second, by building flexibility into the system. The notion of building flexibility into the system was based on a discussion by Hill and Chambers (1991) relating to the advantages of system and management flexibility. Hill and Chambers (1991) identified capacity, customers, and equipment as three types of drivers for flexibility.

According to Hill and Chambers (1991), the decision to look at capacity related flexibility was a response to the marketing decision to offer a wider range of products and to attempt to gain a competitive advantage by replacing products more frequently (shortening product life cycles). The strategic objective was to increase total volume of product manufactured over the life of the equipment by making machines more flexible. Many of the flexibility issues regarding customers were related to *just-in-time* ordering systems implemented at the users' request. The manufacture and delivery of products with unstable demand patterns increased the requirement for manufacturing flexibility and the need to monitor these types of changes. With respect to the issue of equipment per se, Hill and Chambers (1991) consider this to be in the realm of *technical range flexibility* that relates to reducing set-up and change-over times.

Hill and Chambers (1991) suggest that a manufacturing strategy relies on market intelligence with respect to current and potential customers' product preferences. For the manufacturer, implementing a flexible manufacturing strategy in some cases suggests dividing manufacturing into smaller units and limiting the number (and sometimes the size) of markets served. Slack (2005) identified a requirement for two types of flexibility: the ability to cope with a range of situations (range flexibility), and the ability to adapt or change quickly (response flexibility). Response flexibility engenders the ability to routinely change to cope with normal changes in demand from

the market, and exceptional change when the infrastructure of the system (market/value chain) alters.

A study by Ward and Lewandowska (2006) on the effectiveness of customer, competitor and societal strategies in various types of business environments found that different environmental situations provide the conditions suitable for a customer, competitor or a societal oriented strategy. However, Ward and Lewandowska (2006) also found that concerns for customers should generally be the major focus of organizations, and that preventing the emergence of turbulent business environments by the use of societal marketing, is an important strategic consideration, even for companies operating in favourable placid environments. Similar findings were reported by Ilbery and Kneafsey (1999), in their study on the effectiveness of building positive relations with customers and other stakeholders by small and medium sized enterprises in the food production and processing sectors of the economy.

2.4 Niche Marketing, Segmentation and Mass Customization

Niche marketing must also be distinguished from what has recently been termed mass customization. Squire et al., (2004) employ a definition introduced by Davis (1987) where mass customization is defined as “the ability to quickly design, produce and deliver products that meet specific customer needs at close to mass production prices”. Davis (1987) observes that the concept of mass customization has remained since the early stages of market development when craftsmen did not produce for inventory but for order and that the emphasis is on tailoring the product to meet specific customer needs. Squire et al (2004) argue that mass customization does not represent the best strategy for all firms in all cases, that customers must value customization before firms should allocate resources to a mass customization strategy. Further, they conclude that the fragmenting of markets suggests that customer value criteria are defined on an ever increasing number of dimensions, of which customization is one and that “mass customization may augment customer perceived value, but only for certain customers, in certain markets, at certain times” (Squire et al., 2004 p. 469).

The approach of much of the literature on mass customization has been on identifying and classifying the ways in which mass customization can be implemented efficiently and effectively (Bardakci and Whitelock, 2003). Allowing that niche marketing is a bottom up strategy from which most large markets evolve (McKenna, 1988), examining mass customization from a customer's point of view provides insight into the motivation and actions of what can be considered the basic building blocks of a niche market. Kaplan et al (2007) investigated the factors that influence the adoption of mass customization from a consumer point of view. They conclude, not surprisingly that the decision to purchase a mass-customized product is related to the demand for all products (including standardized products) within the category.

According to Benedict et al. (2005), the decision to purchase a mass-customized product hinges on the trade off between product utility and complexity. Specifically, product utility had a positive effect and complexity a negative effect on mass customization utility (Benedict et al. 2005). In terms of the negative effects, Bardakci and Whitelock (2003) identify three inconveniences for purchasers of mass-customized products. The first is a price disadvantage. Although it is suggested, in theory, that products might be offered at a mass-produced price, they maintain that this has not been applied in the market place. Second, there is time spent by the customer in the design process; and third, there is the requisite delay between time of purchase and delivery. Consumers that value the benefits of a mass-customized product over these inconvenience costs will be inclined to purchase the customized product.

However, there are also recognized drawbacks (costs) to the purchase of products that are mass produced (Kara and Kaynak, 1997; Bardakci and Whitelock, 2003; Kaplan et al., 2007). The high number of products available in the market hinders the decision process for customers in terms of finding the right product. In such circumstances collaboration with customers may offer the best solution to this problem.

It can be argued that niche marketing offers both consumers and producers the middle ground in the exchange equation. Niche products created for a limited, tailored market, may offer consumers a differentiated but not exclusive product choice at a higher price (but still acceptable in terms of value or utility). Mitchelson (1988) asserts that the first

rule of a niche market strategy is to offer the customer a clearly differentiated product that fills a need and that the niche has to be real and the product has to satisfy.

Collaboration with customers is recognized as an important part of the process, but in a niche marketing scenario, the customer is faced with fewer choices and less non-productive *wait-time* between purchase and consumption (both of which may be advantageous to good customer relations).

In presenting the case to further differentiate niche marketing and mass customization from the producing firms' perspective, it is necessary to look again to Shani and Chalasani. In a seminal paper exploring relationship marketing as a means to exploiting niche markets, Shani and Chalasani (1992) describe the ideal niche as having the following characteristics:

- The niche is of sufficient size and purchasing power to be profitable.
- The niche has growth potential.
- The niche is of negligible interest to competitors.
- The firm should have the required skills and resources to exploit the niche.
- The niche should provide entry barriers for competitors through accumulated customer goodwill.

If a firm uses a bottom-up strategy to group customers of similar needs and characteristics, this implies a niche marketing strategy. One of the most important factors in the success of niche marketing is the establishment of close relationships with customers (Ilbery and Kneafsey, 1999; Kotler, 2003; Dalgic, 2006; Parrish et al., 2006); another is company reputation (McKenna, 1988). The collaboration of building relationships with customers, is an essential tool in the bottom-up strategy of grouping customers with similar needs - rather than continuing to treat each customer as a *market of one*- as would be the case for mass-customization (Fogliatto, 2007); or, as in the case of a market segmentation strategy, splitting the total market up on the basis of differences. There is, of course, no onus on the firm to sell at mass production prices. This is clear in Kotler's presentation of the characteristics of a niche market which is somewhat more of a customer oriented view. Kotler (2003) presents niche markets as having the following characteristics:

- The customers in the niche have a distinct set of needs.

- The customers will pay a premium price to the firm that best satisfies their needs.
- The niche is not likely to attract other competitors.
- The niche firm gains certain economies through specialization.
- The niche has size, profit, and growth potential.

A niche marketing strategy does not imply a specific pricing objective, although a market penetration pricing strategy would be rare in terms of the philosophy of small batch unique products generally associated with niche marketing. In fact, a higher or skim pricing tactic is more commonly identified with a focus or niche marketing strategy (Campbell-Hunt, 1999; Kotler, 2003). Further, when considering niche marketing as an element in the strategic planning process, Stasch and Ward (1989) warn that failure to consider the characteristics of the small firm explicitly leads to adoption of a version of small share marketing rather than niche marketing. The difference appears to be that a small share market approach would lead the firm to stay with low-growth, rather safe, mature markets which are easier to defend.

Dalgic and Leeuw (1994) refer to niche marketing as reverse segmentation and conclude that niche marketing could be defined as: “positioning into small, profitable, homogeneous market segments which have been ignored by others” (Dalgic and Leeuw, 1994, p. 42). They go on to conclude that this positioning is based on the integrated marketing concept and the distinctive competencies of the company (Dalgic, 2006, p. 7), where product positioning generally refers to the notion of how potential buyers see your product or service in relation to the firm’s competitors. As expressed by Ries and Trout (1981), positioning is “an organized system for finding a window in the mind” (Ries and Trout, 1981 p19). Hence, in Dalgic’s terms, the objective of a niche marketer is to position the product (service or company) in such a way that consumers respect the uniqueness of the product offering.

To examine this important conclusion a little further, it is informative to look at the components individually. The marketing concept is the fundamental philosophy of marketing that organizations prosper by satisfying the needs and wants of their customers and managers make strategic production and marketing decisions

accordingly. The marketing concept as defined by Kotler states: "...that the key to achieving organizational goals consists of determining the needs of target markets and delivering the desired satisfaction more effectively and efficiently than your competitors" (Kotler and McDougal, 1985 p. 11).

To synthesize Kotler and McDougal (1985) and Dalgic (2006), when strategic thinking around the marketing concept is integrated with knowledge and application of the distinctive competencies the company possesses, the firm is then able to successfully position itself and its product in the marketplace. This relationship is examined in **Section 2.6** where the concept of distinctive competencies is discussed in greater detail.

2.5 Marketing, Small Business Marketing and Niche Marketing

Though the underlying principles of marketing have been broadly applied to large and small business with respect to the mainstream market, and much has been written about the market orientation of small firms, there is less in the academic literature about the marketing/innovation interface of small firms engaged in niche marketing and the marketing orientation of niche marketers.

Niche marketing has been viewed as one of an assortment of possible strategic choices open to a firm and as one of the more common and conceptually, more logical, choices for small businesses with limited resources. This discussion presupposes that small and medium sized enterprises (SME's) allocate scarce resources to marketing. We must ask though, to what degree can they be expected to allocate scarce resources to this function and to what benefit? In other words do small firms demonstrate a marketing orientation? Market orientation was defined by Narver and Slater (1990) who inferred from the literature that market orientation consisted of three behavioural components; customer orientation, competitor orientation and interfunctional orientation, and two decision criteria; long term focus and profitability. Kohli and Jaworski (1990) added to the discussion by introducing the concept of market intelligence replacing customer focus with a concept considered broader and more comprehensive.

Slater and Narver (2000) extended their original study (Narver and Slater, 1990 above), by considering the influence of a competitive orientation on profitability. They argue that market orientation and competitive values should be complementary. Although the results are not conclusive, the authors speculate that a competitive orientation may have an indirect effect on profitability operating through product or market development. This avenue of study is consistent with the current assessment that niche marketers are oriented toward a market orientation rather than an organizational, marketing orientation.

Gray et al. (1998) clarified the three behavioural components of market orientation. Their conclusions are relevant to this discussion because all three components are integral parts of a niche marketing strategy. First, a niche marketer must maintain a close relationship with customers- hence a customer orientation imparts a competitive advantage to the niche marketer. Gray et al. (1998) define customer orientation as the active encouragement of customer comments and complaints (an after-sales emphasis), regular evaluation of ways to create superior product/service value and regular measurement of customer satisfaction levels. They go on to define a competitive orientation as the regular monitoring of competitor activity and use of market information on competitors. Finally, they view interfunctional co-ordination in terms of sharing marketing information within the firm.

Deng and Dart (1994), building on the thinking of Kohli and Jaworski (1990) and of Narver and Slater (1990), defined market orientation as the implementation of the marketing concept. Gray et al., (1998) further contributed to the discussion on market orientation by offering a distinction between what they report as two streams of marketing research. Researchers following the first stream, labelled marketing orientation studies, tend to concentrate their investigation on the differences between a production, selling and marketing philosophy in line with the marketing concept. The second stream, market orientation studies, tends to focus on the environmental influences on marketing decision making and strategic implementation. This latter approach would appear to be more consistent with the actions of niche marketers as it is presented in the literature in that, over all, the literature appears to emphasise the

importance of the role of the decision maker in environmental scanning for the purpose of the determining and selecting of niche market opportunities (Raynor, 1992; Shani and Chalasani, 1992; Dalgic and Leeuw, 1994; Ilbery and Kneafsey, 1999; Kotler, 2003; Parish, 2003).

Hunt and Morgan (1995), in their paper proposing a comparative advantage theory of competition, discuss the nature of competition and in so doing put forward the view that market orientation should be considered a resource (in the context of other economic resources of the firm such as land, labour, and capital). They maintain that firms that possess a market orientation and operate in sectors where other firms are not engaged in marketing (making market orientation a scarce commodity), will gain a competitive advantage in the same way that ownership of any specialized resources can, if managed appropriately, convey competitive advantage. Their results suggest that providing access to market intelligence might stimulate a more considered decision-making process. Kohli and Jaworski (1990), however, find that under conditions of limited resources, presumably the case for small and medium sized firms, there may be some scenarios of competition where devoting scarce resources to building a strong market orientation may not be profitable. They conclude that under conditions of limited competition and stable market preferences, or where the environment consists of turbulent industries and booming economies, a market orientation may not be strongly related to performance.

Relating the discussion by Kohli and Jaworski (1990) to the earlier dialogue on niche marketing, it can be argued that if niche marketing is a means of limiting competition, then for a small firm with limited resources, a marketing orientation may not be profitable. In fact, the findings of Gray et al. (1998) state that a market orientation may better suit the niche marketing scenario. That is, the small and medium sized company with limited resources might best be served by concentrating these resources on awareness of and response to environmental influences (through market research) and the effect on strategic planning rather than on a particular marketing philosophy. Also, recall that Droge et al., (2008) found that innovativeness (rather than market intelligence or market orientation) directly predicted new product success when turbulence was high. It might reasonably be asserted that a firm that was innovative and possessed a

market orientation would be more competitive than a firm that emphasised primarily a marketing orientation.

While Hunt and Morgan (1995) consider market orientation in the context of the firms' attitude to innovation, Kohli and Jawarski (1990) were more interested in the question of performance and profitability. It is clear that the question of innovation and performance could be considered together in the context of the small firm, while taking market orientation as one of the common variables, and forging the link from innovation to the access and preservation of a niche market. Innovation is presented as a factor for providing a means to access unique markets and in the maintenance of entry barriers against potential competitors (Bhattacharya, 1996; Kotler, 2003; Parish et al., 2006; Droge et al., 2008).

With respect to the marketing/business environment interface, (Siu and Kirby, 1998) provided a critical review of the literature and offered a classification based on four approaches, namely the stages/growth model, the management styles model, the functional (marketing as management model), and the contingency model. Historically, research has largely been descriptive (Brown, 1987) suffering from the lack of a definition of small business (Brooksbank, 1991). These issues have been addressed in the recent literature (RBC financial Group, 2002; Verhees and Meulenbergh, 2004) with respect to corporate small business.

Anderson and Zeithaml (1984) considered the business environment in relation to other elements of the strategic planning process. Their investigation concluded that the product life cycle should be considered in determining business strategy. Siu and Kirby (1998), however, are not very supportive of growth models in general and conclude that the stages/growth model provides a useful framework and starting point but does not provide a good foundation for developing new knowledge of small business marketing. Rather, they favour looking to more flexible process models including the contingency approach. The argument presented by Siu and Kirby (1998) is based on a review of empirical work by Robins (1991) that the marketing characteristics of small firms do not necessarily follow the stages of marketing development; that there is not a defined

number of stages (Rhenman, 1973); and that small firms may not progress from one stage to another (Cooper, 1982).

In the opinion of Siu and Kirby (1998) the management styles approach fares equally poorly with respect to predictive ability. However, the outlook for this approach is improved when the organizational context of the firm is explicitly considered which coincidentally a strength of the case study research methodology that is employed in this study. The contribution of Sui and Kirby (1998) is an acknowledgement of the specific limitations and constraints of the small firm in developing an integrated marketing program, a view supported by the findings of Mintzberg (1988); Boone and Kutz (1989); and Miles and Arnold (1991).

Of the four models assessed (the stages/growth model, the management style approach, the management function approach and the contingency approach), Siu and Kirby (1998) recommend integrating the contingency approach with a process model (rather than a prescriptive functional model), primarily because, although they see much merit in the contingency approach for establishing a good foundation for development of small firm marketing theory, they consider it essentially an outcomes model. As such they suggest that there would be a benefit from considering the balanced approach provided by a hybrid design incorporating a process model. The model suggested was that of Ford and Rowley (1979) who proposed that small business marketing should be a process of thought, or an attitude, rather than a set of techniques.

The contribution of the contingency approach outlined by Siu and Kirby (1998) is that although the firm may develop an overarching strategic plan there is no universal set of strategic choices that is optimal for all firms regardless of their resource positions and environmental context. A principle of the contingency approach is that strategy varies across different environments and different firm sizes (Lee et al., 1993). It is interesting however, that although Zeithaml et al. (1988) proposed the use of the contingency approach; researchers have not extended this work in a systematic manner (Sui and Kirby, 1998).

2.6 Niche Marketing Strategies

Although a firm may select a niche marketing strategy for defensive or offensive reasons, it is more often considered in a defensive context (Ries and Trout, 1986; Ilbery and Kneafsey, 1999; Dimara et al., 2003; Parish et al., 2006). The strategy is conceptually sound when based on principles of differentiation and customer service. Kotler (2003) makes the point that that a business must differentiate itself in ways important to the customer. Kotler maintains that the key to success is to concentrate on one or two areas in which the firm can excel. Also Hitt et al. (1999) point out, that in the new competitive landscape, many firms have become adept at identifying precise differences among customers' needs. Hence, as markets fragment, profitable positions become available and firms adept at niche marketing move into these segments.

When should a firm select a niche strategy? Leflang (1990) suggests two conditions which contribute to the selection of a niche marketing strategy. A niche strategy is indicated if the firm has the ability to approach the niche in a manner that is better than and different from competitors, and the firm is able to generate enough goodwill to establish entry barriers. Jain (1985; 2005) referenced the single market strategy definition of niche marketing and then suggested that a firm would select a niche marketing strategy either to avoid competition, to enhance an opportunity, or as a means of survival. The notion of niche marketing as a survival (and therefore defensive) strategy permeates the literature. However, there are also examples of the aggressive pursuit of an opportunity. For example, Beverland and Lockshin (2001) refer to the case of Palliser Estate Wines of Martinborough with respect to their start-up strategy as an aggressive niche global player with a consistent long-term strategy and market orientation.

Leflang's two conditions (Leflang, 1990) focus attention first on the ability of the firm to influence the macro environment, represented by the existence of entry barriers which are developed through innovation and active customer relations. The second condition, the ability to generate goodwill is a product of the internal microenvironment reflected in the firm's distinctive competencies, and in the ability of the firm to approach marketing to the niche in a unique way. This is consistent with the

characteristics described by Shani and Chalasini (1992) and by Kotler (2003) that refer to the skills and resources required to exploit the niche. A discussion of the distinctive competencies of the firm that provide the required skills and resources to exploit the niche follows. This discussion will be introduced with an examination of how these distinctive competencies manifest in the generic competitive strategies that become specific niche marketing strategies for the firm.

2.6.1 Distinctive Competencies

Kotler (1989) discusses distinctive competencies in terms of specialization, suggesting that the firm can specialize in various ways including: end-user, customer-size, quality/price, and product-feature and service specialization. The concept of distinctive competency is related to the notion of core competencies discussed by Porter and others (Porter, 1980; Hamel and Prahalad, 1990). The concept of a firm developing its core competencies can be applied to the discussion of the strategic planning process and how that might lead a firm to select a niche marketing strategy. According to Hamel and Prahalad (1990), a company's core competencies are things that a firm can do well and that meet three conditions:

- They provide customer benefits.
- They are hard for competitors to imitate.
- They can be leveraged to other products and markets.

A core competency in this context can take various forms, including technical/subject matter know-how, close relationships with customers and suppliers, and reliability. This description bears close resemblance to Kotler's (1989) distinctive competencies discussed above.

Given Dalgic's (2006) definition of niche marketing and the argument that positioning is based on the integrated marketing concept (Kotler and McDougal, 1985; Dalgic and Leeuw, 2004), and on the distinctive (Kotler, 1989) or core (Porter, 1980) competencies that the firm possesses, it is possible to delineate several essential elements of niche

marketing. Dalgic identifies five essential elements (Dalgic 2006, pp. 7-8) to which two additional items can be added based on the discussion in Pravit (1990). They are:

- Positioning
- Profitability
- Distinctive competencies
- Small market segments
- Adherence to the marketing concept
- Long-term relationships
- Company reputation

Applying these essential elements, particularly relationship marketing, allows niche marketers to build a barrier to deter potential competitors and sustain long-term profitability (Pravit, 1990).

Therefore, to be a successful niche marketer, the firm must select an appropriate market that meets the above criteria set. In addition, the firm must select the appropriate means of competing based on its distinctive or core competencies. These are matters of strategic planning and implementation. If the firm's strategy is successful it will achieve profitable sales volume in a market that is unique (or at least uncontested) and it will do so by building strong relationships with customers and suppliers to ensure a greater likelihood of achieving long term sustainability.

Having identified the characteristics of an ideal niche (Shani and Chalasani, 1992; Kotler, 2003), as well as the essential elements of niche marketing (Pravit, 1990; Dalgic, 2006), it is important to consider the reasons for choosing a niche market strategy. Although the primary reason for choosing a niche strategy is usually a defensive one, Jain (2005) suggested several reasons for choosing a niche strategy including: to ensure survival, to enhance an opportunity, to avoid competition, and to serve a unique market all of which save, enhancing a market opportunity, can be considered defensive. Leflang (1990) suggested that a company will select a niche strategy when the company concerned has the ability to approach a niche in a specific manner with a product or service that is superior. This may enable the firm to establish

entry barriers which would deter competitors and maintain the integrity of the niche market.

2.6.2 Competitive Strategies

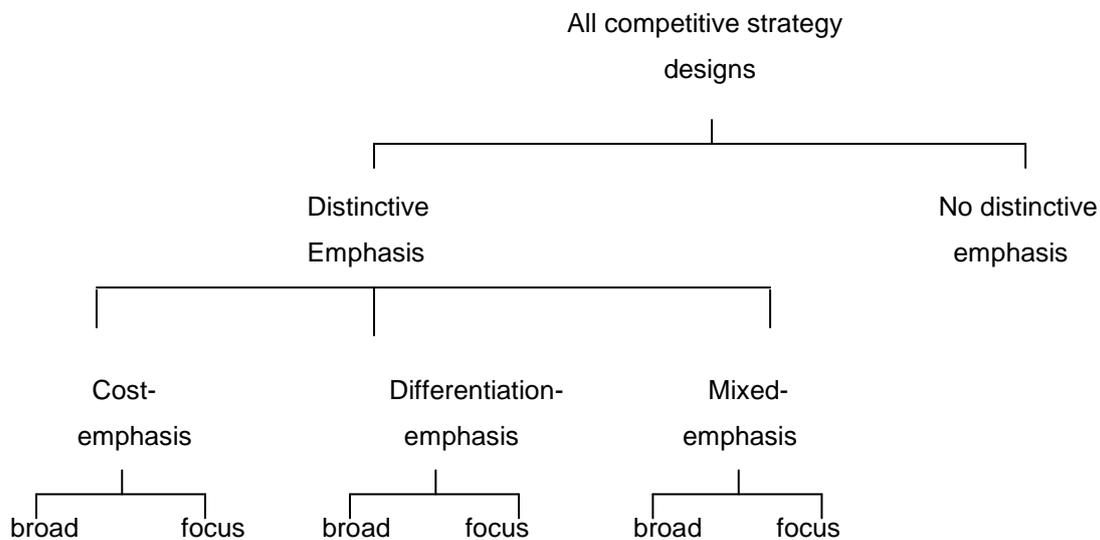
The firm engages in a systematic approach to opportunity analysis in an effort to seek out and select a potential market (Dalgic, 2006). The firm employs market research to assess customer and competitor attitudes and to gauge possible action and reaction to a product that might be developed specifically to accommodate the niche environment (Kotler and McDougal, 1985; Dalgic and Leeuw, 1994). Ries and Trout (1986) identified three main principles of what they term *defensive warfare*, only a market leader should play defence; the best defensive strategy is to attack; and, strong competitive moves should always be blocked.

These principles can be applied to the discussion on competitive strategies for the firm seeking to become a niche marketer. The firm is also seeking to become the market leader within the chosen niche market. To accomplish this, barriers to entry must be developed to counter competitive moves and if the niche is threatened the resident firm could respond through the close association it has developed with its current niche customers. When offensive warfare is required Ries and Trout (1986) advocate launching the attack on as narrow a front as possible. This too is consistent with the possible action of a niche marketing firm attempting to drive a competitor from its narrow/small (unique in ecological terms) niche. The motivation of a firm to be protective (defensive) or aggressive (offensive) in nature aside, the subject of competitive strategies can be examined from a more general and a more fundamental perspective based on the work of Porter (1985).

Niche marketing strategies are embedded in what Porter (1985) termed generic competitive strategies. Campbell-Hunt (1999) referred to Porter's theory of generic competition strategy as "unquestionably among the most substantial and influential contributions that have been made to the study of strategic behaviour of organizations" (Campbell-Hunt, 1999, p. 127).

Campbell-Hunt (1999) states that the essence of Porter's theory was two fold: the first component of which is a system for describing the firms' competitive strategies and the second, is a theoretical proposition about the performance outcomes of these strategies. In terms of a system for describing the firm's competitive advantages, the first approach described by Campbell-Hunt (1999) is the taxonomic interpretation of generic competitive strategy. This approach is represented schematically in **Figure 2.3**.

Figure 2.3: Taxonomic Description of Generic Competitive Strategy



Source: Campbell-Hunt, 1999 p.130

A primary tenet of the discussion was that all competitive strategies can be classified and described according to market scope, focused (niche) or broad, and the source their of competitive advantage (cost or differentiation). Campbell-Hunt (1999) advanced a theoretical proposition about the performance outcomes related to these strategic designs which holds that firms will achieve higher levels of performance by choosing between one of cost- or differentiation-leadership. This was considered to be the base archetypal design. Campbell-Hunt (1999) proceeds to develop a series of propositions based on various classifications including taxonomic, empiricist, nominalist and generic (which interpret the characteristics of market scope, cost and differentiation as dimensions of competitive-strategy design).

In Campbell-Hunt's view, Porter's (1985) generic strategy remains as the dominant design despite attempts by Mintzberg (1988) and others to offer what they consider a superior description of competition (Kotha and Vadlamani, 1995). The fourth approach discussed by Campbell-Hunt (1999) is relevant to the discussion of niche marketing in that it interprets generics as dimensions of competitive-strategy design. This approach interprets the characteristics of market scope, cost and differentiation emphasis, as independent dimensions of a multivariate space. An important aspect of this interpretation is that even the extreme archetypal designs of cost and differentiation emphasis cannot stand on its own but must take both parameters into account. That is, cost leaders must not lose touch with the standards of differentiation and, most notably, those firms that emphasise differentiation must also remain cost conscious.

Campbell-Hunt (1999) then proposes that most competitive-strategy designs can be positioned in the three dimensional space described by relative emphasis on cost advantage, differentiation advantage, and market scope. Campbell-Hunt ends discussion on this approach by proposing that adequate descriptions of competitive strategy require attention to each of five independent meta-dimensions including; marketing (and sales), quality reputation, product innovation, operations and market scope.

Further examination by Campbell-Hunt (1999) revealed that the strategy of high pricing was shown to be associated more with product innovation than with quality (defined for this study as product and service quality). Market scope, which covers breadth of product line and consumer segments, was also taken into account. Notably, specialist products were again associated with product innovation Campbell-Hunt (1999).

This analysis informs the discussion on niche marketing strategies. Product innovation and the generic competitive strategies that emphasise product innovation are associated with specialist or niche products and with the strategy of high pricing.

In the Campbell-Hunt (1999) model, market scope was seen as independent of other dimensions. The argument is that the decision to be active in a broad range of the market is associated with broad product range. Applying the corollary that the strategic

decision to limit the range of the market the firm chooses to operate in would be associated with a narrow product range supports the decision to adopt a niche strategy on a conceptual level.

The selection of a generic strategy by a firm is generally at the discretion of senior management or, in the case of sole proprietor, the owner/manager. The process that a manager employs in strategy selection is described within a broad and comprehensive literature on strategic management. There is a macro or contextual view of the decision making process and a micro or functional view of the process. The macro view will be examined for the purpose of relating within firm assessment of skills and resources to the assessment of the potential niche marketing opportunity.

2.6.3 Implementing a Niche Strategy, the Macro Perspective

The attractiveness of a niche is dependent on more than the size or nature of the segment. According to Porter (1985), 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. Therefore, structural attractiveness of a market is determined by the following sources of competition:

- Barriers to entry (threat of new competitors)
- The threat of substitutes
- Bargaining power of suppliers
- Bargaining power of customers
- Intensity of rivalry among existing competitors (level of competition)

The first four forces combine to influence the fifth force, the level of competition in an industry. For niche marketers to be successful, the majority of these forces must support the decision to enter a niche market (Hezar et al., 2006). In this view, the niche is established because of the inherent uniqueness of the product or service. This uniqueness is a factor in establishing entry barriers and coincidentally, high barriers to entry would likely continue to exist as long as a well defined niche can be maintained.

Niche marketing firms, therefore, should devote important scarce resources to defining their unique position in order to maintain entry barriers.

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. Hammermesh et al. (1978), after analyzing successful niche marketers, found that these firms demonstrated the following characteristics:

- An ability to segment the market creatively, focusing on areas where the company has particular strengths
- Efficient use of research and development resources
- Thinking small

Hezar et al. (2006) extended the analysis and argued that Small and Medium Sized Enterprises (SMEs) develop strategic advantages by targeting specific segments based on the following considerations (literature cited earlier that supports these characteristics is also reported):

- Customer characteristics and unique needs (Pravit, 1990; Jain 2005)
- Specific or differentiated products designed to address specific needs (Leflang, 1990)
- Geographic location
- Lower overhead costs (Campbell-Hunt, 1999)
- Better communications (Pravit, 1990)
- Flexibility (Hamlin et al., in print)
- Competitive advantage based skills, expertise, service quality and customer relations (Shani and Chalasani, 1992)
- Preventing direct confrontation with large competitors (Kotler, 1991; Shani and Chalasani, 1992; Dalgic and Leeuw 1994).

The conclusion reached by Hezar et al. (2006) is that this makes a niche marketing strategy a customer-focused or customer oriented strategy in national and international markets.

The majority of the literature concentrates on the defensive aspects of a niche strategy. Gaudes (2004) provides an example of firms adopting a niche strategy for defensive purposes. A longitudinal study of retailers of home improvement products developed four different categories for describing a niche position: specialists and generalists, a retail store typology, niche focus and niche width. In this analysis, generalists were firms that offered a wider product assortment crossing into multiple product types, whereas specialists mainly focused on one of several possible product areas previously identified. Niche focus and niche width were extensions of the generalist /specialist category. This notion of specializing within a niche was further refined by Hezar et al. (2006) who developed a classification system based on the firm's strategy. These four characteristic niche marketer groups were labeled Ultraspecialists, Global Players, Customer Oriented, and Vocal Locals.

Hezar et al. (2006) developed several recommendations for implementing a niche marketing strategy within each of the characteristic niche marketer groups. These recommendations are summarized in **Table 2.2**. Each group demonstrates the trademark characteristics of niche marketers but also may emphasize some characteristics over others (Hezar et al., 2006). For example, the so called Ultraspecialists or Supernichers demonstrate characteristics that include: being very performance oriented with a high degree of technical know-how, developing an internal research and development capability, and adopting specific product and market-oriented strategies with a narrow product and wide geographic focus.

Strong Customer Oriented niche marketers are characterized by flexibility with a strong customer orientation and diverse management skills (including innovation). Similarly, Global Player niche marketers typically rely on their control of unique intangible assets including internationally experienced managers, a strong international network and preemptive technological capabilities.

Table 2.2: Recommendations for Implementing a Niche Marketing Strategy

Authors	Recommendations
Dalgic (2006)	Become an Ultraspecialist <ul style="list-style-type: none"> ● Follow a niche strategy – define markets very narrowly and create your own market ● Cultivate strong mutual interdependence between you and your customer, built on economics and rationality (this helps create strong entry barriers) ● Match internal competencies with external opportunities ● Integrate technological orientation with marketing orientation ● Avoid outsourcing core activities
Oviatt, and McDougal (1994, 1995) Dalgic (2006) Ed.	Become a Global Player <ul style="list-style-type: none"> ● Control (rather than own) assets particularly unique knowledge that creates value in more than one country ● Importance of alternative governance structure to promote increased concentration of limited resources on the primary sources of competitive advantage ● Choose a product mix with demand that is of a global nature ● Maintain a global vision from inception ● Recruit internationally experienced managers with strong networks ● Sell a unique product with pre-emptive product attributes. Maintain unique intangible assets such as tacit know-how to sustain advantage ● Maintain a program of incremental innovation
Dalgic (2006) Shani and Chalasani (1992)	Maintain a Strong Customer Orientation <ul style="list-style-type: none"> ● Change with your customer ● Compete on value rather than price ● Strong customer focus and customized products to meet market requirements
Dalgic (2006)	Be a Vocal Local <ul style="list-style-type: none"> ● Differentiate based on local culture/lifestyle/products/services ● Establish a local identity ● Market through public relations and publicity.

Source: Hamlin et al. (in print)

A study of niche marketers in the apparel industry in the United States by Parish (2003) provided some interesting results. The study group was composed of large companies

engaged in the commodity side of the market. Entering into niche markets in the domestic market might be considered the strategy of an Ultraspecialist. In this study, company representatives were asked questions which related to their level of understanding of the niche marketing process. Niche marketers in this sector identified innovation and customer service as important contributors to the success of the niche market. A commitment to market research and opportunity analysis was also seen as an essential activity to be undertaken before committing to the market. Respondents remarked that the market had to be of sufficient size to be profitable and the product should command a price premium.

Parish (2003) uncovered confusion in one area, however. Company respondents had difficulty distinguishing between a niche market and a niche product and often ascribed the same characteristics to each. These respondents did not use the terms niche market and niche product interchangeably but admitted that they were unable to make a conceptual distinction between them. This may be an important consideration in terms of designing the research framework and the protocol of the case study research interview for this thesis.

2.7 Small and Medium Sized Firms

Shani and Chalasani (1991) described the ideal niche having five essential characteristics. Four of these characteristics refer to the niche market, whereas the fifth characteristic refers specifically to the firm, i.e. that the firm should have resources and required skills to exploit the niche.

Before examining the relationship between the firm and the market, it is important to revisit briefly the criteria established to select potential study participants. In keeping with the definition of a small firm provided by Verhees and Meulenber (2004), that a small firm is one that is run and controlled under the direct supervision of the owner, it is proposed to adopt this simple but forthright definition of a small firm. Verhees and Meulenber (2004) further state that small firms are actually a subset of Small and Medium Sized Enterprises (SME's), and single out the firm as an example of a small

firm. Verhees and Meulenber (2004) state that compared to large firms, small firms are nonbureaucratic and more flexible. This is attributable to the characteristic of a typical small business in that the owner is the decision-maker (Nootboom, 1994). Small firms sometimes develop competencies in networks, which emphasizes the importance of networks to small business (Verhees and Meulenber, 2004.)

The literature also variously identifies these firms as Micro-businesses (firms with generally fewer than 5 or 10 employees) and small business (firms with fewer than 50 employees) (Balderson, 1994; ISO and Corporate Responsibility: Issue Briefing Note, 2004). New Zealand is a nation predominately of small and medium sized enterprises. Over 97% of New Zealand enterprises employ 19 or fewer employees (New Zealand Ministry of Economic Development, 2011).

There appear to be strong *a priori* reasons for selecting firms that satisfy both sets of criteria. Many individual farm firms have the resources and the skills (or are able to purchase the skills) to exploit a niche position. However, there is also support in the literature for the view that many very small agricultural enterprises, including some sole-proprietor farms and small processors, are required to form alliances in order to obtain the resources required for innovation and product development and also to access potentially more stable markets and even niche markets. Alliances in various forms may allow these small firms to access resources and skills and enable them to act in the marketplace like a medium sized enterprise.

The objective of the proposed study is to examine the decision making behaviour of each firm within the context of its organizational structure, and as such, alliances, in all their manifestations, form one aspect of the context within which strategic decision making and contingency planning take place. Also, it is reasonable to include firms that are at different points in the value chain. Processors, for example, often contract with growers on an individual or group basis for the purpose of ensuring quality and supply. Processors and exporters that are individual or family owned were considered potential study participants.

The definition of a medium sized firm is less straightforward. Employment, revenues or assets are three measures often employed (CFIB, 2002). Ipsos-Reid (CFIB Report, 2002) defined SME's as enterprises that employ fewer than 250 people. They also found however, that (as might be anticipated) these will vary greatly among countries, over sectors of the economy and according to the specific use. Again, a working definition is required that is appropriate for the agriculture and agrifood sectors of the Canadian and New Zealand economies. Ipsos-Reid reported that very small establishments with between one and four employees account for a much larger percentage of total business establishments in Canada (than the United States). Although both Canada and the United States had similar proportions of total establishments accounted for as medium-sized enterprises, Canada had a much lower proportion of large establishments within the category. There is very little in the literature that would assist in developing definitive categories for the agriculture and agri-food sector. However, with Canada's and New Zealand's economies being considerably smaller than that of the United States or the European Economic Union, application of an employment, revenue or asset measure that is conservative and yet inclusive and representative of the industry, suggests firms with fewer than 100 employees are medium sized.

Further to the above definition, just as the working definition for a small firm invoked a behavioral characteristic (management of operations and control of assets) as well as a statistical criteria (number of employees), it is suggested that criteria in addition to those relating to employment or revenue be employed to clarify the demarcation of medium size in terms of category boundaries. One such characteristic is related to the manner in which capital is raised. Exclusion of publicly traded companies addresses the issues of management and control and implies that the means for privately held firms to raise capital also becomes a contextual component of the strategic planning milieu of the firm.

2.8 Niche Marketing Application in Small and Medium Size Businesses (SME's)

Niche marketing is a strategy that may be adopted by a firm of any size and for a variety of reasons. Parish (2003), for example, found that large firms in the textile industry engaged in niche marketing in domestic markets including custom clothing (nanotechnology enhancements providing better water proofing), and the *nonwoven* niche segment including the production of household cleaning fabrics. However, the literature also suggests that SMEs are more inclined to adopt a niche strategy as a means of competing, or rather avoiding competition, and are more suited to the strategy (Dalgic and Leeuw, 1994; Oviatt and McDougal, 1994). SMEs are viewed as having the ability to be more flexible, more adaptive and responsive to the market (Rice, 1979; Sexton and Van Auken, 1982; Lyles et al., 1993). However, to actually take advantage of any alternatives, the firm must be managed strategically. Chapter Three examines strategic planning from a management perspective.

2.9 Literature Summary

Shani and Chalasani (1992) provided a description of a marketing niche from the ecological/place perspective describing the characteristics of the ideal niche and what this should look like and what a firm should look for in sizing up a potential niche marketing opportunity. Kotler (2003) describes the niche more from the standpoint of the characteristics of the typical consumer of a niche market. Pravit, (1990), Shani and Chalasani, 1992 and Kotler,(2003) provide the basis for the current concept of niche market. This research has been commented on and extended by others with respect to the application of niche marketing principles to large firms (Parish, 2003; Gaudes, 2004; Parrish et al., 2006), small firms (Leflang, 1990; Dalgic and Leeuw, 1994; Dimara, 2003; Hezar et al., 2006), and agricultural firms (McKenna, 1988; Ilbery and Kneafsey, 1999; Page and Tassier, 2004; May and Ilbery, 2006). The salient points from these studies can be grouped into categories that provide context for the research undertaken in this thesis. A brief introduction and discussion of these categories follows.

Niche marketing is a defensive strategy focused on limiting competition (Reis and Trout, 1986; Leflang, 1990; Dalgic, 2006; Hezar et al, 2006). Niche marketing is a bottom-up strategy that relies on the aggregation of like consumers rather than splitting the market up into manageable segments (Dalgic and Leeuw, 1994; Dalgic, 2006; Hezar 2006). A summary of points synthesised from the literature follows.

1. Niche marketing relies on market research and environmental scanning to uncover a potential niche (Kotler and McDougal, 1985; Dalgic 2006).
2. Successful niche marketing relies on innovation in order to create a product/service that will fit the needs of consumers in the niche (Mitchelson, 1988; Leflang, 1990; Page and Tassier, 2004; Maye and Ilbery, 2006).
3. Successful niche marketing requires the existence of barriers to entry either natural (pre-existing by virtue of small size) or developed through innovation and preserved through the application of superior customer service (Shani and Chalasani, 1992; Dalgic and Leeuw, 1994; Parrish; 2003).
4. Niche marketers build and rely on their distinctive competencies in order to maintain a competitive advantage over their competitors (Campbell-Hunt, 1999; Kotler 2003). Niche marketers employ a pull strategy (Parrish, 2003; Parrish et al., 2006).
5. Successful niche marketers employ networks to shorten the value chain and maintain contact with suppliers and middlemen as well as customers (Murdoch, 1995; Ilbery and Kneafsey, 1999; Dimara et al., 2003; Maye and Ilbery, 2006).
6. Niche marketing can be carried out by firms of any size but small and medium sized firms appear to be particularly suited to successfully applying this strategy (Murdoch, 1995; Page and Tassier, 2004; Maye and Ilbery, 2006).
7. Small and medium sized firms' strategic planning process may differ from that of larger corporate firms with more resources. SMEs product development may follow a contingent approach rather than a more structured functional approach.
8. A marketing orientation assists a small firm in developing an appropriate strategy (Narver and Slater; 1990; Gray et al., 1998; Slater and Narver; 2000). This implies a predisposition to environmental scanning for likely niche

- situations and to product innovation as a means to enter the niche market (Kohli and Jaworski, 1990; Hunt and Morgan, 1995; Siu and Kirby, 1998).
9. Small and medium sized firms usually maintain a higher level of flexibility and as such are better able to operate in turbulent environments. (Covin and Slevin, 1989; Hamel and Prahalad, 1990)
 10. Niche marketing is a way for firms to reduce their exposure to market turbulence (Skinner, 1974; Covin and Slevin, 1989; Ward and Lewandowska, 2006; Droge et al., 2008). Finding a niche, developing a product to fit the niche through innovation, and maintaining barriers to entry through superior customer service and, where appropriate, operating through networks, provide the niche marketer with the ability to operate within a smaller, potentially more stable, market. (Slack, 1991; Bhattachara et al., 1996; Ilbery and Kneafsey, 1999; Garcia and Droge, 2003).
 11. A unique offering is one aspect of competitive advantage (Squire et al., 2004; Fogliatto, 2007). A unique offering tailored to a specific target market establishes a strategic advantage that might be sustainable. (Bhattacharya, 1996; Campbell-Hunt, 1999; Kotler, 2003; Parish et al., 2006; Droge et al., 2008).

2.9.1 Final Thoughts on Niche Marketing

A review of the literature indicates substantial support for the position that niche marketing is a separate and viable strategy for a firm. The literature also suggests that it is better applied as a bottom-up strategy. The academic literature is largely descriptive discussing the criteria associated with distinguishing a niche market from the mainstream. The popular literature is for the most part prescriptive outlining the strategies recommended to enter a specific market and how to maintain or grow a market. However, the academic literature also comments positively on the appropriateness of niche marketing for small and medium sized businesses. To be successful, niche marketing is a strategy that is purposefully selected and must be part of the long-term strategic planning process of the firm.

The nature of a niche marketing strategy, as reflected in the literature, is such that the firm seeks out a market that appears to offer the best opportunity based on the specific characteristics discussed above, and then secures the niche through various ways by erecting or maintaining barriers to entry.

Size of firm and nature of the product are also important considerations. It is suggested that although size of the firm does not limit the choice of strategy, a niche strategy is associated with smaller firms.

The question of how a small firm implements a niche market strategy is the subject of this thesis. An understanding of the nature of the strategic planning process applied to small and medium sized enterprises, and in particular by those firms engaged in niche marketing of agricultural products is the subject of Chapter Three.

3 Review of the Relevant Literature on Strategic Planning

3.1 Introduction

Niche marketing was introduced in Chapter Two as a strategy often adopted by small and medium sized firms. From a strategic planning perspective, a niche market strategy was defined as “an emphasis on a particular need, geographic, demographic or product segment” (Teplensky et al., 1993 p 508). A review of the literature established the premise that niche marketing is identifiable as a strategy (Leflang, 1990; Kotler, 2003; Dalgic, 2006; Parrish et al., 2006); is separable from other mainstream strategies (Weinstein, 1994; Kara and Kaynak, 1997; Dalgic, 2006); and is a viable alternative for small and medium sized enterprises based in the agriculture and agri-food sectors of the economy (Ilbery and Kneafsey, 1999; Dimara et al. 2003; Maye and Ilbery, 2006).

The previous chapter examined strategy in terms of Porter’s generic competitive strategy (Porter, 1980). The discussion continued with a review of some of the additions and refinements provided by others including Campbell-Hunt (1999) who proposed that all competitive strategies can be classified and described according to market scope, either focused (niche) or broad, and that a firm’s source of competitive advantage was in terms of its cost or differentiation strategy. Campbell-Hunt (1999) proposed that firms will achieve higher levels of performance by choosing between one of cost or differentiation leadership. This was considered by Campbell-Hunt to be the base archetypal design.

Niche marketing is a focused strategy and will be selected by firms that perceive a potential opportunity that fits with its own complement of the distinctive competencies. Opportunity in this context is defined as “a favorable time or set of circumstances for doing something” and is derived from opportune, defined as “an especially convenient or appropriate time” (Oxford English Dictionary, 2002). The niche marketer’s source of competitive advantage, therefore, is in the perception of a favorable set of circumstances and a commitment to a strategy that capitalizes on this opportunity in a timely manner. The characteristics of a manager that actively seeks out business opportunities include: autonomous behavior, innovativeness, and being proactive. Hence, capitalizing on an

opportunity would entail being proactive when an opportunity is discovered or is presented to anyone seeking a business opportunity.

The selection of a generic strategy is generally at the discretion of senior management, or in the case of sole proprietor, the owner/manager. The process that a manager employs in strategy selection is described within a broad and comprehensive literature on strategic management. There is a macro or contextual view of the decision making process and a micro or functional view of the process. These aspects of decision making are the subject of this chapter.

3.2 Conceptual Framework

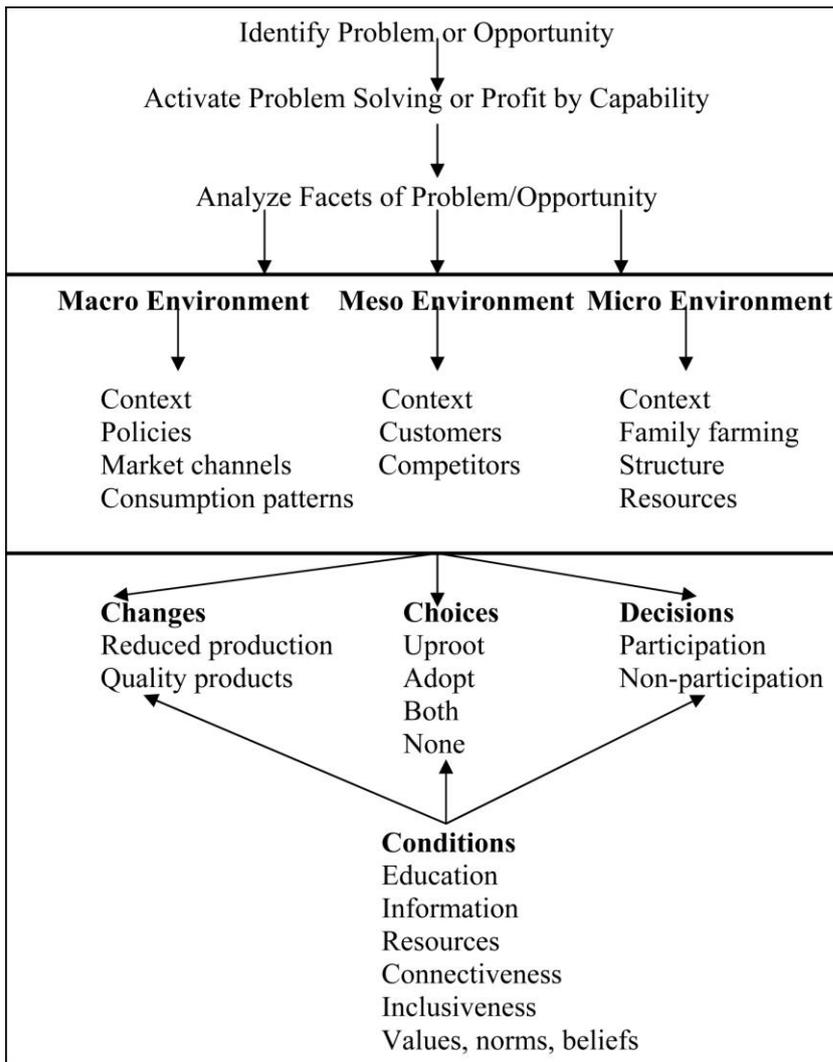
Strategy scholars have long debated the value of formal planning (Slotegraaf and Dickson, 2004). On one hand, it has been argued that planning processes and the adherence to a business model is a critical aspect of decision making and firm performance (Dickson, 1992; Morris et al. 2006). Others have argued that formal planning is not necessary or perhaps may even be ineffective in *high velocity* turbulent environments (Mintzberg, 1990; Perry, 2001; Allred et al., 2004).

The discussion of the strategic planning process is organized as follows. The concept of a generic niche strategy is discussed in terms of the micro or functional view and the integration of the within firm decision making framework with the macro environment in which the firm operates. The implementation of a focus or niche strategy by the firm is discussed. Strategic planning is first placed in context as an important component of a business model. The role of strategic planning is then discussed with reference to planning in large corporate firms compared to the experience of managers of small and medium sized firms. The planning behaviours of small and medium sized niche firms in the agriculture and agri-food sector of the economy are generated from this discussion. Lastly, the literature on strategic planning, business models and small business is summed up in the synthesis of a normative model of strategic planning based on a business model also developed from the relevant literature.

3.3 Generic Niche Strategy Selection – Influence of the Micro and Macro Environments

A number of models incorporate the environmental influence on the firm as a variation of the traditional micro environment/macro environment dichotomy. Dimra et al. (2003) developed a decision making framework to evaluate the socio-economics of niche market creation, while Schroder and Movando (1994) used a similar schema to discuss the strategy/performance/ environmental linkages in agribusiness. The model presented here is adapted from Dimra et al. (2003) and illustrates firm decision making at the producer level of the value chain. The model provides a perspective of the influence of environment on the firm's decision making processes.

Figure 3.1 places the strategic planning process into the context of the environment within which the firm operates. This process begins when the manager identifies an environmental opportunity (Dimara et al., 2003). Forces in the macro and meso environments shape the micro environment of the firm, influencing the income source, the resources that the firm owns or has access to, the target market, and the relationship with suppliers and distributors. The macro level environment consists, in part, of the information delivered to firms regarding global changes in the sector's economy and the transformation of the value chain worldwide (Marsden, 1998). The meso environment provides the sectoral context within which the firm operates particularly with respect to local perceptions of quality and value. Mason and Harris (2006) also explored macro, meso and micro drivers extending the niche market creation discussion of Dimara et al. (2003) to a more general discussion with respect to a firm's market orientation. Their study looked at the environmental factors that may contribute to the development of particular orientation emphases. They contend that a thorough understanding of micro, meso, and macro environmental influences and a complete understanding of market focus, can only be achieved through exploration of the wide range of diverse intra-organizational functions involved.

Figure 3.1 Strategic Planning in Environmental Context

Source: adapted from Dimara E., Petrou, A., & Skuras, D., 2003 p. 226

3.4 Business Model in Context

Niche marketing was identified in Chapter Two as a form of adaptive change that can be initiated at the firm level. In order to implement an adaptive strategy, the firm's management needs to evaluate the new initiative in the context of existing on-going operations. In strategic terms the fit of a product for the new niche is considered in the context of the future outlook of the firm. This analysis would include consideration of the portfolio mix, life cycle strategy, marketing mix strategy, operational requirements and economic (cost/profit) realities.

The theory of the business model, as it has been discussed in the literature on small business planning, integrates the elements of strategic planning with those of the operational and economic realities of the firm. The role of planning in small and medium sized agricultural businesses is placed in perspective with the role of strategic planning in non-agricultural small and medium sized businesses and also with that of the large corporate firm.

Morris et al. (2006), offer a hierarchy of business model perspectives based on a review of descriptive models. This hierarchy places the economic, operational and strategic domains in context. The components of the strategic domain emphasize the overall direction of the firm in terms of positioning in the marketplace whereas at a more basic level, components of the economic and operational domains are concerned with profit generation and company infrastructure. Shafer et al. (2005) refer to the strategic domain as the underlying core logic and set of strategic choices for capturing value. The business model, according to Morris et al. (2006), provides a structure within which to examine the components of these three domains. They further state that it is the strategic level that is especially promising for advancing planning theory and practice because at this level the business model subsumes the strategic positioning of the firm, its underlying business concept, the specific product offerings and the firm's revenue model. Similarly, Afuah and Tucci (2001) refer to the business model as the method by which a firm builds and uses resources as reflected in the company's value proposition or company vision.

According to Morris et al. (2006), the advantages of employing a business model are fivefold. First, a model can help ensure that the business owner brings a logical and internally consistent approach to the design and operation of the business. Second, a model helps identify the key variables that will assist the manager to recognize activities that are required for success. In this regard the business model contains the platform for innovation. Third, the model can support decisions to form alliances or outsource certain activities. Fourth, the business model provides an overarching guide to assess opportunities and direct future operations and fifth, it facilitates the implementation of a contingency planning model that is consistent with the strategic plan.

3.4.1 Strategic Realm: Conceptual Development

Strategy is viewed as a higher level activity in terms of the business model discussed above. The business model concept was defined by Venkatraman and Henderson (1998) in terms of strategy as a coordinated plan to design strategy along the three vectors of customer interaction, asset configuration and knowledge leverage. Slywotsky et al. (1998) also concluded that a business model was more about the patterns and strategies that enable the firm to make profits.

The strategic approach to management evolved from earlier work in decision theory. The evolution, according to Gilmore (1971), turns on the work of Drucker (1954) and others throughout the 1950s. Grant (2003) states that the interest in strategy as an area of management study followed the diffusion of strategic planning (coincidentally defined by Grant as long-range planning) among large companies in the 1950s and 1960s. Gilmore (1971) points out that prior to the middle 1950s the decision-making process was used to determine organizational objectives and was built around (or presupposed) a situation analysis often termed as a *size-up*. This was essentially a situation analysis by department or functional area. Gilmore's description of this process closely follows what Faludi (1987) refers to as the rational approach, a model introduced into the planning literature by Meyerson and Banfield (1955). Rationalist models are highly prescriptive and often involve design and implementation of a strategic plan following a linear prescribed stepwise formula (Payne, 1957).

The size-up can be a lengthy and painstaking task for each department. Once the problem has been identified, the solution is achieved through a series of specific steps including the identification and evaluation of alternatives and an estimated expected value of each outcome. Advocates of this view (Ansoff, 1991; Goold, 1992) drawing from Porter (1980), developed strategic business planning models in a large firm corporate context while Mintzberg (1990, 1994), building on work by Pascale (1984), advocated what was then called the process school, also in the context of the role of senior management in corporate planning.

Pascale (1999) continued to develop the process school conceptually into what is now labeled the adaptive model. This model, rooted in the mixed-scanning approach

(discussed in greater detail below) of Etzioni (1973), is reflected in the models of complex adaptive systems discussed also by Mintzberg et al. (1986), Brown and Eisenhardt (1997), and Beinhocker (1999). The adaptive model described the incremental steps of strategic planning as *adaptive walks* with occasional major leaps.

These models are primarily concerned with the responsibility of senior management in large corporate firms and the application of appropriate long-range planning in these entities. Early on in the discussion Drucker (1954) advised management to plan strategically and to focus more attention on opportunities than on problems. As a result more emphasis was placed on options outside of the firm. There is evidence that greater interest in environmental scanning led to renewed interest in strategic planning. Examples in the literature of the time include Wrap (1957) on organization for long-term planning and Platt and Mains (1959) discussing long-term planning strategies and how to pre-test strategic plans.

Etzioni (1973) discussed this conceptual change and described it as the *mixed-scanning* approach. In this case, when an opportunity is discovered a general assessment of the situation is undertaken in keeping with the rationalist approach to decision making. However, detailed analysis is carried out on only a small number of options based on selection criteria set out by general managers prior to analysis. Implementing the mixed-scanning technique required managers to set out general objectives, and according to Drucker (1954), formulate a competitive strategy as a means to monitor progress toward achieving the goals established in the strategic plan.

Porter (1980), when developing his generic strategy, referenced the general manager's role in the selection of options. He defines the company mission as the overall corporate strategy (and therefore the domain of top management), and competitive strategy. This is a term used to describe a procedure that management might employ to monitor progress and determine the validity of a stated plan.

The notion that conditions in the firm's macro environment, as described by Drucker (1954), can change over the proposed planning horizon prompted development of a contingency approach to strategic management by Hofer (1975). The movement to separate the notion of a long-term planning orientation defined as strategic planning and

the concept that the plan may require modification due to changes in the macro environment was a significant step. Contingency, according to Hofer (1975) and later Anderson and Zeithaml (1984), implies a fit between strategy and the environment, and therefore requires a response to changes in the firm's outlook. A *fit* according to Harling (1992) is created when managers consider the linkages between the firm and the macro environment.

Different aspects of fit were studied by various researchers. Anderson and Zeithaml (1984) for example, studied the fit between strategy and organizational structure. Other studies include: the fit between strategy and managerial characteristics (Gupta and Govindarajan, 1984) and between strategy and organizational structure (Chandler, 1962). Hofer and Shendel (1978) further developed the conceptual base for the contingency approach based on the general notion that strategy should vary according to the stage of the product life cycle, as well as in response to specific unforeseen environmental changes, while others have commented on the efficacy of the process for small business and for agricultural business.

More recently, Tapinos et al. (2005) define strategic planning as “the set of processes undertaken in order to develop a range of strategies that will contribute to achieving organizational direction” (Tapinos et al., 2005, p. 371). Beaver (2007) refers to strategy broadly as the action an organization takes to pursue its business objectives. Beaver (2007) further argues that an organization's strategy is multi-faceted and can be viewed in two categories, content relates to what the business actually does, and process refers to the manner in which business decides on the content of the planned strategy.

Grant (2003), in reviewing the history of long range planning, refers to the ambiguity around strategic terminology, particularly with respect to strategic management and strategic thinking. Stonehouse and Pemberton (2002) conceptualize strategic management as a set of theories and frameworks supported by tools and techniques designed to assist managers in thinking and acting strategically. They see strategic thinking more in terms of a vision which is developed by an organization's leaders. Building a vision requires management to develop a long-term strategic intent. Hamel and Prahalad (1990), point out that the absence of such intent typically leads to stagnation of the business. Finally, strategic learning, as discussed by Stonehouse and

Pemberton (2002), is concerned with the process by which organizations learn about themselves and their environment. This according to Nonaka (1991) is vital to the development of strategic knowledge which is the basis for competitive advantage.

Discussion to this point has focused on strategy in terms of process and content with the decided emphasis on current thinking toward process, borrowing from the literature of organizational behaviour. This does not appear to have entirely resolved the debate of the late 1990s between the process and prescriptive schools of thought as noted by Mintzberg (1994) and others, but rather compels an assessment of these schools. The objective of this assessment, according to Mintzberg (1994) is to enhance our understanding of the concept of competitive advantage.

Mintzberg et al. (1998) addresses the various points of view found in the literature by examining the different approaches using a common classification system. McKiernan (1997) identified four schools: prescriptive, emergent, competitive positioning and core competence (resource or knowledge based). Mintzberg et al. (1998) examined the strategic process using an expanded system including the above four and adding six additional categories. The ten according to this view are: the planning, design, positioning, entrepreneurial, cognitive, learning, power, cultural, environmental, and configuration school. In addition to discussing the advantages and disadvantages of following the tenets of each school the authors maintain that the various schools take their places within the distinct process that they refer to as strategy formation.

Strategy formation according to Mintzberg (1994) is judgmental designing, intuitive visioning, and emergent learning. Above all it is about transformation. In this, Mintzberg (1994) appears to be somewhat at odds with Porter (1980) whose *five forces* generic strategies model became the dominant paradigm of the 1980s. The model presented by Mintzberg (1994) treats the application of strategic planning as dynamic rather than prescriptive. Strategy in the Mintzberg et al. (1998) model evolves and is more in tune with contingent planning rather than being a set plan devised and implemented for a defined purpose (competitive positioning) over a predetermined planning horizon (Porter, 1980).

The predominant thinking following this debate is that strategy formulation is best viewed as a process. The term *strategic planning* will be adopted for the purposes of this study. The definition offered by Tapinos et al. (2005) above encompasses the concept of strategy formulation as a process and offers the two additional advantages of providing a useful inventory of concepts as well as an emphasis on learning as part of the process. However, although strategic planning is endorsed in the literature generally at the corporate level, there is less agreement when turbulence in the macro environment is considered. According to Grant (2003), changes in the firm's macro environment reinforced the case against formal planning and ushered in an area of reconsideration of both the process of strategy formulation and the nature of organizational strategy.

3.5 The Literature on Strategic Planning Segregated by Size and Type of Firm

The literature in the area of strategic planning is skewed heavily toward research into the planning process of large corporate firms (Ibrahim et al, 2004). Less is known about the process of strategic planning undertaken by small and medium sized enterprises (Allred et al., 2007). A review of the relevant literature on the strategic planning process of large corporate and of small and medium sized enterprises follows.

3.5.1 Strategic Planning in Large Firms under Conditions of Market Turbulence

Attempts to account for the impact of environmental turbulence on systematic strategic planning prompted several innovative approaches that include:

- Multiple scenario planning
Scenario planning as described by Schoemaker (1993) is a process model that seeks to outline alternative views of the future (rather than predict the future in terms of single point forecasts). Scenario planning was discussed more recently by Hamlin et al. (*in press*) as systematic contingency planning. The authors point out that the firm is only developing potential capabilities and as such remains in a position where it must react to changing events. Hamlin et al. (*in press*) also argue that the process of multiple scenario or contingency planning is

costly in terms of both actual funds and management effort (which is recognized as a scarce resource to small and medium sized enterprises by Shuman and Seeger (1986).

- Strategic intent

Strategic intent, also referred to as guided contingency (Hamel and Prahalad 1989), establishes the need for clear direction at the senior management level in order to provide the framework within which short-term flexibility can be reconciled with long-term strategy (Grant, 2003). Strategic intent is essentially the act of multiple scenarios planning under conditions of uncertainty and is consistent with the discussion of systematic contingency planning offered by Hamlin et al. (*in press*). However, the presence of uncertainty (market turbulence) increases the risk of failing to correctly predict the specific threat or the timing of the required response, and hence increases both cost of planning and action.

- Strategic innovation

A changing macro environment requires new strategies (Baden-Fuller and Stopford, 1994; Markides, 1998). Strategic innovation according to Hamel (2000), requires breaking the conservative bias of strategic planning by involving younger organizational members that are more inclined to strategizing and working in and through these changed and turbulent environments. It is a way to overcome the strategic inertia often found in top management (Mintzberg, 1994; Schoemaker, 1995). Recalling the dichotomy of process and content categories presented by Beaver (2007), the notion of strategic innovation offered here is clearly one of process rather than content and is operationalized by altering management structure and composition rather than introduction of an alternative methodology.

- Complexity and self-organization

Mintzberg et al. (1996) argued for strategy making as an organic informal process. This view has received conceptual reinforcement from complexity theory (Grant, 2003). Models of complex adaptive systems required constant exploration of alternatives and a combination of incremental steps (Beinhocker, 1999) referred to earlier as *adaptive walks*, which lead to the development of strategies that enable adaptation. These models include certain features such as

experimentation, the forming of strategic alliances (Maye et al., 2006), and what has been termed *time-based processes* that link the present to the future via *limited probes* (Brown and Eisenhardt, 1997). Applying the concept of simple rules (analogous to pre-decisions in operations theory) discussed by Eisenhardt and Sull (2001), and applying a selective opportunity analysis (limited probes), allows adaptation while establishing the bounds within which strategic planning will be confined. The rationale for the adoption of simple rules according to Eisenhardt and Sull (2001), is that when the business landscape was simple, firms could afford to have complex plans, but when the business landscape becomes complex (and turbulent) firms need to simplify. Simplification is achieved, according to this theory, by providing a few straightforward rules that define direction rather than a specific content or a rigorous process.

Grant (2003) studied strategic planning in large firms in a turbulent environment. The study concluded that in response to the challenges of operating in turbulent environments, strategic planning processes had become less centralized and less formal while the plans themselves had become more short term and goal focused. However, although there was apparent success in applying adaptive strategic planning tools to unstable turbulent environments, the impact on the quality of decisions was largely undetermined. This, according to Grant (2003), may be due, in part, to the limited use of complexity theory's new tools and strategies derived from observations of complex adaptive systems.

3.5.2 Strategic Planning in Small and Medium Sized Firms

This section examines strategic planning in small and medium sized firms. Gilmore (1971) and Hofer (1975) contributed to the strategic planning literature by examining the long term planning processes of large corporate firms in both a descriptive and then a normative context. This research contributed to a general understanding of strategic planning and strategy development. Hofer's (1975) research looked at planning over the product life cycle and Gilmore (1971) reported the key issues that, when addressed, become the structure of a strategic plan. These were important findings from which theory moved in two directions. First, their research was

applied to small firms and second, this work was a starting point for research on the day-to-day adaptation of long-range strategic plans which were first developed as operational and later contingency planning models. This section examines the application of planning tools in the context of small and medium sized business as defined in Chapter Two.

One conclusion in Chapter Two was that niche marketing, as a strategy, may be adopted by a firm of any size and for a variety of reasons. For example, Parish (2003) found that large firms in the textile industry engaged in niche marketing in domestic markets. The literature also suggests that small and medium sized enterprises (SMEs) may be more suited to and so more inclined to adopt a niche strategy as a means of competing, or rather avoiding competition (Dalgic and Leeuw, 1994; Oviatt and McDougal, 1994). Also, as discussed briefly in Chapter Two, SMEs are viewed as having the ability to be more flexible, adaptive and responsive to the market (Sexton and Rice, 1979; Van Auken, 1982; Lyles, 1993). However, to actually take advantage of any strategic alternative the firm must be managed strategically.

Descriptive and normative models of small business strategic planning have been developed and discussed widely in the literature. Business schools, as reflected in the business planning literature, commonly assert that strategic planning within a business model of some description will be of general benefit to any business (including small business), and long-term and short term planning should be practiced in the normal course of operation. Hormozi et al. (2002), for example, assert that a business plan is an effective tool used by businesses to organize their goals and objectives into a coherent format and that no matter the size or stage of development, companies use business plans to improve operations and to market the business to potential investors. The authors emphasise that a business plan should be written by all business but especially by (1) new business owners, (2) new business owners seeking outside financing, (3) business owners seeking outside financing for expansion, and (4) business owners that want to increase the success of their business.

Although research on small businesses has not been attempted with the vigour applied to the study of large firms (Sexton and Van Auken, 1982; Ibrihim and Goodwin, 1986; Ibrahim et al., 2004; Allred et al., 2007) the planning processes of SMEs have been

subjected to a variety of empirical analyses (Orser et al., 2000; Sandberg et al., 2001; Ibrahim et al., 2004; Allred, 2007). A number of studies (Robinson and Perason, 1983; Lyles et al., 1993; French et al., 2004; Shrader et al., 2004) found that small and medium sized firms planned informally. This most often meant that plans were not written down.

Also, although not unanimous, many studies found that formal business planning was not essential to small business success. Bhide (1994) argued that small companies could successfully plan informally because they operated in rapidly changing industries and in niche environments. On the other hand, Ibrahim et al. (2004) examined the planning practices of small firms in the United States and found that the planning practices of small firms might be more sophisticated than generally perceived. The authors found that more than half of the small and medium sized firms surveyed produced some form of a written plan. However, the authors also concluded that further research was required to determine whether performance of small firms differed among formal planners and non-formal planners. Similarly, Beaver (2002) found that over half of the small and medium sized firms in their study claimed that strategic planning was a part of their business culture. On the other side of this issue are studies which concluded that if business owners want to be more successful they should obtain more knowledge of the strategic planning process (Grant, 2003).

3.5.3 Strategic Planning in Agribusiness

Firms engaged in agriculture and the agri-food sectors are often collectively referred to as being a part of the agribusiness sector. Caution must be exercised to ensure that primary producers are included in this definition and not only firms upstream in the value chain. For purposes of this study, the term agribusiness will refer to any firm engaged in the production, processing and marketing of agricultural or processed products.

It has been noted in the literature that the interest in exploring and understanding the relationship between strategic planning and firm performance, particularly as it pertains to agribusiness, has waned in recent years (Wright, 1991; Ibrahim, 1992; Bell, 1994;

Miles et al., 1997; Baker and Leidecker, 2001). In the view of Boyd and Reuning-Elliot (1998), this is due to the fact that inadequate measurement of the planning variable has been a limitation to conducting empirical research. However, with respect to the empirical findings on small company planning, the most often reported strategic planning outcome was that of annual goals followed closely by long-term goals (Boyd and Reuning-Elliot, 1998).

As to the prescriptive research perspective, Kennedy et al. (1997) concluded that firms seeking to improve competitiveness in areas other than raw commodities must develop strategies that communicate benefits to the consumer and the uniqueness of the benefit bundle on offer.

3.6 Normative Model of Strategic Planning

Morris et al. (2006) provide a summary of the components of descriptive business models arranged in a hierarchy. This framework has been adapted here to better illustrate the position of strategic planning in the overall structure of the business model. This composite forms the basis of a normative business model and a framework within which the elements of strategic planning can be viewed.

The hierarchy proposed by Morris et al. (2006) places components of the model into categories based on primary emphasis and level of comprehensiveness. The critical components are listed below with the addition of supporting antecedent components from selected references.

Strategic Domain

Critical components – viewed as key drivers of sustainability

- Strategic direction and long term growth (Venkatraman and Henderson, 1998; Mahadevan, 2000; Shafer et al., 2005)
- Stakeholder interface (Boulton et al., 2000)
- Value creation (Afuah and Tucci, 2001)
- Differentiation (Rappa, 2000)

- Alliances (Dobosson-Torbay et al., 2001)
- Vision and value system (Amit and Zott, 2001)

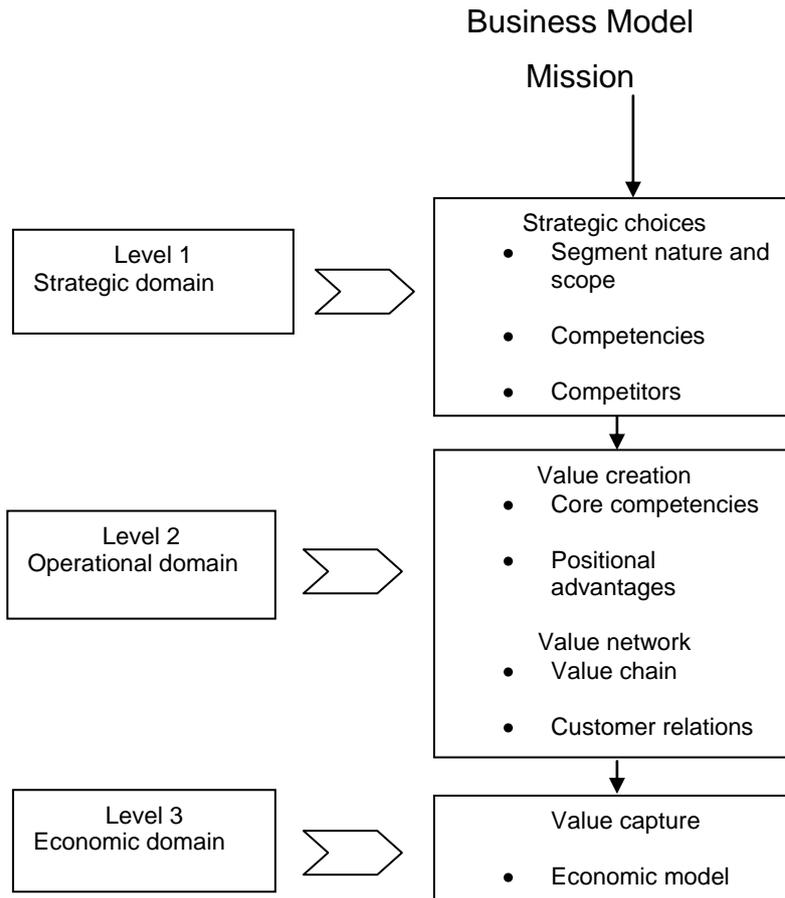
Source: Adapted from Morris et al. 2006, p. 30

The business model subsumes the strategic positioning of the firm, reflecting the underlying business concept through the critical components of the strategic, operational and economic domains. Components at the strategic level emphasize the overall direction of the firm. At a more basic level, the operational and economic domains contain components critical to company operation (infrastructure, organization and processes) and profit (revenue streams, pricing models, and accounting structures).

To sum up, the discussion to this point reflects the view that the firm first develops a strategic position. The business model provides the framework within which the strategic position is assessed. A strategic plan represents the firm's notion of how it will operationalize the strategic component of the positioning piece, while the business model completes the planning process with the development of the operational and economic components. This process is essential to enable management to gather and apply the resources required to complete the vision represented by the strategic position. Furthermore, the definition suggested by Tapinos et al. (2005) that "strategic planning is the set of processes undertaken in order to develop a range of strategies that will contribute to achieving organizational direction" (Tapinos et al., 2005, p. 317) is consistent both with the views of strategic planning as a higher level activity in the business model (Shafer et al., 2005 and Morris et al., 2006), and the decision making tree adapted from Dimra et al. (2003).

3.6.1 The Business Model Synthesized from the Literature

The business model depicted in **Figure 3.2** reflects a synthesis of ideas found in the relevant literature and in particular from the work of Shafer et al. (2005), and Morris et al. (2006). It also relies heavily on the definitions of strategic planning provided by Porter (2000) and Drucker (1984), and on the discussion of the business model concept presented by Hamel and Prahalad (1990).

Figure 3.2 The Business Model

While a business model is used to facilitate analysis and validation of a firm's strategic choices, as presented above, it is not in itself a strategy. A business model reflects the strategic choices of the firm and the operational implications of these choices.

Strategic planning is considered to be the cornerstone of the business model. Examining more closely the view of Porter (2000), who sees strategy in terms of taking a position in the market, the assertion that this view expresses the firm's choices with respect to products and services offered to specific markets, can be viewed as an expression of the firm's strategic planning initiative. Drucker (1984) sees strategy as perspective and the means of operationalizing the company mission.

3.6.2 The Normative Model of the Decision Making Process

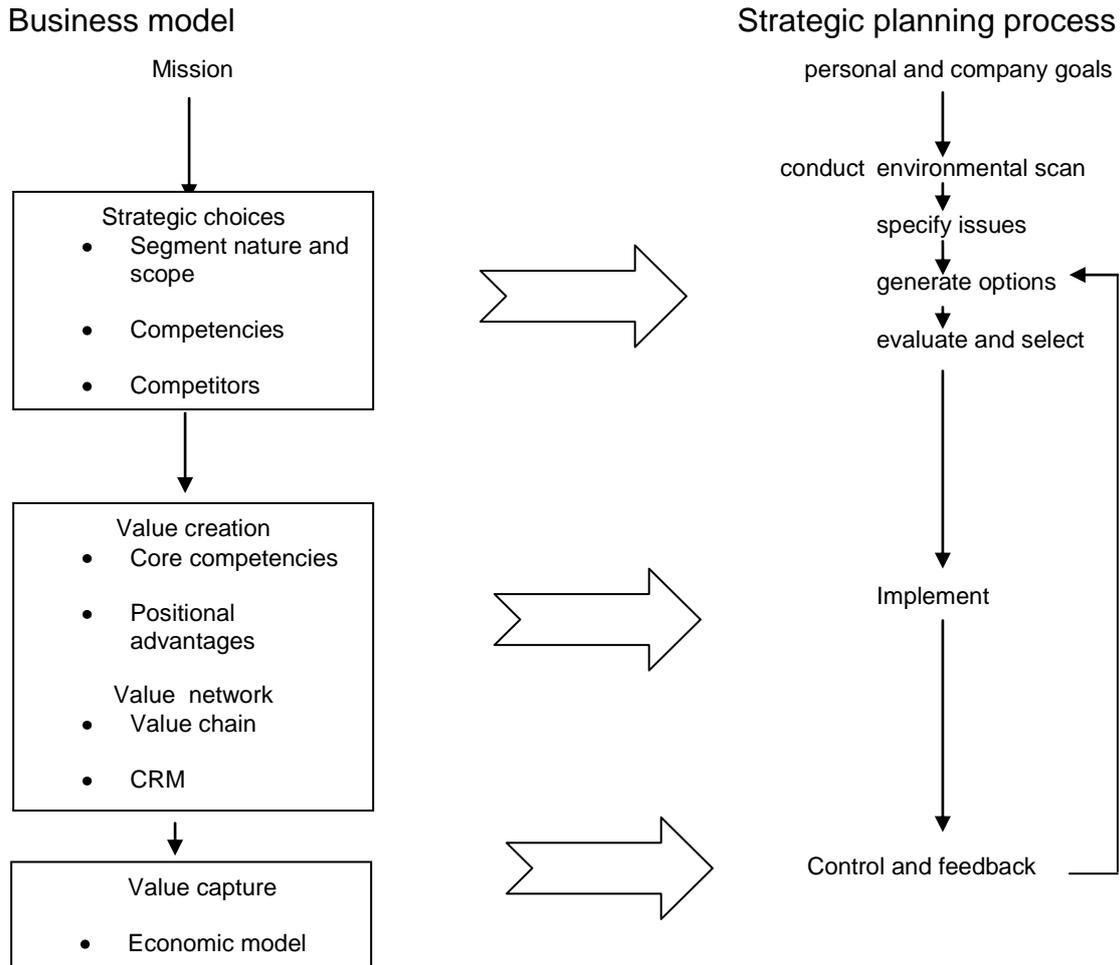
The literature suggests that strategic planning is typically lacking in small business. However, Sexton and Van Auken (1982) refer to one-quarter of small business managers carrying strategic thinking up to, but not beyond the level of goal setting. Shuman and Seeger (1986) define strategic management as follows:

Strategic management is the process of examining both present and future environments, formulating the organization's objectives, and making implementing and controlling decisions focused on achieving these objectives in the present and future environments

Shuman and Seeger (1986 p. 11).

Shuman and Seeger (1986) synthesise the theory of strategic planning into a model of the planning structure. The model they tested was based on the concept proposed by Andrews (1980) and modified to what they consider to be the limitations inherent in the realities of smaller businesses. The strategic planning framework as proposed by Shuman and Seeger (1985) has been updated to reflect the levels of the business model developed by Shafer et al. (2005) and Morris et al. (2006). Shafer et al. (2005) define the business model as a representation of the core logic and strategic choices for creating and capturing value within a value network. The business model reflects the strategic choices that have been made. Strategic planning is a high level activity within the business model that involves choices about how a business is conceptualized. Business models reflect these choices and extend the structure to facilitate the analysis and validation of these choices through to their operating implications. A schematic representation of the business model was presented in **Figure 3.2**. Niche market selection takes place in the strategic domain which is Level 1 in this model. The planning process of SME niche marketers is presented in **Figure 3.3**.

Figure 3.3 The Strategic Planning Process of SME Niche Marketers



Each of the major elements of the strategic planning process model covers a set of issues or related activities that must be addressed in the strategic planning process.

- **Personal Objectives:** In SME's that are privately owned and managed, personal objectives intertwine with business objectives. Attitudes toward risk and resource allocation are important considerations as management must make the effort to allocate scarce resources of time and funds to the planning process. Furthermore, the continued exercise of planning will only take place if there has been positive feedback with respect to results from the effort.
- **Situation Analysis: SWOT.** Based on the firm's current strategy (either explicitly or implicitly stated) situation analysis looks at the organization

internally (strengths and weaknesses) and externally (opportunities and threats in present and anticipated environment). The firm seeks out market opportunities.

- **Company Objectives:** Selection is in close relation to the SWOT. The importance of objectives vis-à-vis the company mission is that objectives should be quantifiable. Objectives can be for the overall company or for various strategic business units. SMEs however often have a limited number of strategic business units (SBUs). The degree of market orientation would be factors that would influence outcomes at this stage of the decision making process.
- **Issue Specification:** Management reviews the findings from the situation analysis to judge the fit of resources with the chosen objectives and develop a set of issues (both positive and negative) that must be addressed for the firm to achieve its overall goals. Often SMEs employ heuristic methods based on experience rather than formal methods for weighing alternatives.
- **Option Generation:** Dealing with issues identified incurs both financial and time costs as well as anticipated benefits. It is at this stage that managers weigh the marginal costs and marginal benefits of alternative courses of action. Careful examination of the characteristics of the potential niche is part of the decision at this stage of the decision making analysis. Again, rules of thumb are often used as short cuts in the decision making process.
- **Evaluation and Selection:** Alternatives are evaluated with respect to personal and company priorities, along with specific actions to be taken. Alternatives are compared with respect to relative effectiveness in dealing with the key strategic issues.
- **Implementation:** A strategy, including budget and time frames, must be set out to put the strategic plan into effect.
- **Control and Feedback:** A system must be put into place to perform performance monitoring and provide timely feedback. Feedback is required to provide information on the possible need to implement contingency plans to maintain the congruency or fit between expected outcomes and company objectives in a changing macro environment.

3.7 Summary: Strategic Planning in Small and Medium Sized Businesses and the Relationship with Niche Marketing

Niche marketing is a form of adaptive change that can be initiated at the firm level. Niche marketing is a focused strategy in the tradition of Porter's (1980) generic competitive strategies. Strategy, according to Porter (1980), is concerned with taking a position or, in this case, finding a niche. This is a view that relates to making strategic decisions about products and markets based on the firm's core competencies. This is consistent with Drucker's (1984) view of strategy as perspective - meaning choices about company vision and the business concept. For this thesis the process of developing a strategy for the firm has been termed strategic planning and was described by Tapinos et al. (2005), as a set of processes that leads to the development of a range of strategies that contributes to the achievement of the organizational goals of the firm.

A review of the relevant literature on strategic planning was undertaken. A synthesis of these results follows:

1. The concept of the business model assists in conceptualizing and operationalizing the plan to strategically enter a niche market (Afua and Tucci, 2001; Shafer et al., 2005; Morris et al., 2006).
2. Strategic planning is a higher function in terms of the key components of a formal business model. Strategic planning relates to the underlying business concept and subsumes core internal processes and the revenue model of the firm. (Vankatraman and Henderson, 1998; Morris et al., 2006).
3. The literature on business models and strategic planning describes the benefits of, and advocate for, the formal written long-range business plans (Shoemaker, 1993; Hormozi et al., 2002; Grant, 2003).
4. Large corporate firms create long range formal plans at all levels associated with the business model (Brown and Eisenhardt, 1997; Grant, 2003; Baden-Fuller and Stopford, 2004; Morris et al., 2006).
5. Small and medium sized business do not generate formal business plans but often are seen to plan informally (Lyles et al., 1993; Orser et al., 2000; Sandberg et al., 2001; Ibrahim et al., 2004; Shrader, 2004; Allred, 2007).

6. The principal outcome of adopting a business model and of engaging in the strategic planning process was a framework for assessment of overall performance (Bhide, 1994; Beaver, 2002).
7. Small and medium sized businesses develop operational plans rather than strategic plans but claim to plan strategically. That is, although managers and owners of SMEs are general managers, they operate more in the realms of operational and economic domains, developing plans at the lower functional levels of the management hierarchy (Hamel and Prahalad, 1990; Glaister and Falshaw, 1999; Stonehouse and Pemberton, 2002).

The planning literature suggests the formal planning and long-run strategic plans are beneficial to firms operating in a stable business environment and that contingency planning is more appropriate for firms that operate in a turbulent business environment. The literature also suggests that niche marketing firms reduce their risk and exposure to market turbulence by employing strategies such as vertical and horizontal networking. This brings the firm closer to both consumers and potential competitors, reducing the requirement for costly customer and competitive research and effectively reducing the potential level of actual competition in the market. Attempts to account for the impact of environmental turbulence by the firm when planning prompted the discussion of several approaches including multiple scenario planning, strategic intent, and complexity and self-organization.

Multiple scenario planning was described as a process model that is beneficial for the firm to maintain flexibility. However, it is also costly, particularly in terms of managerial effort in preparing contingency plans that may never be required or may be outdated when a change is required. Strategic intent or guided contingency offers more insight for this thesis because it is described as essentially the act of multiple scenarios planning under conditions of uncertainty. Strategic intent relies heavily on the process of strategic innovation to maintain flexibility and operate effectively.

This line of reasoning is promising when seen as an adjunct to the third concept discussed in this chapter, that of complexity and self-organization. Those arguing for the application of strategic intent maintain that there is the need for constant exploration of alternatives or what has been termed *adaptive walks*. This concept makes use of two theories borrowed from decision theory that are relevant to this thesis. First, managers

make pre-decisions. Managers consciously decide to limit the scope or field of view when scanning the environment and second, they will adopt a heuristic known as *simple rules*. Eisenhardt and Sull (2001) noted that as the business landscape has become more complex (and turbulent), firms need to simplify. Simplification is achieved by looking at overall strategic direction rather than specific content or a rigorous set of decision theory rules.

Given the view of the literature there is an expectation that strategic intent or guided contingency will be adopted by niche marketers. Chapter Four summarizes the literature on niche marketing and strategic planning. A set of propositions are specified that guide the research. How SMEs make decisions and why they decide to enter niche markets are questions that arise out of an examination of this literature.

4 Literature Summary, Propositions and Research Objectives

4.1 Introduction

The previous two chapters provided a review of the literature relevant to this thesis. Chapter Two examined the literature on niche marketing with an emphasis on small business and agricultural firms. Chapter Three looked at how small and medium sized enterprises viewed the strategic planning process and the relevance of business models to the discussion of niche marketing.

This chapter summarizes the main findings of the literature reviewed. The results of this analysis were used to develop propositions upon which the primary research for this thesis was based.

4.2 Review of the Literature

4.2.1 Niche Concept

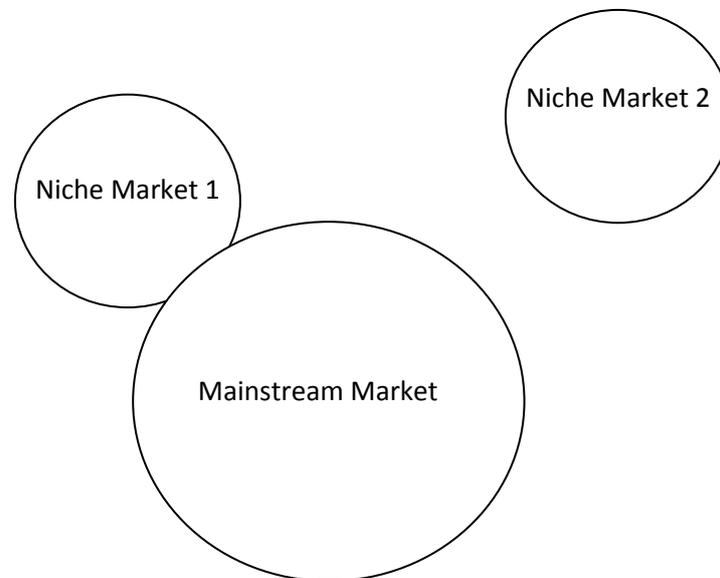
The concept of a *niche* has been applied to many fields of study from architecture to naturalist and ecology and now to marketing and business. It may refer to the space occupied (by the organism, species or firm) or to the role or set of relationships filled by an organism, species or firm. This thesis examines the behaviour of niche marketers and the space that they occupy in the marketplace.

The literature defines and discusses niche marketing in terms of the adaptation of a firm to a specific but changing macro-environment. Shani and Chalasani (1992) define niche marketing as the process of carving out a small part of the market whose needs are not fulfilled. This definition implies the ecological concept of a space that already exists and may be vacant and waiting to be defined (carved out) and occupied by an organism (firm) that is adapted to (or is willing to adapt to) the conditions of the business space. The niche, according to most marketing and business definitions, including that of Shani and Chalasani (1992), must be of sufficient size and purchasing power to be profitable

and should provide barriers to entry by competitors. This reflects remarkably well the way in which the concept is applied in ecology where a niche is attractive to a species because by its specificity it becomes a mechanism for minimizing competition and by its nature it has the resources to be sustainable (profitable).

The idea that most markets consist of a mainstream and a series of niches is well established in the marketing literature (McKenna, 1988; Shani and Chalasani, 1992; Kotler, 2003; Dalgic, 2006). This idea, that markets start out as mainstream markets and niche markets evolve can be represented graphically in **Figure 4.1**.

Figure 4.1. A Representation of the Relationship Between Mainstream Markets and Niche Markets



In this representation of the possible relationship between a mainstream market and niche markets, niche markets are represented as smaller markets that have various connections to the larger mainstream market. Niche Market 1, for example, is closely associated with the Mainstream Market and may utilize the same basic raw material but in a different form and therefore for a different purpose. Functional foods, such as anthocyanin enriched fruit concentrate, are often characterized in this way. On the other hand, niches, such as those represented by Niche Market 2, are more independent and

may rely on a different product, product form or process to develop a unique, stand alone product for a specific market. For example, for the manufacture of a particular nutraceutical, a different form of the same raw material (grain, fruit or vegetable) may be required and the manufacturing process may also be unique.

On the other hand, mainstream markets can also evolve from niche markets (McKenna, 1988) where the customer focus required for niche marketing helps companies to respond to changing conditions of demand. Niche markets can also remain as niche markets for lengthy periods of time depending on the inherent stability of the market, the nature of the niche, and the strategies employed by the niche marketer (Ilbery and Kneafsey, 1999; Parrish et al., 2006).

Niche marketing is a bottom-up approach in contrast to the top-down approach of market segmentation (Dalgic and Leeuw, 1994), and is a creative process termed nichemanship by Shani and Chalasani (1992) and Kotler (2003). Niche marketing can be carried out by firms of any size (Parrish, 2006), but small and medium sized firms appear to be particularly suited to applying this strategy (Murdoch, 1995; Dimara et al., 2003; Maye and Ilbery, 2006).

Niche marketing is an adaptive strategy that is considered primarily defensive in nature (Ries and Trout, 1986; Leflang, 1990; Dalgic, 2006; Hezar et al, 2006), with some, although fewer, examples of niche marketing used offensively (Parish, 2003; Hamlin et al., in press) where the aim is to dominate one or a portfolio of smaller markets. In either case, the attraction of selecting a niche strategy is in the ability of the niche firm to limit competition (Hezar et al., 2006).

The literature also suggests that niche marketing relies on product and market innovation in order to create a product or service offering that will fit the needs of consumers (Mitchelson, 1988; Leflang, 1990; Page and Tassier, 2004; Maye and Ilbery, 2006), and that ongoing innovation may be required to maintain entry barriers (Dalgic and Leeuw, 1994; Parrish, 2003). Developing a unique offering tailored to a specific

market is one aspect of an overall attempt to achieve a competitive advantage that might be sustainable (Campbell-Hunt, 1999; Parish et al., 2006).

With respect to long-range strategic planning, it has been noted that the interest in exploring and understanding the relationship between strategic planning and firm performance, particularly as it pertains to agribusiness, has waned in recent years (Baker and Leidecker, 2001). Boyd and Teuning-Elliot (1998) believe that inadequate measurement of the planning variable has been a limitation to conducting empirical research. However, Boyd and Teuning-Elliot (1998) also suggest that where strategic planning has been studied, often financial performance is reported as a measure of the strength of strategic planning but marketing performance variables are not reported on.

4.2.2 Niche Marketers

The literature suggests that successful niche marketers (firms engaged in niche marketing or *nichemanship*) express certain behaviors, that when taken collectively, characterize the group as a whole. This behavioral archetype is expressed in the following manner.

Successful niche marketers are actively engaged in environmental scanning and market research to identify potential niche markets (Kotler and McDougal, 1985; Dalgic, 2006). This implies a marketing orientation (Slater and Narver, 2000) which predisposes the niche marketer to actively scan the environment for possible niche market opportunities and to engage in product innovation as a means to gain entry into the niche market (Kohli and Jawarski, 1990; Hunt and Morgan, 1995; Siu and Kirby, 1998). Successful niche marketers employ networks to shorten the value chain and maintain contact with suppliers, middlemen and customers (Ilbery and Kneafsey, 1999; Dimara et al., 2003; Maye and Ilbery, 2006).

Small and medium sized firms appear to be particularly well suited to successfully applying a niche marketing strategy (Murdoch, 1995; Page and Tassier, 2004; Maye and

Ilbery, 2006). These firms build and rely on their distinctive competencies in order to maintain a competitive advantage (Kotler, 2003; Campbell-Hunt, 1999). They are seen to maintain a higher level of flexibility than their large firm counterparts and as such, are better able to operate in turbulent environments (Covin and Slevin, 1989; Hamel and Prahalad, 1990). Also, these firms tend to view niche marketing as a means to reduce their exposure to market turbulence (Skinner, 1974; Covin and Slevin, 1989; Droge et al., 2008; Ward and Lewandowska, 2008).

The strategic planning literature also makes a contribution to the profile of the typical niche marketer through the body of research on small and medium sized enterprises (SMEs). The literature on business models and strategic planning describes the benefits of, and advocates for, the development of formal written long-range plans (Shoemaker, 1993; Hormozi et al., 2002; Grant, 2003). The literature further suggests that the concept of the business model contributes to the process of conceptualizing and operationalizing the decision to strategically enter a niche market (Afua and Tucci, 2001; Shaler et al., 2005; Morris et al., 2006).

However, empirical results are mixed when it comes to the actual application of this principle to small and medium sized enterprises. It appears that SMEs often do not engage in formal strategic planning. Formal plans are frequently operational (within year or within a production cycle), and strategic planning is, when done, informal (not written down). In addition, the process of decision making utilized may be heuristic in nature. Problem solving, in this case, is experientially based using rules of thumb and the strategic planning process relies on the decision makers' intuition (Ibrahim et al., 2000; Orser et al., 2000; Sandberg et al., 2001; Allred, 2007). In this case, the knowledge of the decision maker, gained over many production cycles, provides the framework for a heuristic decision making model that can be applied to a variety of strategic decision making situations.

4.3 Summary

Shani and Chalasani (1992) provide a description of a marketing niche from the ecological/place perspective. They describe the characteristics of the ideal niche and what this place should look like and what a firm should look for when sizing up a potential niche marketing opportunity. Kotler (2003) describes the niche more from the standpoint of the characteristics of the typical consumer of a niche product.

Shani and Chalasani (1992), with contributions from Pravit (1990) and Kotler (2003), provide the basis for the current concept of niche market. This definition has been extended by others with respect to the application of niche marketing principles to large firms (Parish 2003; Gaudes, 2004; Parrish et al., 2006), small firms (Leflang, 1990; Dalgic and Leeuw, 1994; Dimara, 2003; Hezar et al., 2006), and agricultural firms (McKenna, 1988; Ilbery and Kneafsey, 1999; Page and Tassier, 2004; May and Ilbery, 2006).

Strategic decision making, as one of the critical planning elements for small and medium sized firms, was addressed in several studies including Venkatraman and Henderson (1998), Mahadevan (2000), and Shafer et al. (2005). Value creation through innovation (Afuah and Tucci, 2001); the role of strategic alliances (Dubosson-Torbay et al., 2001); and the function of product differentiation (Rappa, 2000) were also considered. An objective of this thesis is to examine the niche market decision in the light of the strategic planning process of small and medium enterprises operating in niche agricultural markets.

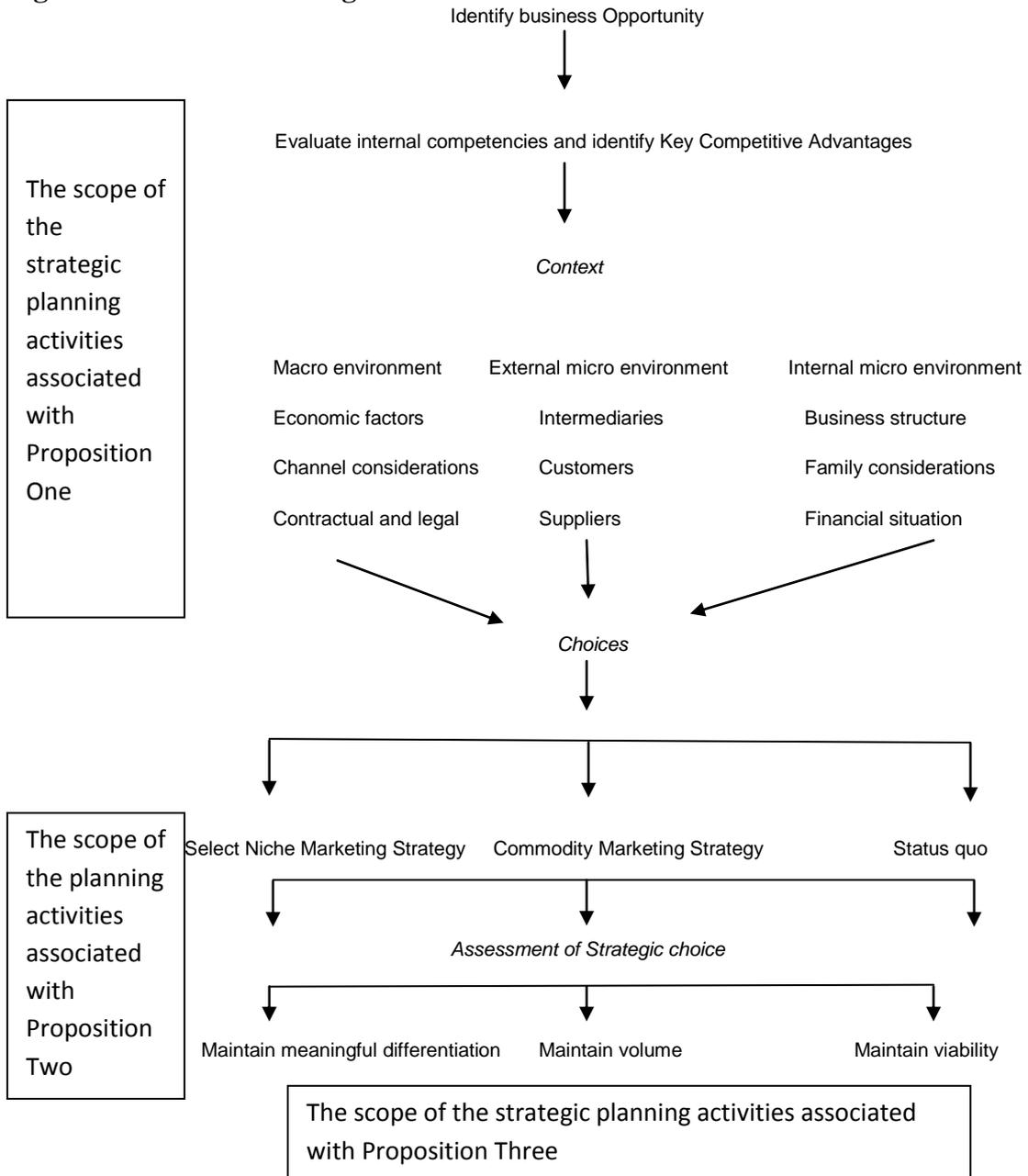
4.4 Conceptual Framework

The review of the literature including theory and research presented in Chapters Two and Three has led to the development of a conceptual model which is used as the framework for the research propositions. The framework presented in **Figure 3.3**, centers on the issues of niche marketing as a strategy for adaptive change at the

individual firm level. The specific issues are concerned with the reasons a firm selects a niche marketing strategy, the means by which the strategy is employed, and the perceived benefit of adopting a niche marketing strategy.

The conceptual framework suggests a number of research objectives that led to the following propositions. Propositions are represented in **Figure 4.2** and are discussed in detail below.

Figure 4.2 Niche Marketing Decisions in an Environmental Context



The specific objectives of the study are:

1. To identify the characteristics of an attractive niche market.
2. To develop a normative model of the strategic planning process of small and medium sized enterprises.
3. To outline a conceptual framework for comparing the normative model developed with the actual strategic planning practices of agricultural niche marketers.
 - a) To develop a set of propositions that enable the comparison of the actual practices of study participants with those expected based on the literature.
 - b) To identify the key activities that are related to the actions of niche marketers
4. In light of the findings to restate three key concepts: the characteristics of an attractive niche; the archetypal niche marketer; and the process by which niche marketers conduct strategic planning.

The strategic planning process of SME niche marketers depicted in **Figure 3.3** highlights the process driven nature of planning. In particular, the feedback loop engenders a possible re-examination of options given the context of the environment within which the issues were identified. **Figure 4.2** highlights the environmental context within which decisions are made. With respect to the strategic planning process outlined in **Figure 3.3**, the decision to enter a niche market is clearly one of the options available to management and according to the literature is an option that is generated from a thorough environmental scan and is based on market research and a market orientation. This is the subject of proposition one. Once a niche strategy has been selected management must turn its attention to the successful development of the opportunity. Implementation (**Figure 3.3**) of a niche marketing strategy is the subject of proposition two and is depicted in **Figure 4.2** by setting the implementation decision in the context of the range of choices available to management. A longer term strategy for developing barriers to entry and maintaining sustainability is illustrated as the extension of the implementation stage and encompasses control and feedback. This is reflected in the

need to continue strategic planning and also to respond to immediate changes in the business environment through contingent planning. This situation is further developed under Proposition Three.

4.4.1 Proposition One

The decision to enter a niche market is a planned business strategy based on an assessment of the attractiveness of a potential niche.

The literature looks predominantly at large corporate enterprises and to a lesser extent at small and medium sized firms. The academic literature is largely descriptive of the criteria associated with distinguishing a niche market. The popular literature is for the most part, prescriptive, outlining the appropriate steps and strategies for successful niche marketing.

4.4.2 Proposition Two

Niche marketers understand the underlying characteristics of a niche market in terms of minimizing competition and reducing exposure to turbulence.

The literature makes a connection between innovativeness, flexibility, and the advantages of networking in achieving market stability and, by extension, the potential for longevity of niche market performance. An objective of this research is to contribute to the discussion on these linkages. The literature also suggests that the benefits of strategic planning are in maintaining barriers to entry by tailoring unique offerings to specific target markets and therefore establishing a competitive advantage based on matching a firm's key competencies with the markets' unique requirements. This research will contribute to a better understanding of the nature of strategic planning within the study group by examining the nature of the linkages between innovativeness, the perceived value of networking within the group and along the value chain, and the

degree of success these measures have for maintaining barriers that limit competition and achieve profitable and stable sales levels.

4.4.3. Proposition Three

Niche marketing firms exhibit planning behavior. Firms develop strategic and operating plans that capitalize on their distinctive competencies. This action enables the firm to narrow its strategic focus and to develop a strong competitive position in a chosen niche market.

The literature suggests that formal written business plans are the preferred model for a business of any size, and that these plans should be associated with contingency plans especially for the firm operating in turbulent environments. The literature also finds that small and medium sized businesses are less likely to produce formal business plans and that the plans that are formulated may relate more to operations than to longer term strategic objectives. This research examines planning behavior of the study group and assesses the attitude of niche marketers to the trade-off between production and marketing flexibility and long term profitability.

4.5 The Research Population

Agricultural enterprises generally fall into the small and medium sized firm definition used in this thesis. However, agricultural firms are usually associated with mainstream commodity markets. Therefore, a strong conceptual base has not been developed in the literature to reflect the experience of agricultural niche marketers. The literature examining the issues of niche marketing and strategic planning in the realm of small and medium sized agricultural businesses and agricultural niche marketers, in particular, is less well developed. This research is an attempt to address the gap in the literature.

One reason that niche marketing does not appear as prevalent in agricultural and the agri-food sector is that agriculture has long been structured along the lines of the perfectly competitive model of microeconomic competitive market theory. One characteristic of this model is the lack of control over price at the producer level of the value chain, mainly because mainstream agricultural products are usually sold in undifferentiated form.

Agricultural mainstream markets are commonly referred to as commodity markets. Producers of agricultural commodities compete on price rather than on the basis of product differentiation and rely on economies of scale and volume to generate sufficient profit to survive. It is generally assumed in the literature that agricultural marketers employ niche marketing as an adaptive strategy to avoid the realities of producing and selling for agricultural commodity markets. Niche agricultural markets generally exhibit characteristics similar to other niche markets with the addition of the natural or production uncertainty that weather and growing conditions place on the quantity and quality of the product available for sale. Niche agricultural products are also more likely to be produced by small and medium sized firms (SMEs) (Ilbery and Kneafsey, 1999; Dimara et al., 2003; Maye and Ilbery, 2006) leaving commodity markets to the large firms with a productivist logic (Dimara et al., 2003).

This thesis examines the niche market decision through an agricultural niche marketers lens. The appropriateness of the description of niche market is examined as it applies to this case study group.

Agricultural niche marketers make an important contribution to regional economies. Bollman et al. (1992) concluded that if different firms specialize in different activities, then the community would attain macro-diversification via micro-specialization. Diversification can be considered an adaptive strategy. Small firms adapt to environmental changes by attempting to spread production and financial risk. Diversification is one risk-spreading or risk-averting technique. Other strategies that might be employed include lowering input costs, spreading fixed costs by becoming larger or adding conventional business enterprises. For farm firms, diversification may

also engender off-farm or part-time work by one or a number of family members. Small and medium sized firms may invest in complementary strategic business units (the term *agricultural enterprise* is used by agricultural economists when referencing an individual strategic business unit). Sometimes, however, diversification in an attempt to spread financial risk results in increased resource cost. Managerial and other human resources may become stretched in an attempt to retain control of too many diverse production systems. The economist's law of diminishing returns would appear to be applicable here. In this case the niche marketer may be better off to specialize in one enterprise and excel at operating a stand-alone niche enterprise. In other cases the niche enterprise may be complementary in nature to the existing commodity markets already being served.

A strategy to encourage niche enterprises is potentially beneficial at both the micro (within firm) and the macro (regional economy) levels. That is, sales of niche products contribute to the economic base of the region while adding individually stable productive enterprises (strategic business units) to the farm. Niche marketing is, therefore, a form of adaptive change that is initiated at the firm level and is seen to benefit the region through sector diversification.

Agricultural niche marketers, as part of the agribusiness sector, represent a definable and accessible segment of the population of small and medium sized enterprises. Niche marketing of agricultural products contributes to the economies of nations and to the regional economies within nations, yet the study of the strategic decision making process of these firms is less well developed than the study of decision making in large corporate firms or for small and medium sized firms in general. Case studies were conducted with these objectives in mind. The method of interview and data collection protocol is outlined in Chapter Five.

The blackcurrant sector in Canada and New Zealand was chosen as the specific study population. This sector offered several research advantages. The total number of potential participants was known and was a manageable number (less than 50) but with sufficient diversification with respect to size, demographic (age, income), stage in the

business cycle and geographic separation to contribute to external validity, as described by Miles and Huberman, (1994). This logic carried over to the selection of two countries; Canada with much smaller growers and a younger sector and New Zealand; a country known for its economic reliance on small and medium sized enterprises trading into niche markets (New Zealand Ministry of Economic Development, 2011).

The blackcurrant sector of agriculture in New Zealand also represented a cohesive group with what was considered to be a critical mass (Interviewer A) in terms of achievable export targets and potential for long term sustainability. The sector in Canada by contrast was considered to be an Infant Industry (interview G) not yet having the critical mass for a reasonable guarantee of sustainability but nevertheless with some apparent barriers to entry in its favor. This diversity also leant interest in the sector as an interesting subject of study.

4.6 Chapter Summary and Conclusions

This chapter summarizes the findings from the marketing and strategic planning literature. The marketing and strategic planning literature on SMEs is quite substantial, though more recent and somewhat less developed than that associated with large corporate firms and industries. This thesis will contribute to the body of knowledge in niche marketing and add to our understanding of how and why firms select a niche market and how niche marketers plan to maintain that market.

Specifically this thesis will contribute to the body of knowledge in niche marketing and strategic planning in the following manner:

1. Strengthen the conceptual base of knowledge in niche marketing through greater understanding of the characteristics of a niche that would be attractive to a typical small and medium sized enterprise, and in particular, to agricultural firms that enter the competitive business market place with a niche product.

2. Extend the academic literature in the area of strategic planning in small and medium sized enterprises through the experience of the case study participants.

Specifically this entails:

- Understanding the role of a market orientation within the small business in selecting a niche market strategy.
 - Developing a better understanding of the relationship between innovativeness, flexibility and network alliances in the strategic planning process of small and medium sized niche marketers.
3. Developing a profile of the characteristics of a successful small business niche marketing firm with a view to contributing to defining the archetypal niche marketer.

The fieldwork portion of this thesis focuses on the propositions as they relate to small and medium sized agricultural niche marketers.

5 Research Design

5.1 Introduction

Chapters Two and Three reviewed the literature pertaining to niche marketing and small business strategy. The strategic planning process of small business in general and niche marketers in particular was also discussed. Delineation of the characteristics exemplified by niche marketers was presented along with a discussion of the underlying nature of the process of selecting niche marketing as an adaptive strategy. Research objectives and propositions were set out in Chapter Four.

The purpose of this chapter is to review relevant social science research paradigms and methodologies; discuss reasons for selecting the case study method; argue the theoretical and methodological implications of this choice; and outline the research design that was chosen as a result of this analysis.

5.2 The Research Paradigm

There are four main scientific paradigms used in marketing research: positivism, critical theory, constructivism, and realism (Healy and Perry, 2000). These paradigms represent the world view or the basic belief systems of alternative inquiry (Guba and Lincoln, 1994). This section examines the belief systems associated with these four paradigms and the three elements (the ontology, epistemology, and the methodology) that constitute each paradigm. These relationships are summarized in **Table 5.1**.

The *Merriam-Webster Dictionary* defines paradigm as “a philosophical or theoretical framework of any kind” or more simply put a world view. Choosing a research paradigm is necessary in that the world view serves as a framework within which theories are formulated and the means to test these theories are developed. Guba and Lincoln (1994) set out the philosophical assumptions that support the four paradigms as expressed according to the three elements of ontology, epistemology and methodology noted above.

Perry et al., (1999) define ontology as the “reality” that is investigated; epistemology as the relationship between that reality and the researcher; and methodology as the technique used by the researcher to investigate the reality. The assumptions relating to the four categories are discussed generally in terms of the three elements and then with respect to the specific application of marketing research.

Table 5.1 Four Categories of Scientific Paradigms and their Elements

Paradigm				
Element	Positivism	Critical Theory	Constructivism	Realism
Ontology	Reality is real and apprehensible	“Virtual” reality shaped social, economic, ethnic, political, cultural, and gender values, crystallized over time	Multiple local and specific constructed realities	Reality is “real” but only imperfectly and probabilistically apprehensible
Epistemology	Objectivist: findings true	Subjectivist: value mediated findings	Subjectivist: created findings	Modified objectivist: findings probably true
Methodology	Experiments/surveys: Verification of hypotheses, chiefly quantitative methods	Dialogic/dialectical : researcher is a “transformative intellectual” who changes the social world within which the participants live	Hermeneutical/ dialectical: researcher is a “passionate participant” within the world being investigated	Case studies/ convergent interviewing: triangulation, interpretation of research issues by qualitative and by some quantitative methods

Source: Healy and Perry, 2000 p. 119

5.2.1 Positivism

Positivism, also known as logical empiricism, predominates in science (Prasad, 2005) and assumes that natural and social sciences measure independent facts about a single apprehensible reality (Guba and Lincoln, 1994). Positivism views scientific research as an organized method for bringing deductive logic to bear with precise empirical observations in order to discover and confirm a set of probabilistic causal laws (Neuman, 2002). However, although positivism predominates in science, Flyvbjerg (2001) points out that in the Aristotelian tradition, epistemic knowledge (which

according to Prasad (2005) is virtually identical to positivism) is only one way of doing science. The reason that positivism dominates in natural science research is that in this paradigm it is assumed that data is value-free and the data do not change due to observation.

The beliefs and practices associated with positivism include the following (Snape and Spencer, 2003):

- Only those phenomenon which are observable can be counted as knowledge
- Knowledge is developed inductively through the accumulation of verified facts
- Hypotheses are derived deductively from scientific theories to be tested empirically
- Observations are the final arbiter in theoretical disputes
- Facts and values are distinct, thus making it possible to conduct objective enquiry.

These qualities, which are so conducive to experimentation and other forms of scientific enquiry involving gathering and analysis of quantitative data, make this paradigm inappropriate when approaching social science phenomenon which involves humans and their real-life experiences (Perry et al, 1998).

Positivists separate themselves from the world they study (Healy and Perry, 2000), while researchers working within other paradigms acknowledge their participation in the real-world as an aspect of learning about features of that world (Schwandt, 2000). Furthermore, social science researchers should not seek to provide causal explanations within a closed system as a positivist would (Orlikowski and Baroudi, 1991); hence the emphasis in the remainder of this section is on non-positivist paradigms.

5.2.2 Critical Theory

Critical theory emphasizes social realities. Critical theorists conduct research to critique and transform social relations (Healy and Perry, 2000). Assumptions are essentially subjective, incorporating historically situated structures and assuming apprehensive

social realities and therefore, are grounded in social routines and value-dependent rather than value-free (Guba and Lincoln, 1994). The research enquiries are often long-term ethnographic and historical studies of organizational process and structures (Perry et al., 1998).

This paradigm is not considered appropriate for marketing research unless the researcher aims to be a *transformational intellectual* who liberates people from their historical and social structures (Guba and Lincoln, 1999). Perry et al. (1998) provide an example of this when stating that most business network research aims to understand the actions of a decision maker rather than to change them or to change their approaches to strategy formulation (Perry et al., 1998, p. 1951).

5.2.3 Interpretive Social Science

According to Snape and Spencer (2003), the development of ideas now associated with qualitative research can be linked to the writing of Immanuel Kant. In his *Critique of Pure Reason*, Kant argued that there are ways of knowing about the world other than direct observation. He proposed that:

- Perception relates not only to the senses but to human interpretation of what our senses tell us
- Our knowledge of the world is based on understanding which arises from thinking about what happens to us, not just from having particular experiences
- Knowing and knowledge transcend basic empirical enquiry
- Distinctions exist between scientific reason (based on causal determinism) and practical reason based on moral freedom and decision making under conditions of less certainty

Source: Adapted from Snape and Spencer, 2003

Max Weber was influential by taking the ideas of Kant and Wilhelm Dilthey but rather than taking a strictly interpretive stance, he tried to build a bridge between the interpretive and positivist approaches (Neuman, 2002). Weber believed that the positivist approach to an analysis of material conditions was not sufficient to gain a full

understanding of peoples' lives (Weber, 1949). Weber's argument, that social scientists should try to learn the personal reasons or motives that shape a person's internal feelings and guide decisions in particular ways, incorporates aspects of both constructivist and realist paradigms. These are discussed next, each in their own right, within the context of an understanding of interpretive social science that emphasizes developing an understanding of how the parts relate to the whole (or as in systems theory, how the sum of the parts is greater than the whole).

5.2.3.1 Constructivism

Constructivism holds that truth is a particular belief system in a particular context (Lincoln and Guba, 2000). Constructivism, like critical theory, inquires about the ideologies and values that lie behind a finding so that reality actually consists of multiple realities that people have in their minds (Healy and Perry, 2000).

Consequently, constructionists believe that social reality is based on people's own definitions of reality. A constructivist researcher must be a *passionate participant* in the reality being studied (Lincoln and Guba, 2000). The constructivist approach is rarely appropriate for the study of marketing management issues because the approach excludes concerns about the economic and technical dimensions (Hunt, 1991).

5.2.3.2 Realism

Realists believe that there is a real world to discover even though it is imperfectly apprehensible (Healy and Perry, 2000). This paradigm is more appropriate for most marketing research than the others, largely because this type of research searches toward an understanding of the common reality of an economic system where people operate independently.

For realists, perception is not reality as constructivists and critical theorists see it. Perception, for realists is a window into reality from which a picture of reality can be triangulated with other perceptions (Perry et al., 1998). Realism is distinguished from the very objective world of positivism and the very subjective world of critical theory and constructivism because of the belief that, although there is only one reality, several perceptions of that reality can be triangulated to obtain a picture of that reality. Healy

and Perry (2000) take this argument further by distinguishing intrinsic and instrumental case research. In an intrinsic case study, the case itself is the focus. In an instrumental case study, the case is being used to understand something else and the case study is the window into that reality which is beyond the perceptions being studied (Healy and Perry, 2000).

The realism paradigm best fits the objectives of this thesis which undertakes to study both observable and non-observable structures that underlie the phenomena studied (Tsoukas, 1989; Yin, 1994). The researcher is interested in both cause and effect relationships and the underlying causal tendencies evident from the data. The research tries to identify, describe and analyze the objectives of agricultural niche marketers when making strategic business decisions. The research aims at understanding the strategic forces that lead some agricultural managers to enter niche markets; how these firms engage in the process of managing the niche marketing experience; and how this experience is evaluated in the course of strategic planning by the firm

5.3 Justification of the Case Study Research Methodology

Having justified the adoption of the realism paradigm for this thesis, the following section will focus on the reasons for selecting the case study research methodology.

5.3.1 Social Science Research Methodologies

Five major research methodologies are generally considered in social science research: experiments, surveys, histories, archival analysis, and case studies (Yin, 1994). Any of these five may be used in exploratory, descriptive or explanatory research situations. The case study method is as relevant as the survey method for descriptive studies and as appropriate as the experimental method in the development of causal explanations. This statement is based on the logic that using the case study method, the researcher can explore the operational links among variables traced over time, rather than simply the frequency of an event.

Yin (1994) distinguishes among five methodologies as relevant research strategies by focusing on the importance of each of three conditions: the type of research question poses; the extent of control that an investigator has over actual events; and the degree of focus on contemporary events.

The objective of this thesis is to determine how and why niche marketers select niche marketing as an adaptive strategy and how this strategy is implemented at the firm level. The research will explore some of the potential causal relationships that might support these findings and attempt to determine the role of enhancing barriers to entry as factors in the strategic planning framework of small firms. With regard to the context of the firm's competitive environment and its strategic planning framework, there is also the question of how contingency planning is related to the strategic planning process, and ultimately, the effect of contingency planning on the firm's approach to niche marketing as a general competitive strategy.

Considering the propositions and the type of questions to be explored, it is apparent from **Table 5.2** that the case study, along with experimental and historical methods, is best suited to answer the *how* and *why* questions suggested by the study. These questions deal with operational links that are traced over time rather than simply counting the number of occurrences of an event.

Table 5.2: Research Strategies for Different Situations

Strategy	Form of Research Question	Requires Control Over Events	Contemporary Focus
Experiment	how, why	yes	yes
Survey	how many, how much who, what, where	no	yes
Archival	as for survey	no	yes/no
History	how, why	no	no
Case Study	how, why	no	yes

Source: Yin (1994, p6)

Whereas surveys and archival analysis may be chosen when what, who and where questions are the primary focus (because answers to these questions often require counting of some description as in how many or how much), this thesis builds on the literature and seeks to understand why and how agricultural firms adopt a niche marketing strategy.

5.3.2 The Case Study as a Research Method

The case study method is primarily an inductive approach to building knowledge where the goal is to derive general observations from the detailed analysis of specific cases. Sometimes regarded as a less rigorous way of doing social-science research, especially in comparison to experiments or surveys, the case study approach can yield insights not possible when using other methodologies alone. Consequently, a research design combining a case study component with other approaches (such as supporting interviews) can be rather powerful. Its value as a research tool is illustrated by the range of fields in which it has been applied, including anthropology, sociology, psychology, business, public policy assessment and planning.

According to Yin and Heald (1975), the central conundrum of the approach is that while each case provides insights into a specific situation, it can be difficult to draw generalizations. This difficulty can be overcome by adhering to two prescribed steps to aggregate information from separate cases (Huberman and Miles, 2002). First, a comprehensive assessment of the relevant literature is undertaken in order to situate the problem under investigation. Second, specific cases are selected with reference to pre-determined criteria, the most important of which is that the cases chosen allow for theoretically-informed constructs to be tested.

Comparing the five major research strategies for social science research, it is suggested that the case study method is appropriate for this research. Among other characteristics evident in this discussion, case studies (unlike experiments) do not require control over behavioural events and (unlike histories) do focus on contemporary events or on the linkages between contemporary and historical events. Yin (1992) points out that the methodologies are not mutually exclusive, but that the case study is most useful when

questions are being asked about contemporary events over which the researcher has little or no control. Histories do not focus on contemporary events and, although experiments may focus on contemporary events, they require control over behaviour as a means of isolating causal relationships between the dependent and independent variables. This thesis examines the strategic planning process in a contemporary context in which the influence of the decision maker (an internally defined variable), and external environmental effects, are considered holistically and not in isolation from the context of the decision.

This discussion has highlighted the adaptability of the case study method and its potential applicability to this study. Before developing this argument further, a more complete discussion of the case study as a research methodology follows.

5.3.2.1 Criteria for Determining the Suitability of Case Study Research Methodology

There are four major reasons for using the case study as a research methodology (Perry et al., 1998). In the early stages of theory development, qualitative research methods such as case studies address theory building rather than theory testing (Huberman and Miles, 2002). Theory is built in case study and related qualitative work by looking for similarities, and making comparisons within the collected data (Neuman, 1994; Huberman and Miles, 2002).

5.3.3 Research Case Study Definition and Characteristics

Lombard (1968, p. 246) states that:

The research case has two parts, often but not always editorially separate. The first is descriptive of the total observed situation or some carefully specified aspect of the total situation...The second is simply analytical and diagnostic of the forces operating in the situation.

Lombard also notes that the focus of a research case is on the forces at work in the present. The historical linkages that form the connection between the decision to adopt a niche marketing strategy and the actual observed current situation, is the prime concern of the data analysis portion of the thesis, and again speaks to the relevance of the case study method. Eisenhardt (1989) states that the case study is a research strategy that focuses on understanding the dynamics of the present within single unit settings but can also consider multiple levels of analysis within a single study.

Yin (2003) elaborates on this concept by defining a case study as an empirical investigation that considers a contemporary phenomenon within its real-life context, when the boundaries between the phenomenon and the context are not clearly evident. de Weerd-Nederhof (2001) reflects on Yin (1989) as a *technical definition* adding that the use of multiple sources of evidence is also a distinguishing feature. de Weerd-Nederhof (2001) goes on to point out that Yin and Eisenhardt (1989) agree that case studies can be used to provide description, and to generate or test either exploratory or explanatory theory. According to de Weerd-Nederhof (2001), both authors (Eisenhardt, 1989 and Yin, 1994) stress that case studies can involve both qualitative and quantitative data and that the combination of data types can be highly synergistic. The notion of synergy in this context is based on the description by Mintzberg (1979) who noted that while systematic data create the foundation for our theories, it is the anecdotal data that enables us to do the theory building

This enhanced definition of the research case further distinguishes the case study from other research methods. Experimental methods control the context (external micro and macro environment), while surveys investigate the context but to an extent limited by the number of variables to be analyzed. As discussed above, in using the survey method, the researcher is limited by the number of questions that can be asked, which is not a limitation with the case study.

Another advantage of the case study method is that it may utilize both quantitative and qualitative data. Multiple data sources are accessed in order to achieve convergence of data. The researcher draws on six sources for evidence: documents (proposals, business plans, and external reports), archival records (budgets, calendars), interviews (open-ended, focused), direct observations, participant-observations, and physical artefacts.

5.3.4 Research Applications

There are at least five different applications for case studies in evaluative research (Yin 2003). The most important application explains the causal links in real-life interventions that are too complex for survey measures. A second application describes an intervention and the real-life context in which it occurred. The third explores situations in which the particular intervention has no clear single set of outcomes. A fourth develops an illustrative case that is descriptive in nature, and lastly, a fifth use of the case study approach is in terms of a meta-evaluation – a study of a study.

Two of these applications are relevant for this study. The first describes the real-life context in which an intervention (circumstances, either externally or internally generated, that led to the occurrence of the phenomenon being observed) had occurred. The field work portion of this thesis collected data concerning the characteristics of the strategic planning process of niche marketers at the time of adaptive change (adoption of a niche marketing strategy).

A second application of the case study that is relevant here is to explain the causal links in the real-life adoption of a niche market strategy at the firm level. This study chronicles the strategic planning process of the niche marketer from the time of making the decision to adopt the new strategy through subsequent production cycles, highlighting key decision areas of the planning process throughout the period of adaptive change. The decision to adopt a niche marketing strategy (the phenomenon) is bound closely to the context in that key changes in the internal and external environment of the firm (e.g. the market place, or institutional influences) coincide with decisions that collectively engender the change in strategic direction. Where the decision to adopt a niche strategy occurs at relatively the same time as an environmental change, the question of causality becomes fundamentally a contextual one. That is, was the decision to adopt a niche marketing strategy driven by a change in external environmental factors or were these events incidental to the more important ongoing internal circumstances?

Walton (1972) suggests that one of the potential advantages of the case study over other research methodologies is that in an environment of adaptive change, the role of the

decision maker's personal style can be taken into account. Because the case study can explicitly include descriptive material about the people who were central to the change process, the role of the decision maker can be better appreciated. The analysis of the case studies presented in this thesis will include a discussion of the role of the decision maker's personal and management style as a contextual element within which the decision is undertaken. Internal factors were considered because of their role in determining the strength and direction of the business's reaction to external stimuli. Specifically, the question is: To what extent is the decision to adopt a niche-marketing strategy contingent on external environmental changes, and/or on forces internal to the business?

5.3.5 Selection of Research Methodology

The case study method has been compared to other research methods in terms of its strengths in certain situations. These strengths fit the requirements of the research problem and the characteristics of the data available.

The case study is a research methodology that is flexible but comprehensive, and provides a mechanism for the researcher to cope with technically distinctive situations. Niche marketers tend to be unique in aspects of their production, marketing and management. The researcher can draw on several sources for evidence including documents, archival records and personal comments, and may use a variety of methods to obtain this information such as personal interviews and document searches.

It is important to note that the case study method is used when the researcher wishes to include context in the study of the phenomenon, and because phenomena (such as the decision to adopt a niche marketing strategy) and context (such as the personal and business goals of the owner) are often hard to distinguish in real-life situations. In these instances, the case study method of enquiry is selected for its ability to cope with a distinctive situation in which there will be many variables of interest (elements of the strategic planning process) available to the researcher with few data points (case studies containing each element of the planning process from single source types). For example, there are several aspects of writing a business plan that might indicate strategic planning

has taken place. However, each niche marketer may not provide a formal or even an informal business plan, but may provide other evidence of strategic planning behaviour. The result is a design that accesses multiple data sources and relies on the prior development of theoretical propositions to guide data acquisition and analysis. This last point clearly distinguishes the case study method from the type of qualitative research that follows the ethnographic method, which involves long periods of observation (Marshall et al., 1989), and attempts to avoid *a priori* commitment to any theoretical model. The ethnographic form may be regarded as a variation within the case study method and is used as a means to develop propositions for testing.

The strategic planning process of agricultural niche marketers has been characterized in the literature as being closely correlated with changes in the firm's micro- and macro-environment. However, the causal links in this relationship have not been well defined. The case study method has been demonstrated to be particularly relevant when the context is important to the study of the phenomenon. Furthermore, as Lombard (1968) pointed out, the focus of the research case is on forces at work in a contemporary context. The appropriateness of the case study method is reaffirmed by the nature of the research problem which has been determined to be a contemporary strategic response to a long existing problem.

Also, descriptive materials (such as management styles or personal goals) about people who are central to the adaptive process are included more directly into analysis using the case study method. This is a key issue in the study of the behaviour of niche marketers, and as such is an important reason for choosing the case study approach.

5.4 Special Considerations of the Research Problem

Niche marketing has been described as a survival strategy, a defensive strategy and an adaptive strategy. Agricultural niche marketers seek out opportunities that will, in the face of rising per unit costs and stable or falling product prices, maintain profit levels. The objective of selecting a niche marketing strategy presumably is to achieve this result without resorting to the adoption of traditional avenues of profit maximization

such as increasing firm size or scale; adopting new cost-saving technology; or increasing the purchase of costly income stimulating inputs. Under the conceptual framework developed by Bryant and Johnston (1992), the decision to adopt a niche marketing strategy would be considered an adaptive change.

A niche strategy is characterized by a tendency to be specific as to site (global or local), to concentrate on a unique product (while maintaining a strong customer orientation) and to specialize in terms of target market. The predisposition of a niche marketer to be somewhat unique constitutes an *a priori* argument for a research methodology that can cope with a technically distinctive situation. Yin (2003) develops the argument that it is precisely in these situations that the case study as a research strategy can yield the greatest benefit. The case study method can be used to both develop and to test hypotheses. Even in the development of hypotheses, there is a benefit from an initial formulation of research questions or the development of research propositions (Mintzberg, 1979; Gersick, 1988; Eisenhardt, 1989; Miles and Huberman, 1994) which for this thesis, were developed in Chapter Four.

Multiple sources of evidence were apparent at the outset of data collection and this, along with the character of the research propositions and other properties of the data, contributed to the design strategy and finally selection of the case study as a research strategy. With this in mind, the following review of the possible research approaches is presented as an introduction to a more detailed discussion of the case study method and the specific reasons for selecting this methodology.

5.5 Operational Considerations in Research Design

A research design is the logic that links the data (and conclusions) to the initial proposition. It is the framework for conducting the research project (Malhotra, 1993). Case study analysis, like other forms of social science research, must satisfy the requirements of research design. The design must provide for construct validity, internal validity, external validity, and reliability. Each of these tests is met in the following manner.

Construct validity relates to understanding the factors that underlie the measured result. It involves knowing how well and why a given measure works (how well selected measures reflect the specific changes in variables chosen), and therefore requires a sound theory of the nature of the concepts being measured (Tull and Hawkins, 1993). Establishing correct operational measures for the concepts being studied increases construct validity.

For each case study chosen construct validity was addressed by utilizing multiple sources of evidence, establishing a chain of evidence, and by obtaining feedback from the principal decision makers. Multiple sources of evidence for this study included:

- Case-participant interview data
- Case study participant observation
- Interview data from additional interviewees
- New Zealand and Canadian government archives
- Industry strategic planning documents
- Industry marketing data and documents
- Sales and marketing data from unpublished conference papers
- Business plans (three case participants)
- Case study production records verified through interviewee corroboration
- Third party verification of case participants comments

The primary New Zealand and Canadian cases examine the characteristics of the strategic planning process in order to assess the extent to which a decision making process was utilized within the firm, and whether the firm used this process to develop a niche marketing strategy. Information was obtained from several data sources. Evidence from in-depth interviews and archival records was used for establishing convergent lines of inquiry. This technique is based on the assumption that each finding or conclusion pertaining to a proposition that is derived from more than one source of information (data triangulation) is likely to be more convincing. This thesis utilizes many sources of information in the development of each single case study.

Internal validity is concerned with the appropriateness of the measuring instrument for the purpose of establishing causal relationships, and is therefore more of a concern for explanatory studies than for descriptive ones. Internal validity for case study research involves assessing the representativeness of the cases in term of the strategic management propositions and the adequacy of the data for making inferences. In order to increase internal validity, each case was structured along chronological lines. The chronology permits the researcher to cover many different types of variables. Actual decision making variables were then compared with respect to their occurrence (order of occurrence, context of their occurrence, consistency across cases, and causal inferences).

External validity establishes the domain to which the study's findings can be generalized. A single-case study, like a single experiment, is generalizable to theoretical propositions, but not to populations (as are surveys). Therefore, the primary case studies were chosen for their potential for theory building. The other cases were chosen to determine if the results obtained from analysis of the primary case can be replicated. According to Greene and David (1984), generalizing from a sample of cases can be justified but only to the extent the relative characteristics of the sample are representative of the same characteristics in the population. Therefore, the way in which cases are selected is critical to the ultimate utility of the multiple case study design approach (Greene and David, 1984, p. 76).

The goal is to obtain a set of cases which, taken together, contain variation on key explanatory factors representative of their variation in the target population. The selection of primary and secondary cases is discussed in sections **5.5.1 Case Study Design Selection** and **5.7.1 Grower Case Study Protocol**. The goal of the case study selection process was to compare explanatory factors for the key decision variables as a case study group that represented the issues and decisions facing the target population of blackcurrant producers in New Zealand and Canada.

Establishing the predictive ability of the primary case (one from New Zealand and one from Canada) was based on the logic underlying the use of multiple case studies. Each case study was analyzed to determine the key decisions undertaken that relate to the development of a niche marketing strategy. These results are compared to the

propositions developed from the literature review. The data is analyzed to determine the extent of literal replication (prediction of similar results across case studies) and theoretical replication (different results for predictable reasons).

Reliability requires that the case study, like the experiment, be repeated and yield the same results. The objective is to minimize bias and error in the analysis of the case study. To ensure that the study results are as reliable as possible, procedures used in gathering data for the case study were carefully documented.

The tactics applied to satisfy each of the conditions of construct validity, internal and external validity, and reliability are summarized in **Table 5.3**.

Table 5.3: Tactic Applied to Case Study Design and Data Collection

Test	Tactic Applied	Phase
Construct validity	<ul style="list-style-type: none"> • Used multiple sources of evidence • Established chain of evidence 	<ul style="list-style-type: none"> • Data collection • Data collection
Internal validity	<ul style="list-style-type: none"> • Data collected in time series • Simple pattern matching • Explanation building 	<ul style="list-style-type: none"> • Data collection • Data analysis • Data analysis
External validity	<ul style="list-style-type: none"> • Used replication logic 	<ul style="list-style-type: none"> • Research design
Reliability	<ul style="list-style-type: none"> • Used case study protocol 	<ul style="list-style-type: none"> • Data collection

Source: Adapted From Yin 1994

5.5.1 Case Study Design Selection

Yin (2003) recognizes four major types of case study designs. The researcher may choose a single or multiple case designs, each with either a single unit of analysis (holistic) or multiple units of analysis (embedded). The multiple case holistic case study design was chosen for the purpose of assessing the propositions relating to the decision making approach of individual firms at the grower level of the blackcurrant value chain.

The blackcurrant industries in New Zealand and in Alberta, Canada form the context within which growers operate and strategic decisions are formulated and acted upon.

The blackcurrant sector is illustrative of the development of the niche market over the fifty or so years of blackcurrant production in New Zealand, and the approximately twenty years of commercial blackcurrant production in Canada. Yin (2003) states that the research case can be used to determine whether a theory's propositions are correct or whether some alternative set of explanations might be more relevant. The literature on niche marketing was reviewed and evaluated and propositions developed before applying this logic to a multiple case design for growers. Supporting interviews with processors and intermediaries in New Zealand and Canada were used for purposes of triangulation of the data.

The rise of the blackcurrant industry in New Zealand was a relatively recent occurrence. Many of the industry founders and initial participants either remain in the industry or at least remain accessible. An examination of the industry using both a longitudinal as well as cross sectional approach provided sufficient detail-rich data to be able to critically reflect on the propositions developed from the literature. The Canadian blackcurrant industry is essentially an infant industry at the onset of market development.

The multiple case design adopted for this thesis rests on the rationale that each of the primary cases is treated as it would be in a single case design. Subsequently, additional cases are analyzed using replication logic. Each country is considered separately for this phase of the study. Additional cases are analyzed to determine if they either yield similar results (literal replication), or produce contrasting results but for predictable reasons (theoretical replication). New Zealand cases are compared to the primary New Zealand case and Canadian cases are similarly analyzed with respect to the primary Canadian case. Between-country cross-case analysis was then undertaken.

Each case is analogous to a single experiment. In a particular case, the niche marketing decision was considered with respect to the strategic plan of the overall business. The primary cases were selected on the basis of meeting two of three conditions as delineated by Yin (2003). First, they represent critical cases for testing a well-formulated theory. Where the theory has specified a clear set of propositions and the circumstances within which the propositions are predicted to be true, the case may be used to test the propositions based on the theory. In this way, the theory may be confirmed, challenged, or extended.

The second condition is that the case may be particularly revealing in that it stands out in its capacity to illustrate the major key decision areas in a niche marketing strategy. The phenomenon need not be particularly rare or unique, but simply unstudied. In this instance, there are a number of emerging agricultural niche marketers, but the niche marketing experience in general, and in particular with respect to strategic planning, has not been studied in detail.

The third condition, the case that is unique or extreme, applied to some aspects of individual case selection of growers and processors. There are growers in New Zealand, for example, that have achieved international placement in terms of acreage and product quality.

Each of the primary cases was chosen for several reasons and each was revealing in nature because it is a particularly good example of an agricultural niche marketer. Each of the firms has developed and marketed products that satisfy the majority of Shani and Chalasani's (1991) requirements for an ideal niche. Data were available for each phase of the strategic planning process and reflected decisions regarding the adaptive aspects of both production and marketing decisions. The data were gathered from a variety of accessible sources. Evidence was synthesized from personal interviews, internal documents, archival records, and direct participant observation. Follow-up interviews were conducted with primary case participants and one interviewee in each country. The purpose of this strategy was to maintain current understanding of strategic planning of case participants in the context of the developments within the blackcurrant sector. This was done as a benchmark to ensure that the context of the decision making activity was maintained throughout and that major sectoral developments were not overlooked or misinterpreted in individual case interviews over the interview period.

Each case in this study is unique in a number of other important aspects. The participants were articulate, cooperative, knowledgeable, and capable of providing insightful comment to open-ended questions. Each case could also be considered critical in that, because of the richness in detail, each provides an opportunity to confirm, extend, or challenge the propositions developed earlier from the literature.

After the two primary cases, additional cases were selected with a view to drawing cross-case conclusions with respect to literal and theoretical replication. The analysis of

these additional cases contributed to testing of the propositions and verification of results obtained from analysis of the primary cases. Secondary cases were also selected to reflect the composition of the sector at the grower level of the value chain. Growers were selected on the basis of size but not just by volume of production or hectares of blackcurrants, but size in terms of overall firm size measured in hectares. The selection is based on the assumption that smaller firms will have fewer resources (production, financial, human resource, marketing) and that this may affect flexibility in market choice. Secondary case choices for each category were based on a list of possible case study contacts provided by an industry third party; a research scientist and supporting interview participant. Secondary cases were subject to the same analysis procedures and protocol as the primary cases. However, it was recognized that the data gathered from secondary cases may not be as rich in detail, exhibit the same depth or variety of evidence or illustrate all of the aspects of an established chain of evidence.

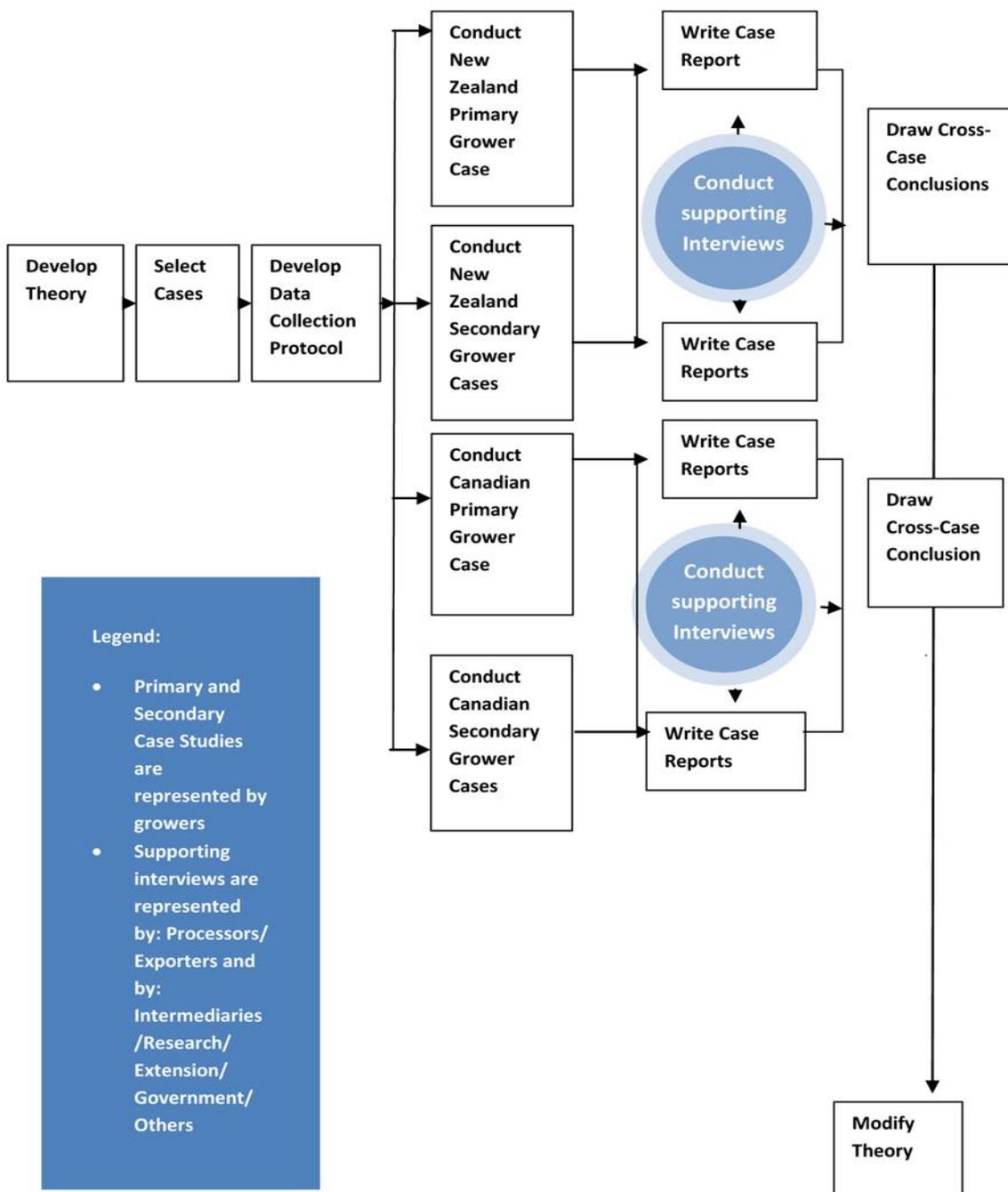
5.6 General Design Strategy and Accumulation of Evidence

The case study method was selected as the means to evaluate the propositions developed in Chapter Four from a review of the literature. The primary unit of analysis of the individual firm (grower) case study is the strategic planning process. Statements of activities related to the propositions were developed based on the nature of this process as exemplified by the individual firm. The results of the case study analysis were evaluated in relation to the strategy for selecting a niche market that was reflected in the literature. Activities related to the decision making process were chosen to reflect the major areas of interaction between the key decision areas of the business, and the strategy of selecting, maintaining and evaluating a niche market strategy.

5.6.1 Design Strategy for Collection of Evidence from Case Study Participants Associated with the Blackcurrant Industries in New Zealand and Alberta, Canada

The propositions shaped the data collection plan and influenced the selection of the related activities and the specific analytical strategies. The primary cases were analyzed and the propositions were reassessed in light of this analysis. Additional fieldwork was then undertaken. **Figure 5.1** illustrates this relationship.

Figure 5.1 Case Study Design



5.6.2 Justification for the Number of Cases and Supporting Interviews Chosen

Healey and Perry (2000) point out that there are no precise guides to the number of cases that are required, however, there are various suggestions in the literature. Eisenhardt (1989) suggests between four and ten cases and recommends that cases should be added until *theoretical saturation* is reached. Hedges (1985) sets an upper limit of twelve, with four to six being a reasonable minimum. Miles and Huberman (1994) suggest that fifteen cases makes the study unwieldy and Perry (1998), assessing all of the above, states a maximum range at between two and fifteen, with an accepted range more along the lines of four to ten case studies. Perry (1998) goes on to assert that a PhD requires about thirty-five to fifty interviews (Perry, 1998 p.794).

A total of eleven case studies were completed for this thesis. Over the four years of the study, thirty-eight, in-depth, on-site interviews were conducted for the selected case studies. In addition, on-site interviews were also conducted with members of the blackcurrant industry value chain in an effort to add context and provide opportunities for data triangulation. In all, fourteen additional on-site in-depth interviews were conducted with processors, government researchers, extension agents and others in Canada and New Zealand.

According to Yin (2003), when using a multiple-case design the researcher will encounter a question with regard to the number of cases deemed necessary or sufficient for study. For the number of theoretical replications, an important consideration is the evidence of convergence of explanation. The blackcurrant sector was chosen for reasons noted in **Sections 4.5.2 and 5.5.1**. This allowed the researcher to maintain a narrower but more in-depth account of the decision making process. Also, limiting the number of variables (selected activities) to be studied enabled the researcher to generate greater depth of understanding of the decision to enter a niche market. These factors contributed to the decision to limit the number of cases. As the secondary cases were added to the analysis, patterns emerged and lines of explanation converged. Cases were added to what Guba and Lincoln (1994) refer to as the *point of redundancy*. Explanations with regard to the strategic planning process of the study group became clear. The ability to arrange decision events in chronological order contributed to the explanation building process.

5.6.3 Specific Analytical Strategies

The principal analytical strategy used was pattern-matching, an approach for determining the correspondence between theoretical propositions and observations collected from the data. For each major component of an evaluation (e.g. the decision making process) there are theoretical and observed patterns. The degree of correspondence between the theoretical pattern and the observed pattern constitutes the pattern match. Based on earlier work by Campbell (1975) and Marquart (1989), Miles and Huberman (1994) identify a set of decision rules that assist in determining the match between the observed and expected pattern. The pattern is matched if:

- The majority of the key predictor variables are the same
- The most immediate predictor variables (those closest to the outcome) are the same (and in the same sequence for explanation building)
- The common predictors have similar ratings
- The outcome argument is the same, and the narrative confirms the similarity of the outcomes derived from the predictor variables (all of which apply to establishing a case for literal replication)

Also, as noted by Miles and Huberman (1994), theoretical replication may be established where the outcome themes are different for predicted reasons. The objective for this aspect of the study was to compare the observed planning practices of the case study participants with those expected (based on the literature) as reflected in the propositions. The variables identified in the strategic planning model are the related activities, which were derived from the case study analysis and reflected in the propositions. Ratings for the related activities areas are based on the degree of commitment (strong, moderate or weak) of the management to the elements of the strategic planning process. Related activities were identified and the expected pattern of decision-making activity was compared to the actual patterns of decision-making activity for the primary and the secondary cases.

These decision rules were applied to the analysis in order to determine whether a pattern-match had occurred between the case participants' strategic planning actions,

and those actions expected based on the literature. Results of the pattern-matching analysis are presented in Chapter Six.

Explanation-building, as described by Miles and Huberman (1994), is an extension of pattern-matching where the case is analyzed for patterns that build an explanation about the case. The procedure is mainly relevant to the explanatory aspect of case studies (Yin, 2003). That is, the patterns are assessed for causal links that may be used to develop theoretical constructs. The credibility of a claim that an explanatory pattern is generalizable rests on the validity of the cases chosen. Greene and David (1984) state that offering concrete examples such as quotations that demonstrate heterogeneity among respondents, tend to allay concerns regarding two threats to validity: failure to check out alternative explanation patterns and failure to achieve representative heterogeneity in the population.

To demonstrate validity in this analysis, quotations supporting explanations have been provided and a variety of sources were used where possible. Also, a summary of the backgrounds of individuals who were interviewed is included (generalized to preserve anonymity) in order to provide the context within which decision-making was analyzed.

The case study as a research strategy is uniquely suited to the development of explanatory patterns (Green and David, 1984). Employing the multiple-case design, the researcher seeks to generalize about the range of applicability of explanatory patterns (rather than about the relationship between variables). At the individual case level, this process involves evaluating the applicability of explanatory patterns to the case as a whole, i.e. the consistency of explanation of observed patterns in the decision making processes of individual blackcurrant growers. At the level of cross-case analysis, the process involves testing the extent to which explanatory patterns apply to the set of cases as a whole.

The process of generalizing to theory began with the identification of patterns that are associated with a theme. An explanation of the theme was then advanced. In cross-case analysis, like patterns from other cases are referenced; the analysis is summarized; and an explanation for the resultant pattern matching is developed. The development of a theoretical construct is the vehicle for comparing the explanation with the pattern

expected, confirming the conceptual model's propriety. In theory, situations where the model and the explanation do not coincide provide the foundation for the development of an alternative explanation and subsequently for an adjustment of the model, Theoretical constructs are developed and explanation building is undertaken in Chapter Six.

5.7 Case Study Protocol

The protocol establishes the field procedures used for the study. This includes delineating the criteria for participant selection; the proposed method for data collection; the types of data to be collected; and procedures to ensure data reliability.

5.7.1 Grower and Processor Case Research Protocol

Case study participants were selected on the basis of several criteria. The first step in the case study protocol was to choose potential candidates for analysis. A list of the names of potential case study candidates was developed through a detailed study of the blackcurrant industry in New Zealand and in Canada. Discussions with government and industry production and marketing research specialists and government extension personnel also proved to be a source of potential case participants. The names on the initial list also satisfied Balderson's (1994) definition of a small business:

- The firm is independent,
- The owner makes the major decisions,
- The business employs fewer than 100 people, and
- The business is not able to secure required financing by selling shares publicly.

From this list of agriculturally focused small businesses, a selection was made based on those businesses satisfying the requirements of a niche marketer:

- The business targets a special market segment

- The segment targeted should possess the majority of the criteria for an ideal niche described by Shani and Chalasani's (1991) The niche is large enough to be profitable, has growth potential, is of negligible interest to the firm's competitors, and provides some source of entry barriers to competitors
- The business has sufficient resources to exploit the niche

The second step consisted of a series of preliminary interviews conducted in order to discuss the purpose of the study with potential participants. These meetings were also designed to solicit feedback regarding the respondents' willingness to participate (e.g. release personal and company related information concerning goals, objectives, financing and marketing), and to determine the appropriateness of the case for the study (i.e. that it fell within the bounds of the above criteria). A willingness of the potential case study participant to provide personal and company information was an important issue in the selection process. Evaluation on this particular criterion was continuous and ongoing, rather than linear or sequential.

The primary New Zealand and Canadian cases were selected at this stage. They were chosen as the primary cases because they met the criteria for an agricultural small business niche marketer; there was evidence of long-term goal orientation which was consistent with the first level of strategic planning; and there was an extensive, documented history to draw on. Therefore, it was determined after the initial set of interviews that these cases contained the information required to compare the strategic planning process with that expected based on the literature.

5.7.1.1 Non-verbal Cues

It was noted that the case study protocol establishes the field procedures to be used in gathering data. Yin (2003) refers to the importance of establishing a case study protocol in terms of the ability of the researcher to ensure reliability. Specifically, making as many steps as operational as possible and providing documentation, at each step, increase reliability. Data were collected in case study interviews using hand written

notes in response to interview questions. Supplementary materials, such as written business plans, were utilized when available.

The interview technique of noting non-verbal cues in the form of the actions of the interviewee and by observation of the work place complemented note taking in the overall interview process. The act of noting non-verbal cues is an aspect of the overall interview process that Steiner (1978) called listening to the *inner voice* as opposed to the outer, public voice. Seidman, (2006) referred to the act of being sensitive to the participants non-verbal cues as a type of active listening.

Body language is one form of non-verbal which has been thoroughly researched. According to Kurein (2010) non-verbal communication includes gestures, postures, eye contact facial expression, and handshakes and communicates aspects of emotions, attitude, and feelings. Body language works involuntarily and unconsciously.

Nonverbal cues were used as a guide to the interview process. For example a gesture that re-enforced the verbal answer to a question would indicate that the interviewer might be able to move on to another question or line of enquiry, otherwise the question might be rephrased or pursued indirectly to ensure that the participant had ample opportunity to discuss the point fully.

For example:

When Case 6 interviewee stated:

We had a head start (because we were) coming from the vegetable business we knew the importance of good (timely) management. You won't succeed in this business with a farming mentality—you can't be that laid back and make money in blackcurrants.

The participant leaned forward, made eye contact and gestured with open hands emphasising the point that operators with a commodity farming mentality would not be successful growing a high management crop like blackcurrants. Kurein (2010) suggests that gestures such as leaning forward and making eye contact demonstrate interest in the discussion while open hands are used to emphasise the importance of the point of view of the participant.

and case 11 interviewee stated

Growers are too busy with other things...need to create the value chain with someone else {to handle sales} or just sell the fruit to the corporation {currant processor}.

When commenting on how busy growers were, the participant gestured with a palms out motion indicating that the interviewee was emphatic on this point. Because of this, the next interview question was related to how the manager proposed accessing marketing resources for the firm.

To ensure reliability, these notes and assessments were revisited in later interviews but the issue was not addressed again in the same interview. The gestures were used to indicate closure to a line of questioning and also as a means to assess the commitment to the answer (hence reliability of the statement).

5.7.1.2 Establishing Reliability within the Case Study Protocol

Procedures were established to ensure reliability. To ensure that the case study, like the experiment, could be repeated with the same results, consistent procedures were established for gathering data. Case study interviews were conducted by a team of two; the principal investigator was charged with conducting the interview and recording responses. A second member of the team took detailed notes. A data collection protocol consisting of an interviewer and a note taker was implemented for a number of reasons. First, it was determined during the pilot interview phase that many potential case participants felt more comfortable discussing their business in person (rather than over the telephone), at least in the initial phases of the investigation, and almost always preferred face-to-face interviews over a protocol that included electronic recording. The principal investigator asked all of the questions and took notes while the second team member recorded detailed notes. Non-verbal cues were used to guide the interview process. For example, follow-up questions concerning a particular strategic decision might not be pursued when the case study participant displayed non-verbal cues reinforcing certainty of the decision and the reasons for it during the initial inquiry.

All case studies were conducted by the same interviewer. This is considered the optimal data collection protocol to ensure comparability of data across cases as stated by Green and David (1984). Also, according to Perry (1998), it becomes another form of triangulation, along with assembling as many relevant documents as possible.

Analysis of the primary cases consisted of a study of the patterns of managerial activities and a comparison of these patterns with the predicted pattern (steps in the strategic planning process). For each of the primary cases, a cross-case analysis was undertaken after a thorough analysis of the primary case was completed.

Selection of the other cases was made on the basis of meeting the criteria to be considered a small business niche marketer, and, for the diversity of the background of the manager, the type of business and the competitive environment of the business.

Heterogeneity of the information sources was important for ensuring that validity was maintained. Green and David (1984) found that this also increased the ability to generalize from the study findings. Comparison cases were selected for their contribution to the heterogeneity of the multiple case participant pool. Comparison cases were not required to be as rich in the detail for each step of the strategic planning process as the primary case, but were selected because they provided some information for each stage and appeared to possess a long-term goal orientation. Selection criteria for secondary cases also included the requirement of size of operation discussed in section **6.5.1**.

The third step comprised a series of interviews with the case study participants. Follow-up visits reviewed previously collected information to ensure accuracy and completeness, to clarify questions arising out of previous meetings and to collect new data. All case participants received at least two on-site visits. Some data gathering did not require personal visits. In such cases, telephone calls were used, usually for clarification of information.

After each visit, field notes were rewritten verbatim. These notes were then framed into sentences and paragraphs and organized into sections of related topical information.

Data from each meeting were handled in the same manner, and copies of the field notes were forwarded to case participants for review. A follow-up telephone call some time later served to set out the agenda for the next meeting.

Corrections were made to the text based on the review by the participant. These corrections included clarification of action taken; reasons for this action; and consequences both anticipated and actual. Participants also checked on the accuracy of dates recorded, the sequence of events, names, financial information and technical information such as plant varieties. This material was reviewed at the next subsequent meeting. New information was gathered according to the agenda set out for the meeting, and the session ended with a brief review of notes gathered at the session and clarification or extension of areas covered in the interview.

When new areas were uncovered, an exploratory session would be used to determine the extent to which the new information was relevant and to what extent the participant felt comfortable in discussing the area in depth. These matters then became part of the follow up review for the next meeting.

The final step included a review of materials by case participants and grant release of information for research purposes. The number of interviews varied according to the corrections required, the amount of new information arising from each interview, the success of telephone interviews and the complexity of the niche marketing experience. To promote reliability a check list was established (suggested by Miles and Huberman, 1994) that included the following items:

- Prior to each case study interview, the interviewer met with the note taker to ensure that the research questions were clear.
- There was an effort to ensure that data were collected across the full range of appropriate respondents, times, and settings
- The interviewer conducted the coding

5.8 Interview Objectives

The focused interview technique was employed. Merton et al. (1956) sets out the distinguishing characteristics of the focused interview as follows: first, the persons interviewed are known to have been involved in a particular situation. Second, the hypothetically significant elements of the situation have been provisionally analyzed and a set of propositions developed. Third, an interview guide is developed, and fourth, the interview is focused on the experiences of the persons involved in the pre-analyzed situation. The case study participants interviewed for this thesis were all involved in the decision to adopt a niche marketing strategy. A review of the relevant literature led to the development of three propositions relating to the adoption of a niche marketing strategy. An interview guide was developed by the primary investigator to ascertain their motivation (answer how and why questions relating to the decision to adopt a niche marketing strategy).

Figure 5.2 provides an insight into the objectives of the case study interview process. Interviews began with unstructured questions. This format is particularly appropriate in the early stages of the interview (Merton et al., 1956) allowing the case study participant to set the context of the interview. An example of the introductory statement is, "Please tell me about your farm." This could be followed by or replaced with an unstructured question such as, "What is the history of your operation?" or, "When (or Why) did you decide to come here?" The interview was focused only when required, through the use of transition questions. In this case, the interviewer would focus the discussion either to elicit an explanation of the topic being discussed, to seek more in-depth commentary on an earlier discussion point, or to move to another aspect of the decision making situation. Semi-structured questions such as, "Why did you decide on a particular course of action at that time?" were used when the primary investigator wished to focus the interview on a particular aspect of the decision making process. A flexibility in the interview process is an important tenet of the semi-structured, focused interview (Merton et al., 1956).

Each interview was from two to four hours in duration as this often included a tour of the production facility. The objective of the interview and the parameters of the case study were discussed at the outset of each session. The subjects being interviewed

determined the number of participants at the interview. The interviews generally occurred at the case study's place of business, which was usually the family farm. Participants were informed that a copy of the case notes would be provided to the case study participants for review and that the participants' information would not be used without their review and consent. The role of each of the case participants was clarified. In each interview, the participants were decision makers (either strategic or operational) and were an integral part of the overall management of the firm. The objectives outlined in **Figure 5.2** guided the interview, although the interview process was mainly structured to elicit a discussion of the major decisions facing the participants as they occurred on a chronological basis. The interview objectives in Figure 5.2 provide a template around which the case study interview was structured. A sample set of cases study notes is also provided in Appendix B.

Coding, which is essentially attaching meaningful labels to chunks of data, was done by hand. A preliminary process of developing categories which became related activities was followed up by pattern coding, making connections between data items and, where required, forming new categories. The important categories were continually reviewed and a process of making connections and among categories performed. The opportunity to use different sources of evidence, as outlined in **Section 5.5**, assisted in the corroboration of evidence and development of convergent lines of enquiry. Triangulation was assisted in some cases through access to participant's business plan and in other cases through verification of data from third parties such as the interviewees (A through G).

Figure 5.2 Interview Objectives and Case Study Context

Interview Objectives	Context and <i>Propositions</i>
1. Determine business overview	Develop case in chronological order
2. Find out about a particular strategic decision made	At some point in the narrative a participant mentions an interesting decision taken (production, management, financial) <i>Proposition One</i> and <i>Two</i>
2a. What was the decision?	
2b. Who was involved in the process?	Individuals and their roles in the firm <i>Proposition One</i> and <i>Two</i>
2c. Why was the decision made?	Timing, strategic considerations, <i>Proposition One</i> and <i>Two</i>
2d. Who made the final decision?	Roles and management implications <i>Proposition One</i> and <i>Two</i>
2e. What was the immediate impact on the business?	<i>Proposition One</i> and <i>Two</i>
2f. What does the participant believe was the long term impact of the decision?	<i>Proposition Three</i>
3a. What are the strengths of this business?	Understand the firm's distinctive competencies:
3b. What are the weaknesses? Discuss natural and management.	- Is the firm capable of entering the market <i>Proposition One</i> - Can the firm sustain a competitive edge <i>Proposition Two</i> - Can the firm maintain profitability <i>Proposition Three</i>
4. What is the basis of interest in this market?	Reason for beginning a new enterprise -managerial aspects of the decision
4a. Recognition of characteristics of a niche market	<i>Proposition One</i> Recognizing niche market <i>Proposition One</i>
<ul style="list-style-type: none"> • Competitive situation • Profitability & market potential • Entry barriers 	
5. What is the participant's impression of the new enterprise compared to what it had been doing until then?	Impression of the niche product in terms of production and management <i>Proposition Two</i> and <i>Three</i> Overall evaluation of this decision <i>Proposition Two</i> and <i>Three</i>
6. Determine the long term commitment to the niche venture	What is the basis of the commitment; production, financial, organizational? <i>Proposition One</i> Assessment of production flexibility <i>Proposition Two</i>
7. What are the distribution channels?	Some channels carry greater risk than others in terms of certainty, price and commitment from the actors along the value chain. <i>Proposition Two</i>
8. What did you think of the market when you started? – Is it the same now?	Is there awareness of the characteristics of niche market (Shani and Chalasani, 1992; Kotler, 2003)? <i>Proposition One, Two</i> and <i>Three</i>
9. What do you think of the profit potential of this business?	Assessment of risk and flexibility and the type of flexibility. <i>Proposition Two</i> and <i>Three</i>
10. How do you see this market in 3-5 years?	Another way to ask about the firm's commitment to this market <i>Proposition Three</i>
11. What changes are planned, if any, this year?	Reassessment of commitment –and judgment about relations with members in the value chain What are drivers of the decision process? <i>Proposition Three</i>
12. Overall what does the participant think of the market, products(s), the value chain and sales?	Find out niche philosophy <i>Proposition One</i> Product or market orientation <i>Proposition Two</i> Push or pull orientation <i>Proposition Three</i>
13. Is the firm considering other similar enterprises?	<i>Proposition One</i> and <i>Three</i>
14. Discover the general business philosophy	<i>Proposition Three</i>

Decisions on what data to exclude occurred throughout the analysis stage. An example of data exclusion that can be readily appreciated from viewing the sample interview is the rather hefty amount of agronomic information provided by the participant.

Agronomic information was included where it had a bearing on the development of a product for a specific niche market, otherwise it was excluded. This decision was revisited after each interview and at the time of cross-case analysis. Also, some demographic information, such as kinship information other than the relationship to the primary decision maker, was excluded if it was determined to not be relevant to the strategic decision making process.

5.9 Conclusion

Yin (1994) specifies five components of a research design that are particularly important. They are the study's questions, its propositions, its units of analysis, the logic linking the data to the propositions, and the criteria for interpreting the findings.

For this thesis, the background to the research problem was developed in Chapter One. The interview questions were concerned with eliciting a description of the strategic marketing process of agricultural niche marketers and comparing this process to that predicted by a review of the relevant literature. Propositions were developed in Chapter Four focusing on the key decision areas of the strategic planning process. The unit of analysis was the strategic planning process.

The multiple-case study design was chosen to study this process for actors (growers, processors and others) along the blackcurrant marketing value chain. A strength of the multiple-case study approach is, by virtue of the equivalent of the repeated experiment effect, to develop greater confidence in the analytical conclusions. Theoretically, the greater number of repeated occurrences of an event across cases, the more confidence can be placed in limiting that event to the phenomenon under consideration.

Linking the data to the propositions was accomplished through the technique of pattern-matching. A set of decision rules, identified by Miles and Huberman (1994), was

employed for assessing the match between the observed pattern of strategic planning and the theoretically proposed pattern predicted by the literature. The case study data is analyzed in Chapter Six.

The pattern of decision-making which composed the strategic planning process for the primary cases was compared with the expected pattern. The pattern of decision-making for the secondary cases was also compared with the primary cases using across-case analysis procedures. Explanation-building, an extension of pattern-matching, was based on a comparison of the observed results with those expected, based on the findings from the literature and analysis of the primary cases. The purpose was to look for causal links that may explain the observed pattern. Compiling chronological evidence is a frequent technique employed in case study research and according to Yin (2003), may be considered a special form of time-series analysis. All case study data for this thesis were collected in chronological sequence. This was done so that events could be traced over time which is one of the main strengths of case study research (Miles and Huberman, 1994; Yin, 2003). The analytical goal was to compare the chronology with that predicted by an explanatory theory. For this thesis, the strategic decision making process of niche marketers was followed chronologically with the observable outcomes of selecting a niche marketing strategy, implementing a strategy over time to continue the status quo, expand, or exit the market.

6 Results: Case Study Analysis

6.1 Blackcurrant Industry Overview

6.1.1 New Zealand Blackcurrant Industry

The information summarized below was obtained through in-depth case interviews with representatives of the industry over a four year period. Interviews were conducted with those involved in research and extension activities, as well as various aspects of the value chain including processing (small and large) intermediaries, purchasers, marketers, and financial intermediaries and growers. The processing sector is quite diverse, ranging from small local food processors utilizing IQF (Individually Quick Frozen) product, to large commodity marketers such as GlaxoSmithKline (GSK), manufacturers of Ribena® brand drinks and concentrates. The industry exports a broad range of products. The main commodity is blackcurrant juice blended with other fruit juices. Concentrates are sold for reconstituting as juice and as functional foods when sold as antioxidant rich supplements. Extracts of powders are marketed in the form of nutraceuticals to several geographic markets such as Japan and the United States.

In New Zealand, the Horticulture Export Authority (HEA) is responsible for the Export Market Strategy for horticultural products in New Zealand. This body oversees the approval of export licenses which are required for the export of fresh fruit, concentrate and IQF products. Among those with licenses are GSK, the New Zealand Blackcurrant Cooperative, Barkers (a regional fruit and fruit products processor mainly for the secondary food market such as yogurts and confectionary fillings), and four processor/exporting groups. These four—RD2 International, Primor Produce Ltd., Global Organics Ltd., and the New Zealand Berry Group Ltd.—export a variety of products at different points in the processing continuum from concentrate to nutritive powders. The HEA established Blackcurrants New Zealand Ltd. (BCNZ) as the Recognized Product Group for the export of blackcurrants. It is responsible for administering the export activities, representing industry participants nationally and internationally and for formulating an Export Marketing Strategy (EMS). The Board of

Directors is made up of growers, exporters, processors and researchers. The mandate of BCNZ Ltd. is to ensure that production, research and marketing targets are met. Under the direction of BCNZ Ltd., growers are assessed a four cent levy per kilogram of production. The Board's decision with respect to research funding (plant breeding etc.) is partly based on a yearly grower survey. Currently the research is focused on the development of varieties providing fruit for products destined for export markets. Funds are also allocated toward marketing and promotion of products for both domestic and international markets.

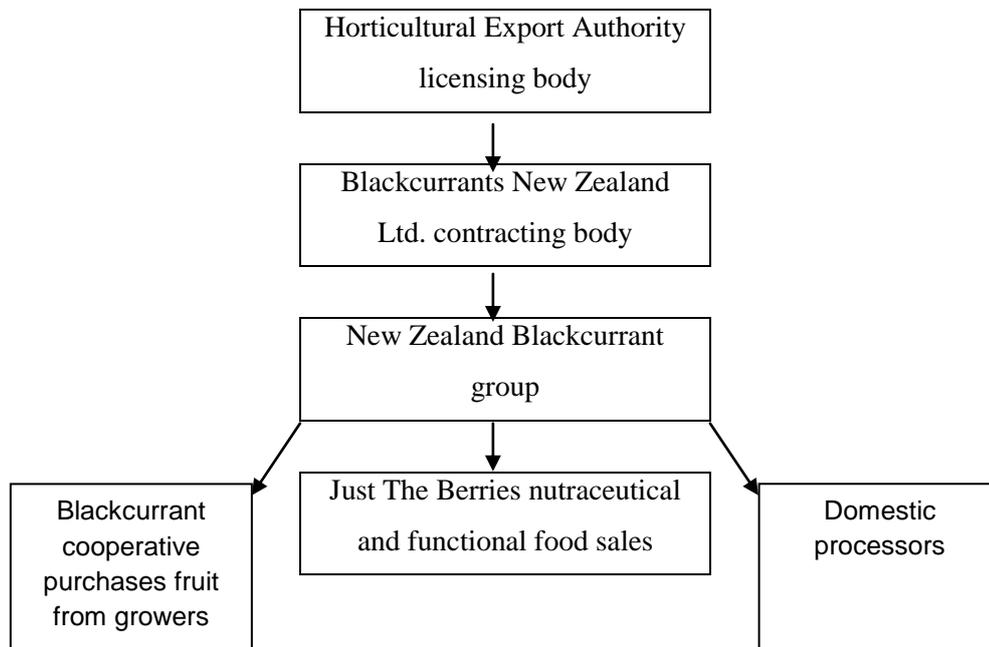
Blackcurrants New Zealand Ltd. also oversees the operation of The New Zealand Blackcurrant Group which is the authorized sales representative of the New Zealand Blackcurrant Cooperative for sales into Japan. The group works with individual growers and with grower groups to ensure supply and monitor quality assurance programs. With respect to the marketing function, generally funds are allocated for marketing and promotion through a marketing sub-committee of the board.

Another subcommittee of BCNZ is known as Blackhort. Blackhort representatives are from both BCNZ and HortResearch. A representative of HortResearch oversees the activities of Blackhort including the issue of Intellectual Property as a potential income stream. The majority of funds disseminated by the Blackhort subcommittee are to support the Healthy Berries Program. This is a marketing campaign designed to increase visibility and promote the benefits reflected in the research reporting high levels of antioxidants and vitamin C in blackcurrants.

The New Zealand Blackcurrant Group also oversees the operation of Just-The-Berries Ltd (JTB). JTB purchases product from the Grower Cooperative and processes blackcurrants into powders for use as functional foods and in nutraceuticals, primarily for the Japanese market. The Grower Cooperative also processes fruit for this and other export markets, but also sells into the domestic market and is more involved in the development of the IQF market.

New Zealand blackcurrant growers have the benefit of working in a country with a history of niche marketing and small business activity. The industry cooperatively shares research facilities with other successful ventures in the vegetable and fruit environments and the very successful dairy sector. The industry is relatively cohesive with most growers belonging to the grower cooperative. Two thirds of the growers have contracts with GSK. Processing of blackcurrants into juice (the commodity side of the market) is done in an apple processing facility in the off-season. This ability to synergistically utilize existing facilities more efficiently benefits both sectors (apple and blackcurrant) and helps keep costs down. Also, the universal levy on sales provides growers, as a group, with a voice and measure of control with respect to the type of research that is undertaken in plant breeding and disease prevention. Finally, the Cooperative retains its own sales and marketing representative who works in conjunction with BCNZ Ltd. in both domestic and international markets.

Figure 6.1: Organizational Structure of the Blackcurrant Industry in New Zealand



Niche products such as IQF fruit are supplied for domestic and foreign markets through several channels, including many of the exporters listed above. Another firm, Sujon Berry Fruits Ltd., is working in cooperation with the grower cooperative that has

recently expanded its offering of blackcurrants IQF and powders (functional food offering).

6.1.2 Blackcurrant Industry in the Province of Alberta, Canada

The Canadian industry is much younger and less developed than its New Zealand counterpart. Interestingly though, Canada, with many features in common with New Zealand including those of a high standard of living and relatively low population density, has reconsidered universal application of the high output-low cost model and has at various times (but more noticeably in recent times) provided assistance to Small and Medium Sized Enterprises to develop niche markets. NSERC (Natural Science and Engineering Research Council of Canada) for example has structured grants to educational institutions for the purpose of assisting small business and niche marketers to become more competitive.

In the province of Alberta, the blackcurrant industry was started through the involvement of processors. The first processors to be interested in blackcurrants were Bridge Berry Farm Ltd. in southern Alberta, and Prairie Natural Processors in central Alberta. Growers planted blackcurrants on the expectation of sales directly to the processor. Growers acted as individual firms or formed joint ventures for production and/or marketing. With either the failure of the individual processor or the dissolution of the marketing group, the need arose to re-form the value chain connections. This occurred several times in the short history of production both in south and central Alberta.

Currently the industry is small and fragmented. Growers have re-assembled into loosely formed marketing groups, or undertake marketing on their own on a contingent (year by year) basis. Regardless, there remains in the industry a core of producers pursuing innovative value added approaches including wine making and experimentation with various concentrates.

6.2 Grower Case Study Analysis

6.2.1 Introduction

For analysis purposes, related activities provide the common instrument to evaluate the occurrence of the decision making situation. A *related activity* is defined as a statement that describes the actions of a manager. Related activities are derived from the propositions and are used as a framework to examine decision making behaviours that were identifiable (and substantiated by the case participant) as a response to an environmental (market) change. The case notes were summarized and key decisions were reported chronologically with respect to the change in environmental (market) conditions. The stated or implied importance placed on the reported changes was considered a measure of the commitment demonstrated by the principal decision maker.

The primary cases were chosen because they satisfied the requirements for assessing the objectives and related activities and were illustrative of the industry. Secondary cases are subject to the same analysis but were not as rich in detail; did not exhibit the same depth or variety of evidence; or may not illustrate all of the aspects of an established chain of evidence.

Table 6.1: Case Study Identification

Case Identifier	Description	Classification
Case 1	Medium- single purpose	N.Z. primary
Case 2	Large – diversified	N.Z. secondary
Case 3	Small – diversified	N.Z. secondary
Case 4	Medium– diversified	N.Z. secondary
Case 5	Medium – single purpose	N.Z. secondary
Case 6	Large – single purpose	N.Z. secondary
Case 7	Medium - diversified	N.Z. secondary
Case 8	Medium –single purpose	Canadian primary
Case 9	Large – diversified	Canadian secondary
Case 10	Medium – single purpose	Canadian secondary
Case 11	Small – diversified	Canadian secondary

Data were collected over a four year period. The case study data represents cross section data (where case study participants were interviewed in one year) and longitudinal data (when case participants' actions were followed for two or more years). Cases 1 and 8 are longitudinal, as were interviews A and B. Cases were also selected according to size (small, medium and large). Diversification refers to the number of product offerings generated by the firm overall. A diversified operation would be one selling blackcurrants and some other crops (field or horticulture) and/or livestock. Division of the data in terms of size was based on the number of hectares of blackcurrant in each operation. The reason for looking at the data in this way was to see if the decision making process was the same when the niche enterprise was a larger part of the overall operation. The measure itself was chosen for two reasons. First, it is a convenient measure that is used in the industry when growers compare themselves to others, and secondly, it, along with the occurrence of other enterprises (i.e. diversification), is an indication of the relative importance of blackcurrants to the firm. The numeric aspect of the measure is country specific since a large grower in Canada would be considered a small grower in New Zealand. The relative measures are consistent for within-country and cross-country analysis and comparison.

Large firms (growing over 80 ha of blackcurrants in New Zealand and over 10 ha in Canada) were generally diversified in terms of product portfolio. An exception, Firm 6 was a large grower of blackcurrants that was not diversified in terms of other crops but instead participated in a vertical network of niche market contacts specific to blackcurrants. Interestingly, small firms (growing less than 20 ha in New Zealand and less than 5 ha in Canada) were also diversified. These firms sold other agricultural commodities, generally grain or hay in Canada and grain or other horticultural crops in New Zealand. Medium sized firms (20-80 ha in New Zealand and 5-10 ha in Canada) were more often single purpose blackcurrant growers.

6.2.2 Case Descriptions

Preserving the anonymity of case study participants is the usual course of data collection and is the standardized procedure used in gathering data here.

However, for this thesis the researcher wished to illustrate the reason for selecting the particular New Zealand and Canadian primary cases and through this discussion to provide examples of the data gathering and analysis methodology. For these reasons the primary cases are presented in greater depth than the secondary cases. Case participants granted the researcher permission to present this additional data. Primary case study data is presented in an abbreviated chronological format with discussion, and later in comparison with secondary cases within country, and are then analyzed to evaluate cross country comparison.

6.2.2.1 Introduction and Overview to the Primary New Zealand Case Farm

New Zealand Case 1: This is the primary case chosen because of its illustrative capability. Case 1 is a single purpose multi-generation operation with a history of blackcurrant production. The farm is located at the southern aspect of blackcurrant producing agro-climatic region of the south island of New Zealand.

This operation is a second generation blackcurrant grower from Central Otago. The current operator has been growing blackcurrants since 1989 when he went into partnership with his parents. The original farm produced vegetables, fruits and blackcurrants through the 1970s. The original operator was one of the first blackcurrant growers for GlaxoSmithKline (GSK: makers of Ribena® brand drinks and cordials) in the 1970s and the largest blackcurrant grower with a 50 acre block in the 1980s.

The current operator took over the farm in 1994. The farm is a single purpose venture devoted to the production of blackcurrants.

6.2.2.1.1 History of Farming Operations in Chronological Order

- 1968: Purchased original farm, a 50 acre (20 ha) block of blackcurrant bushes were already on this property.
- 1970's: First generation farming family was one of the first blackcurrant growers for GSK.
- 1975: Purchased 50 acres (20 ha) with another grower for the production of blackcurrants.
- 1980: 34 hectares planted to blackcurrants. At around this time the industry suffered a major setback due to the introduction of the reversion virus. This virus, thought to be spread by a gall mite, reduces production by damaging the flower. It affects blackcurrants only and is not present in North America.
- 1984: The original 12 acres (4.85 ha) of land was sold.
- 1980's: At 20 hectares of producing blackcurrants, this farm became the largest blackcurrant grower in New Zealand at the time. Fruit production that was not sold to GSK was exported as frozen product to Australia and Europe. For this market, product was packed in 20 Kg. boxes and transported to Dunedin. Also, some fresh product was then marketed to Japan and the United States through regional distributors. The United States venture was short lived. The cost of shipping coupled with competition in the commodity market from the sale of blueberries was among the likely reasons for the lack of demand for New Zealand blackcurrants.
- In a move to standardize transportation, GSK encouraged growers to change to the 500 kilogram shipping boxes that are used today.
- 1989: current operator goes into partnership with his parents
- Today: a substantial part of production from the farm goes to the juice market. The operator feels that the GSK contracts provide the stability not achievable in a completely open market. GSK requires a consistent product. Terms of payment are 50% payment in February and the balance in March. GSK contracts with each grower for 75% of the crop. Contracts are with individual producers and start with a three year rolling average based on production. A contractual amount of 75% allows for fluctuations in production and provides an

opportunity to increase the percentage purchased in years of lower production. The remaining 25% is marketed through the co-operative which is located at Nelson. The cooperative processes and sells a variety of products including some to the commodity market but also to the IQF, functional food and nutraceutical niche markets.

6.2.2.2 New Zealand Secondary Cases

Case 2 is a large, diversified grower in the south Canterbury district of the South Island. This firm consists of multiple grain and livestock business units.

Case 3 is a small, diversified grower in the same area as Case 2. Diversification consists of other non-horticulture cash crops.

Case 4 is a medium sized, diversified grower of long standing, also known for research and innovation in agronomic aspects of production. This grower is located in the Canterbury area.

Case 5 is a medium sized single –purpose operation in the Canterbury area of the South Island.

Case 6 is a large single purpose but value chain diversified grower also in the Canterbury area with links to processing, marketing and exporting niche health products.

Case 7 is a medium sized grower diversified into cash crops. This farm is located in the Canterbury area. Management also maintains links to processing and exporting.

6.2.2.3 Introduction and Overview of the Primary Canadian Case Farm

Alberta, Canada Case 8: is a single purpose operation located in the southern aspect of blackcurrant production in Alberta, Canada. This case was selected as the primary case.

- 1998: The current operators purchased ¼ section (160 acres or 64.8 hectares) of native grass in the Palliser triangle of south central Alberta. The operators have 20 acres (8 ha) of water rights for the orchard.
- Planted 5 acres (2 ha) of blackcurrants supplied by a local processor. Acreage grew to 12 acres (5 ha). Processor purchased most of first crop. The original processor ceased operation shortly thereafter.
- 2001: Management worked with a grower/processing consortium located in central Alberta to harvest and market their product.
- 2002 -2003: Developed a relationship with a winery located in Winnipeg, Manitoba. Fruit was shipped to Manitoba and processed wine shipped back to Alberta. The orchard was in charge of developing its own markets.
- 2004 -2005: Management participated in a marketing cooperative of seven growers. Impetus was provided by the provincial government under the leadership of the horticulture crop specialist. The role was to provide infrastructure (in-kind contribution) and encouragement to the industry. The cooperative exists now more as a discussion group than an active marketing organization.
- 2006 to present: Management works independently to market fruit production. On a year to year basis production is shipped to various processors in the neighboring province of British Columbia or to the United States.

6.2.2.3.1 Alberta, Canada Secondary Cases

Case 9 is a large blackcurrant grower located in the south central growing area in Alberta. This is a diversified cropping operation.

Case 10 is a medium sized specialized blackcurrant grower in central Alberta.

Case 11 is a small diversified grower in the north central aspect of the blackcurrant producing area that is moving toward specialization in blackcurrant production.

6.3 Supporting Interviews

Interviewee A (New Zealand) is a research scientist (plant breeding) with many years of experience and knowledge of the local industry and international connections.

Interviewee B (New Zealand) is a processor with domestic and international marketing connections.

Interviewee C (New Zealand) is responsible for negotiating contracts to ensure supply of product, and oversees quality control guidelines for collection of blackcurrants for processing for a company involved in the blackcurrant commodity market.

Interviewee D (New Zealand) is associated with the grower cooperative and the collection, processing and marketing of fruit as a commodity and for niche products.

Interviewee E (Canada) is a research scientist charged with developing the horticulture segment within the traditional commodity oriented agricultural sector.

Interviewee F (Canada) is a grower who also acts as an agent for several national processors. This firm is not one of the Canadian case study participants.

Interviewee G (Canada) is a horticultural research scientist working with growers of berry crops such as currants, raspberries, and strawberries.

6.4 Case Evaluation Criteria

The terms used in the tables that follow are intended to reflect the degree of commitment of the manager to the niche marketing philosophy and the strategic planning process represented by the areas of related activity. They are designed to indicate the importance of the particular element (related activity) to each decision maker. The time period over which the decision is made, which is also critical to the context, is brought into the analysis through the narrative.

A brief description of the conditions for which each term was applied is provided with the understanding that context always plays an important mediating role in the extent to which conditions influence key result areas. The categories used were *strong*, *moderate*, and *weak*. A description and a related example of category use are provided in **Table 6.2**. Modifiers such as Very strong are used in the summary to differentiate degree of commitment within a category.

Table 6.2: Case Evaluation Criteria

Category	Description	Example: nature of planning
Strong	Related activity area was an integral aspect of planning. Several instances (or a few, even a single instance if clear and definitive) are evident.	Case 2 manager planned strategically based on core competencies.
Moderate	The manager displayed knowledge of the elements of the related activity area but action was less definitive in terms of depth, breadth or frequency.	Case 9 manager understood generic competitive strategies and relationship with core strategies but action was a mix of strategies.
Weak	The manager displayed knowledge of the related activity area but did not consider it important in planning.	Case 1 manager's planning revolved around yearly agronomic decisions.

6.5 Cross-case Comparison for Proposition One

Proposition One, *the decision to enter a niche market is planned business strategy* is considered at the firm level. The criteria used to compare cases were based on the selection of objectives and the designation of related activities discussed above. A summary of the criteria used to evaluate Proposition One is presented in **Table 6.3**. By examining the activities related to the decision, it is possible to determine if the firm scanned the environment for niche marketing opportunities in a purposeful manner and entered the market because it appeared to be an attractive niche market.

Table 6.3: Related Activities for Proposition One, Working Definitions.

Proposition One: Adopting a Niche Marketing Strategy	Related Activity
Firm seeks out a niche market**	Manager looks for opportunities to enter a niche market.**
Decision is based on distinctive competencies	Management demonstrates awareness of business core competencies and the significance of strengths and weaknesses of the firm in the context of <i>fit</i> with potential opportunities.
Marketing orientation including market research	Environmental scanning is an important managerial activity relating to customer and competitor components and how these relate to focus and profitability.
Opportunistic orientation	Manager is open to the development of new business opportunity. Manager's behavior can be described as autonomous, proactive and competitive and displays the characteristics of an innovator defined by Drucker, (1985) as "the purposeful search for change" (Drucker, 1985 p. 31).

The criteria set out above were developed from the marketing and strategic planning literature and are the basis for the propositions developed in Chapter 4. These concepts were adapted into working definitions for field work and case study analysis. The following brief discussion of the working definitions used to develop key result areas is intended to provide context to the analysis.

****Niche market:** A market may be considered a niche market if it meets the eight characteristics outlined in Chapter 2, and set out below:

- The niche is of sufficient size and purchasing power to be profitable
- The niche has growth potential
- The niche is of negligible interest to competitors
- The firm should have the required skills and resources to exploit the niche
- The firm gains certain economies through specialization
- The niche should provide entry barriers
- The customers in the niche have a distinct set of needs
- The customers will pay a premium price to the firm that best satisfies their needs

The market for juice (and associated concentrates) is considered a commodity market with GlaxoSmithKline as the major processor/marketer along with various domestic processors. The characteristics of the market for these products compare favorably to those of perfectly competitive commodity markets discussed in Chapter 2, where producers sell a relatively undifferentiated product, are price takers, and price is a major consideration in the marketing effort of firms downstream in the value chain. Although the market for blackcurrant juice and related products was initially small, market size is not the only (or most important) criteria in the classification of a market as niche or commodity. The juice market for blackcurrants bears the characteristics of a commodity market rather than those of a niche market and this is reflected in the general attitude of producers to the marketing effort. Concentrates designated for the health food segment, powders for nutraceuticals, and extracts marketed as functional foods occupy niche markets. Individually Quick Frozen (IQF), developed primarily for the confection

market, is currently a product aimed at a niche market but may grow in the near future into a commodity market.

- Market orientation emphasizes the role of the decision maker in environmental scanning (Kotler, 2003) and market research, and is considered a resource by Hunt and Morgan (1995). Market orientation as defined in Chapter 2 consisted of three behavioral components: customer orientation, competitor orientation and interfunctional orientation as well as the two decision criteria: focus and profitability.
- Opportunistic orientation suggests that a key element in niche seeking behavior is a market outlook described in Chapter 3, the characteristics of which include: autonomous behavior, innovativeness, competitiveness, and being proactive.

Table 6.4: Comparison of New Zealand and Canadian Blackcurrant Growers for Adopting a Niche Market.

Farm type (Size, crops)	Related Activities			
	Seek out niche market	Distinctive or core competencies	Market orientation	Opportunistic orientation
Small, diversified NZ Case 3	Weak	Strong	Moderate	Strong
CA Case 11	Weak	Moderate	Moderate	Moderate
Medium, single NZ Case 1 Primary	Weak	Moderate	Moderate	Moderate
NZ Case 5	Weak	Moderate	Moderate	Strong
CA Case 8	Weak	Strong	Moderate	Moderate
CA Case 10	Weak	Moderate	Moderate	Moderate
Medium, diversified NZ Case 4	Weak	Moderate	Moderate	Strong
NZ Case 7	Weak	Moderate	Strong	V. Strong
Large, diversified NZ Case 2	Weak	Strong	Strong	V. Strong
CA Case 9	Weak	Strong	Strong	Strong
Large, single NZ Case 6	Weak	Strong	Strong	V. Strong

Note: NZ = New Zealand and CA = Canadian cases.

A general discussion of the case evaluation criteria was presented in **Table 6.2**. An application of these criteria with respect to the related activities applied directly to the case studies is presented in **Table 6.4.1** through **Table 6.4.4**. Cases and related quotations were selected in order to illustrate the qualitative application of the particular criteria. For example, case studies were categorized as moderate or strong in terms of demonstrating knowledge of the related activity labeled *Distinctive or core competencies*. Quotations are presented for at least one case study from each category (moderate and strong) and a qualitative assessment of this selection is provided.

Table 6.4.1: Seek out a niche market: Quotations and related qualitative discussion

Category	Case	Related activity, seek out niche market
Weak	Case 2	“We purchased a neighboring farm. The farm had a blackcurrant orchard so we retained the previous owner to help us manage the new crop”
Weak	Case 3	“We wouldn’t have considered blackcurrants if there had not been an orchard on the property when we moved in”
Weak	Case 10	“A local grower group was looking for more growers. The idea was to build up enough volume to make some splash in the market.”
<p>Discussion: Weak for all participants. Managers did not indicate knowledge of the activities or did not consider it important in strategic planning..</p> <p>Participants grew blackcurrant either because there was an orchard on the land already or they were approached by a middle man in the blackcurrant value chain (grower group or processor).</p>		

Table 6.4.2: Distinctive or core competencies: Quotations and related qualitative discussion

Category	Case	Related activity, distinctive or core competencies
Strong	Case 3	“The crop fits into our overall game plan. On our small acreage we decided to go with a couple of small enterprises and horticultural crops give us a good return”
Moderate	Case 11	“We started with a pig farm and supplemented our income by working in town, but when we were involved in a car accident we decided to plant blackcurrants to replace the lost income from our off farm job. We thought, with the help of the other growers in the group, that we could learn the ropes. We had already built a successful pig operation but horticulture was new to us.”
<p>Discussion: Case 3 Acknowledged their core competencies in production of horticultural crops and displayed confidence in selection of blackcurrants as a niche crop. Case 11 on the other hand was a reluctant adopter of niche cropping due to personal circumstances. Management admitted to some trepidation in learning this new crop.</p>		

Table 6.4.3 Market orientation: Quotations and related qualitative discussion

Category	Case	Related activity, market orientation
Strong	Case 7	“The focus now is on taking a position in the international market. We are all in this together and marketing is an issue of control of the market word wide”
Moderate	Case 1	“We grow varieties for GSK, and sell the surplus through the Cooperative. Blackcurrants New Zealand is working on international markets for powders and that should help our bottom line and take up some of the excess supply as well”
<p>Discussion: Case 7 was forceful in the opinion that they not only focus on powders (nutraceuticals) in Japan but in Europe and the United States as well. Case 1 recognized the need to market value added products internationally but reduced risk by replacing fruit stock with varieties suitable for the juice and blending market.</p>		

Table 6.4.4 Opportunistic orientation: Quotations and related qualitative discussion

Category	Case	Related activity , opportunistic orientation
V. Strong	Case 6	“It was getting more difficult to hire labor to work in the fields; we were looking for a crop that was less labor intensive and that we could market ourselves. We went to Scotland to look at a blackcurrant harvester and ended up having one shipped over. It worked pretty well but we have found in the last few years that a grape harvester works just as well and we can make money leasing it to vineyard operators in the off season.”
V. Strong	Case 7	“We are always looking for ways to improve the bottom line and a few years ago we had a surplus of fruit. China looked like a good opportunity to market powders and get rid of some surplus fruit at the same time so we formed our own company and applied for an export permit to try to get into that market”
Strong	Case 4	“After we had been in the business for three years we reevaluated our position. We looked at the costs and benefits of remaining in production. The risk analysis was positive if we purchased equipment that could be used for other crops if we changed our mind about blackcurrants later”
Moderate	Case 8	“We have a small acreage and we thought about growing a crop that was not regulated by a marketing board so it seemed like a good fit when we heard about a processor wanting more growers of blackcurrants. We signed up and things went well at first but when the processor went out of business we were stuck with fruit to get rid of”
<p>Discussion: Opportunistic orientation includes qualities of autonomous behavior, innovativeness, competitive spirit and proactive action oriented. Cases 6 and 7 were Very Strong –exhibiting all four characteristics.</p> <p>Case 4 management was proactive, autonomous and innovative but these attributes were moderated by economic risk analysis.</p> <p>Management of Case 8 displayed characteristics of autonomy and innovativeness but were not proactive in looking for a niche marketing opportunity or in determining the consequences of a failed middleman in the value chain.</p>		

6.5.1 Firms Seek Out a Niche Market Opportunity

Analysis of the data indicates that study participants, regardless of the nature of the firm size or management background, did not seek out a niche market as an opportunity in a purposeful manner as a part of a strategic plan. Rather it was established that case participants were open to an opportunity that was proposed to them by an outside source. Case 1, the primary New Zealand case, for example, was a second-generation grower who stated that:

There would not be an industry without GlaxoSmithKline (GSK).

Case 1

GSK had approached several farmers, one being the father of the current owner/operator, with a proposal for production of blackcurrants to support the growing Australian market. This scenario was repeated across most secondary cases. The encouragement of GSK was considered an important source of the opportunity to enter this particular market. The primary motivating factor was the prospect of on-farm diversification into a crop that, although experimental, may be worth the risk. In terms of cost/benefit, growers such as the Case 1 producer perceived GSK as a dominant player in the commodity market and therefore correlated this with market stability and longevity.

Many managers of firms that took up the production of blackcurrants did so in order to achieve a diversified portfolio of products in a manner that had the lowest perceived risk. The assessment of risk was based on the potential impact in financial terms on the *whole farm* of the decision to add this particular enterprise. The risk assessment involved consideration of operational (production) and business components. Managers appeared willing to experiment with growing and marketing a product that was new to them, but doing so in a controlled manner not risking too much or jeopardizing the future of the overall operation. Case 4, for example, began production of blackcurrants over thirty years ago. This crop remains one of a portfolio of crops including grass seed,

fresh vegetables and cuttings. In the manager's words, the decision to grow blackcurrants was made because:

The consequences of the decision were softened by the suspensory loan agreement (*discussed below*) and the fact that blackcurrant production would be one of several crops on the farm. Case 4

In an interview in February 2007, the case participant indicated that sales and marketing was conducted through the Canterbury Growers Cooperative. There were no fixed contracts and the cooperative simply attempted to sell product on the open market. The decision to grow blackcurrants, therefore, was made because it was a crop that qualified for the government assistance program. Furthermore, although the price of the product dropped from the initial budgeted price of \$.70/ kilogram to only \$.35/kilogram after the first year, the farm still qualified for the loan program based on achievement of production quotas established in the business plan.

Case 2 acquired a block of blackcurrants as a result of the purchase of a farming operation that included blackcurrants. Case 5, a single purpose operation, planted blackcurrants "because the neighbor suggested it". It seemed "suitable" for the type of land and, at the price that GSK was offering at the time, it would be "better than the poor returns of other crops". Also, the luxury of an off-farm income source allowed for the expression of a more aggressive business attitude. For Case 5, production of blackcurrants was planned and this was to be the only crop. However, the production plan was based on the commodity potential provided by the presence of GSK, and not on the niche market potential of health drinks or powdered supplements. The Case 5 farm started planting in 1995 and at the time of the first harvest in 1998, blackcurrant commodity prices were improving—reaching a peak in 2003. These five years of high prices solidified the satisfaction with growing blackcurrants for sale into the commodity juice market.

Another factor played a role in the decision for many to grow this crop. At the time that GSK was actively seeking greater production, the government of New Zealand, through

the Department of Agriculture, promoted farm diversification through several integrated initiatives. One initiative that was important to this group was the ability of the farm to access what was termed *Suspensory Loans*. Suspensory Loans were provided by the Rural Bank to fund the purchase of machinery and improvements (small capital items rather than land investment) and to provide operating funds for enterprise development and on-farm diversification projects. Each grower was required to submit a business plan covering a five year period. The application criteria were quite flexible and under the umbrella regulations, the interest, and up to seventy percent of the principal of a loan was forgivable if the new enterprise was sustained for at least three years.

The ability to apply for government subsidized diversification loans assisted growers on the operating side of the decision, while the entry of GSK in 1988 provided encouragement with respect to an assured market and price. This occurred in the mid – 1980s when prices and markets for traditional commodities were strained, adding incentive to some of the case participants to select a crop that was eligible for the incentive program (Pryde and Bain, 1984). Cases 1, 2 and 4 took advantage of these incentives. The managers of these firms maintain that subsidies, government guarantees and promise of a major player (such as GSK providing what growers viewed as a relatively *assured market*) factored substantially into the decision to plant blackcurrants. Case 1 utilized government loans to secure equipment as did Case 4. The manager of the Case 4 operation made the decision to grow blackcurrants partly based on a risk analysis tied to the suspensory loan offering:

We bought a travelling irrigator which could be used for something else
if blackcurrants didn't work out. Case 4

Case Two utilized a variety of government incentive programs including suspensory loans and acquired land through a unique program to assist retiring farmers. The Case Two participants accessed funds from this program to purchase land in the 1980s. Blackcurrant production became a part of the operation out of acquisition. A blackcurrant enterprise was part of an existing farm when it was purchased and management of the Case 2 farm decided to retain and expand the enterprise.

Case 3 became a blackcurrant grower also because there was an orchard on the property at the time of purchase.

When we bought the farm there were three enterprises including a blackcurrant orchard. The blackcurrant orchard is the only one of the original three left but we have added a horticultural enterprise which now is our largest revenue producer

Case 3

The decision to maintain and expand production is discussed under Proposition Two. Case 6 management planted blackcurrants as a business venture. Management was looking for a crop that was less labor intensive and the entry of GSK on the market side was an important consideration. Management of the Case 6 farm had been involved in many ventures although all were linked one way or another to agriculture. Beginning with a vegetable truck farm, the operation evolved to become entirely devoted to blackcurrant production and marketing. The firm experimented with growing and processing of various other fruits and vegetables.

There were on-going problems with labor shortages in the vegetable growing business and the advantages of switching to a crop that could be machine harvested, and yet offer the benefit of what we perceived as a stable commodity market with the entry of GSK, were the main reasons for moving into blackcurrant production.

Case 6

Labor shortages and the advantages of switching to a crop that could be machine harvested, and yet offer the benefit of what producers perceived as a stable commodity market, were the main reasons for moving into blackcurrant production.

The perception of stability with respect to the commodity market was common among producers in both countries but was particularly noted by those in New Zealand. All New Zealand case study participants viewed the presence of GSK and the producer cooperative as a stabilizing influence in terms of relative assurance of quantity sales and knowledge of price ranges from year to year. This arrangement offered a degree of

financial stability and security, providing a base from which the development of niche markets could be undertaken.

Discussion of the effect of the ability of producers to obtain production contracts with GSK, (the makers of Ribena® brand juice drinks), and to be able to sell a portion of a season's production through the producer cooperative, was an important part of interviews with primary Case 1 in May 2006, February 2007 and June 2009, and with Case participants 4 and 5 in 2007.

Growers discussed stability in terms of a known range of income possibilities. This was based on an estimate of production for the year and a price range established by contractual arrangement with GSK. Income stability, therefore, was a result of market stability achieved resulting from the presence of GSK in the world marketplace. The essence of the notion of stability for the producer stems from the availability of GSK contracts that are based on the purchase of 75% of production calculated on a rolling three year average. The remaining 25% was marketed through the Cooperative. GSK paid producers in two installments, in February and March of each year. The producer cooperative accepted product on a quota system. The limit of product allocated to Pool A was based on an estimate of sales for the current year. Each producer was allocated a share of this pooled amount. Growers could then allocate the remainder of their production to Pool B where they paid storage and processing, or they could look for their own alternative markets. Individual growers counted on a baseline level of income derived from sales to GSK and the cooperative. This was the essence for the perception among growers of the financial stability achieved from a predictable and reliable (hence *stable* in their terms) commodity market.

Canadian firms entered the market as participants in the commodity market at the behest of an existing processor. Managers of Canadian operations were familiar with primary production of agricultural commodities and were open to considering an alternate crop as a means of attaining greater control of the production and marketing process (or at least localizing control). That is, because commodity prices are normally set by supply and demand interactions internationally, these firms perceived there to be greater

managerial freedom in small scale commodity production. The incentive at the grower level was twofold. Growers were encouraged by a ready market promised by local processors. Although the market for blackcurrants was for juice, and growers were still price-takers rather than price-setters, the price was still negotiable within narrow limits because there were options at the processor level rather than a single buyer, as in the case of a regulated industry single selling desk situation.

For example, in interviews at the farm in July 2007 and August 2008, Canadian primary Case 8 discussed the decision to plant blackcurrants. The decision was based on two criteria. First that there was a local processor, Bridge Berry Farm, interested in contracting production; and second, this crop was not regulated by any existing marketing board authorities. Similarly Cases 10 and 11 were associated with Prairie Natural Processing, a company that provided integrated crop management; storage for frozen berries; and, developed and marketed products, juice and thickened berry filling. Growers decided to discontinue the operation of the limited company in 2008 and market their product through the Red Deer Growers Association. In an interview in July 2008 the owners of the Case 11 farm indicated that:

1999 was a pivotal year. We had been working on the farm building our farm when we were involved in an automobile accident. We were not able to work off the farm so we decided to grow blackcurrants to replace that lost income. There were others in our area growing blackcurrants and Prairie Natural Processors had started up at the same time.

Case 11

One Canadian firm, Case 9, which was the largest grower in Alberta (by about tenfold), was willing to commit funds to individual research for markets. However, because production levels on the farm did not reach expectations, these plans were not carried forward.

We looked at the market and we had some contacts in British Columbia. We had negotiated over the winter but held off because of bad spring weather and then decided we needed to get a group of growers together to make sure we had a supply. Case 9

Other firms were willing to experiment with research by the value chain, and some (Cases 10 and 11) cooperated with local research scientists to evaluate new varieties and biological pest controls. All Canadian case firms voiced support for collective marketing efforts, but after several failures, cooperation in market development was abandoned in favor of individual efforts.

6.5.2 Activities Related to Distinctive Competencies of the Firm

As might be expected, management of all cases understood and exploited the core competencies of each of their firms with respect to the agronomic and production aspects of the business. Many were leaders in development of their expertise in agronomic aspects and in the management of related activities. Case 2 for example, completed all requirements for both a Grow Safe Certificate and Handlers Certificate for the safe use of farm chemicals. This operator consistently received production bonuses for high quality product. The manager demonstrated a *strong* awareness of the firm's core competencies and how this translated into the commodity market. This firm would have been well positioned to capitalize on a niche market opportunity if management was so inclined. This firm's concession to this process was marketing to local processors rather than through the cooperative, when possible, to gain the advantage of quicker payment and lower cost. In this case the processor bore some of the cost of packaging and transportation. In the managers' words:

We're reluctant to sell to the co-op because of the length of time it takes for sales of processed fruit to return any income to the grower. Selling to [the local supplier] and GSK gives us a base to income.

Case 2

Cases 2 and 6 were both large growers. Case 2 was diversified into other enterprises and Case 6 was value chain diversified. Both were not only knowledgeable in terms of agronomics but also kept detailed financial records and pro-forma budgets. The commitment to sound agronomic principles was evident in the statement:

We had a head start [because we were] coming from the vegetable business we knew the importance of good (timely) management. You won't succeed in this business with a farming mentality—you can't be that laid back and make money in blackcurrants. Case 6

6.5.3 Market Orientation

All cases studied had at least a moderate market orientation and in most instances, this was accompanied by a stronger orientation toward exploring a new business opportunity. Case participants first became interested in growing blackcurrants as a means to diversify their cropping plan and add an additional income source. They were willing to take a risk with respect to long term outcome. In chronological terms, a marketing orientation was more evident once production was established. A marketing orientation was most evident through expressions of support for use of some of the producer levy to be allocated by the New Zealand Blackcurrant Group for the development of niche markets (particularly for nutraceutical, functional food and IQF markets), and to agronomic research to develop specific fruit varieties and specialty products to fit a particular niche. Discussion on this issue ranged from case study participants voicing support for development of the functional food niche in Japan (and now the United States), to greater effort to expand the domestic capability of the market for IQF product.

Analysis of case study interviews provided evidence of this adoption of a marketing orientation. Case 5 for, example, noted:

Now [in the commodity market] we're price takers. We [the industry] are moving to aim at the nutraceutical market and the high health markets in Japan. An achievable goal is to sell 50,000 tonnes at \$5.00 a tonne. This is achievable based on what we know about the blueberry industry. Bilberry is also used in Japan and our goal is to displace bilberry.

Case 5

Also, in an interview in February 2007, Case 5 management noted that IQF products are now offered in Japan under the Cassis Foods umbrella. To maintain the Japanese connection and further the marketing effort the cooperative employs a contract marketer with an office in Japan.

Most grower members of the cooperative are supportive of this effort and willing to commit resources

Case 5

To access the various niche markets requires a long term commitment to agronomic research. Interviewee A explained that a blackcurrant plant breeding program must recognize the fundamental requirement of the various markets. Processors of juice, for example, look for flavor, sugar content, vitamin C, and color, where as for the nutraceutical market, color is the number one factor followed by anthocyanin content and yield. These characteristics are found in different varieties. Also obtaining the optimal level of each characteristic requires adapting agronomic practices (such as cultivation, harvest schedules and handling procedures) to the variety and the market served. This research is partially funded through the Healthful Berries Program which is supported by the producer levy and matched by industry partners. Case 6, when discussing the Healthful Berries Program stated that:

I am a champion of the health benefits of blackcurrants. Growing blackcurrants is a fringe industry with regard to funds available for agronomic and varietal research so it falls to the industry to find ways to pay for the research necessary. The healthful Berries Program helps us do that.

Case 6

The research related activity is a gauge of management's commitment to explore market opportunities and provide insight into the firm's assessment of its internal resources available for environmental scanning. All firms supported market and agronomy research to foster sustainable niche market opportunities. Cases 4, 5 (noted in the quote above), and 7 were strong advocates of research from a value chain perspective. Small and medium sized operations, such as Case 5, favored working collectively through the grower cooperative to conduct market research and through New Zealand Government's Horticulture Research arm, to carry out agronomic research. Larger firms such as Case 2, preferred to fund their own market and agronomic research, while Case 6 favored a dual action of funding its own market research and encouraging market research collectively through the value chain. Case 6, for example, supported the establishment of Just The Berries Ltd., a company active in developing niche markets for nutraceutical and functional foods in Japan, as well as supporting the cooperative effort of the Healthful Berries Program noted in the above quote.

To market a product you must have passion and sincerity. Marketing of functional food and nutraceutical products is being undertaken on three fronts: The company, Just The Berries Ltd. is active in the Japanese market, the domestic New Zealand market is under development and the United States market is being actively researched for its potential.

Case 6

and

We need to take an international approach. We are all in this together.
We need to look at traceability, best fruit and a New Zealand Brand.

Case 7

Over the four year period of interviews it was observed that Canadian firms were developing a marketing orientation and were beginning to research the various markets available. For example, Case 8 worked with a small business consultant to develop a strategic plan that included niche ventures such as entering the fruit wine business,

while Case 11 considered local u-pick value added markets. However there is general frustration among growers with the need to pursue a market orientation too far as Case 8 operator states:

Growers are too busy with other things...need to create the value chain with someone else [to handle sales] or just sell the fruit to the corporation {currant processor}. Case 8

Canadian growers were open to the opportunity to grow an alternative product but felt ill-equipped to take on the roles of marketing or processing. They prefer that these functions be taken on by other members of the value chain.

The growers also expressed little interest in working together as a product group if other means could be found to accomplish these tasks. Marketing and processing functions were taken on through necessity and not by choice.

6.5.4 Opportunity Seeking Orientation

Firms generally exhibited an orientation toward seeking out business opportunities. Firm managers that were willing to take on the additional managerial responsibility of an added enterprise indicated a degree of autonomy and were proactive in developing alternative income sources for their individual farming operations. They were not as concerned with the opinion (possibly negative) of neighbors or the agronomic problems associated with a new cropping venture. They were somewhat proactive, though not to the degree of opting for a higher risk niche market, and looked at themselves as competitive in nature. Several firm managers were in-fact considered very strong in this category largely because of the competitive nature of the managers, and the high degree of autonomy shown by the fact that these managers had a history of developing unusual enterprises or unorthodox methods.

To market a product you must have passion and sincerity...sometimes to get things done you have to do it yourself. Case 6

Our involvement in processing was done out of necessity...to get rid of excess [product] now starting to look at something different from the commodity. Case 7

Canadian firms, such as Case 9, chose to plant blackcurrants because it was a crop that was not regulated by a marketing board. Operators of the Case 11 farm selected a blackcurrant orchard to replace the lost income from discontinuing a hog operation. The production of hogs was originally undertaken as a means of marketing the farm's barley. After deciding to eliminate the hog operation, the owners did not want to return to producing a crop with little or no control of marketing beyond the farm gate. The owners of the Case 10 operation planted an orchard to provide a secondary income source to supplement the primary non-farm income source, which was another independent business.

Growers viewed the production of non-regulated crops as an expression of their autonomy. Case 8 relocated from a conventional farming operation sixty Kilometers away to have better access to irrigation from the nearby river, a necessity for fruit production in the low rainfall area of southern Alberta.

We picked blackcurrants over Saskatoon berries [a native blue skinned berry that is actually more related to a pomme [apple] than a berry but is considered similar with respect to agronomic requirements and market served] because of the shorter time between planting and first harvest. Blackcurrants are hardier, more disease resistant but require irrigation. This ranch had 20 acres [8 hectares] of water rights that were restricted (the ranch obtained permanent water rights in 2006). Case 8

6.6 Cross-case Comparison for Proposition Two

A summary of the criteria used to evaluate Proposition Two is presented in **Table 6.5**. Proposition Two states that: The means by which agricultural niche marketers implement the strategy can be determined and is assumed to be similar to that described in the literature for other small and medium sized enterprises.

The literature makes a connection between innovativeness, flexibility, opportunity seeking behavior, and the advantages of networking in achieving market stability and, by extension, the potential for longevity of niche market performance.

Table 6.5: Related Area for Proposition Two, Working Definitions*

Proposition Two: Operationalizing and Planning	Related Activities
Recognizing niche market characteristics	Managers recognize the characteristic of a niche market defined in this thesis.
Maintains Barriers to Entry through innovation, networking and customer relationship marketing	Action taken by the company to maintain competitive advantage (e.g. unique product, or superior customer service)
<ul style="list-style-type: none"> • Innovation 	Knowledge of the elements (idea generation and screening, tech. development and implementation) Innovative activities evident in the management of the firm and evidence of <i>the purposeful search for change</i> (Drucker, 1985)
<ul style="list-style-type: none"> • Networks 	The firm engages in networking for the purpose of maintaining the niche market
Strategic Planning	<ul style="list-style-type: none"> • Evidence of planning strategically • Evidence of formal planning

- Strategic plans: A plan that extends for greater than the one production period and typically covers a three to five year planning horizon. This plan typically incorporates production, marketing and human resource elements in contrast to operational plans that usually encompass production plans for the current year.

- Innovation: The commercial application of invention. Innovation can occur as new products, processes or new procedures in management or marketing. Systematic innovation was defined by Drucker (1985) “as the purposeful and organized search for changes, and in the systematic analysis of the opportunities such changes might offer for economic innovation” (Drucker, 1985 p. 31).

*Entry barriers: Any sustainable advantage that a firm adopts to maintain its competitive advantage. Barriers might be natural (as in many agricultural situations), or based on processes, customer service or cost of production.

6.6.1 Recognizing the Characteristics of a Niche Market

Most case participants recognized the potential of a niche market at some time after committing to the production process. These results are summarized in **Table 6.6**. When became apparent that the commodity side of the business, represented by the purchases of GSK ,would pay a reasonable but not substantial margin of return, growers looked for alternative value added markets. Growers formed a cooperative to approach niche markets collectively and to develop a marketing strategy. Evaluating this related activity was based on the case participants’ knowledge of the eight characteristics of an attractive niche synthesized from the literature. Participants were asked unstructured questions relating to the decisions that were made over the years. Following the evolution of the firm in terms of the chronologic order of the manager’s business decisions, provided a framework for explanation building and pattern matching. Activities related to *decision nodes* or critical junctures were revisited with semi-structured questions asking the participant to discuss the decision. The objective was to set the decision within the context of the overall strategic plan and the economic environment of the time, and also, to determine the *why* or strategic motive for the decision.

Case 4, 5 and 6 managers recognized the value of most of the characteristics identified above, in particular the need to be profitable and sustainable over the long term due to

the presence of strong entry barriers. Other case managers recognized some of the characteristics but not always the same ones. For example, Case 1 focused largely on production for the commodity market and as such emphasized collective research into the size and growth potential of niche markets. Case 2 also emphasized size and growth potential of niche markets, but was also committed to individual research into entry barriers and acquiring individual production and processing skills. Case 7 sought alternative processing and marketing avenues for the commodity market and dealt peripherally with various niche alternatives.

Proposition Two guided the researcher to examine how the firms in the study proceeded to develop the niche market once they recognized and accepted the niche position.

Table 6.6 was structured to reflect this reality. The table was split between recognition and the other five related activities to better reflect the importance of determining the steps taken by case study participants, once they recognized the niche market situation, and if these steps varied with the level of recognition.

6.6.2 Barriers to Entry and Innovation

All firms studied saw the benefit of maintaining barriers to entry. In the early stages of the sector's development, case study participants thought of barriers in terms of natural barriers (agronomic characteristics embodied by location i.e., New Zealand) and crop breeding, for improved commercial varieties. These actions were patterned after the growers' experience of developing varieties and processing techniques for the commodity market. Case 1, a medium sized firm (considered average or typical of the sector), strongly supported research into the value added and high value niche market sectors of health drinks, supplements and extracts.

Satisfying the stringent requirements of the Japanese nutraceutical market and ensuring traceability, high quality antioxidant and anthocyanin content is crucial for our marketing effort. Case 1

Case 4 participant has allocated 1.2 hectares of land for variety test plots:

Developing new varieties for nutraceuticals is our next step. Industry must continue to fund the plant breeding program. Case 4

The context of the above quotations was a discussion by each case participant on the ability of the New Zealand blackcurrant industry to compete with other sources of anthocyanin powders, and the strategy to capture and maintain leadership in the distribution of these products. The concept of entry barriers appeared to be associated with production of the correct niche product that would enter an existing niche market.

Table 6.6: Comparison of New Zealand and Canadian Blackcurrant Growers for Operationalizing a Niche Market Strategic Plan.

Farm type (Size, crops)	Related Activities					
	Recognition	Erect barriers	Innovative	Network	Strategic Plan	Formal Plan
Small, diversified						
NZ Case 3	Moderate	Strong	Moderate	Strong	Strong	Moderate
CA Case 11	Moderate	Strong	Moderate	Moderate	Moderate	Moderate
Medium, single						
NZ Case 1 Primary	Moderate	Strong	Moderate	Strong	Moderate	Weak
NZ Case 5	Strong	Strong	Moderate	Strong	Strong	Strong
CA Case 8, Primary	Strong	Moderate	Strong	Strong	Strong	Weak
CA Case 10	Moderate	Moderate	Strong	Strong	Strong	Moderate
Medium, diversified						
NZ Case 4	Strong	Strong	Strong	Strong	Strong	Strong
NZ Case 7	Moderate	Strong	Strong	Strong	Strong	Moderate
Large, diversified						
NZ Case 2	Moderate	Strong	Strong	Moderate	Strong	Strong
CA Case 9	Moderate	Strong	Strong	Moderate	Strong	Strong
Large, single						
NZ Case 6	Strong	Strong	Strong	Moderate	Strong	Moderate

Note: NZ = New Zealand, and CA = Canadian cases.

A general discussion of the case evaluation criteria was presented in **Table 6.2**. An application of these criteria with respect to the related activities applied directly to the case studies is presented in **Table 6.6.1** through **Table 6.6.4**. Cases and related quotations were selected in order to illustrate the qualitative application of the particular criteria.

Table 6.6.1: Recognizing a niche market: Quotations and relevant qualitative discussion.

Category	Case	Related activity, recognize niche market
Moderate	Case 3	“We became part of a local marketing cooperative, selling to a regionally based processor. The prices were better than what GSK was offering and there was less work because the processor supplied the containers.”
Strong	Case 6	“We started blackcurrants in the 1960s but really made the commitment in 2000 when we saw the potential for the nutraceuticals market to take currants to a profit level not attainable by growing veggies”
Strong	Case 4	“As the prices offered by GSK dropped we realized that to stay in business we had to access the market in powders and to do that meant going offshore.”
<p>Discussion: Case 3 management recognized the significance of selling a value added product in terms of premium pricing. However, when asked, management did not consider special means to limit competition or consider other methods to support barriers to entry.</p> <p>Case 6 management recognized that blackcurrants offered more of the characteristics of a niche market than did traditional truck farming. The case study participant stressed the importance of adding value and mentioned nutraceuticals and functional foods in each interview. Case 4 management reiterated the same sentiment as Case 6 with respect to adding value through the development of niche markets in nutraceuticals and functional foods. The ability to charge premium prices through the establishment of barriers to entry and the link to core competencies was well understood. However, neither Case 4 nor Case 6 connected the individual characteristics to an integrated definition of an attractive niche market.</p>		

Table 6.6.2: Erecting entry barriers: Quotations and relevant qualitative discussion.

Category	Case	Related activity, barriers to entry
Moderate	Case 8	“We looked at several markets. We had an opportunity to place some of our product in a high end restaurant. We were invited to the restaurant when they were serving our fruit but we didn’t make it. Another project was sending fruit to Manitoba to be made into wine. This turned out to be a lot of work...”
Strong	Case 5	“Our industry needs varietal research. Scientists tell us that for the nutraceuticals market, color is the number one factor and we know that for the juice market color is down the list because GSK puts flavor and vitamin C ahead of color.”
Strong	Case 9	“We need our own plant breeding program, some research is done at the University of Saskatchewan but growing conditions are different here and we need to get on to this.”
<p>Discussion: Case 3 management recognized the need to move into niche markets but selected several such markets that did not have strong entry barriers. Also, although it acknowledged the benefit of barriers, management engaged in limited discussion of the role of the firm in erecting entry barriers. The context in the Case 5 example was that New Zealand growers need to be on top of agronomic research and keep an edge over the rest of the world especially Europe. This was a common sentiment among growers. Natural barriers were the first considered and market or industry based structural barriers were viewed as a means to support natural barriers. Management of the Case 9 firm emphasized that the role of plant research was vital to producing varieties that are suited to their particular area and provide natural entry barriers.</p>		

Table 6.6.3: Innovation: Quotations and relevant qualitative discussion.

Category	Case	Related activity, being innovative
Moderate	Case 5	“There isn’t a big enough market in New Zealand so we need to sell powders overseas and to do that the co-op has to take it on for us. We need to look at the Japanese market.”
Strong	Case 2	“Farming decisions are based on economics first, what the crop pays and how efficient we are. Enterprises were selected on the basis of their ability to contribute profit and blackcurrants were kept because they were a value added crop. We took the crop and added our own idea; we built our own freezing plant to have more control over where the product goes...but we also sell through the Cooperative.”
Strong	Case 8	“You have to keep an open mind. Most of our projects came to us from processors because they knew we would look at new projects as opportunities.”
<p>Discussion: In the context of innovation as the purposeful and organized search for changes Case 2 looks at innovation from both a network and an individual perspective while Case 5, with fewer resources, see innovation as a collective responsibility. Case 8 was willing to look at adapting production requirements to several different niche market opportunities .However there the participants expressed that they lacked follow through and let some innovative possibilities lapse.</p>		

Table 6.6.4: Strategic and Formal planning: Quotations and relevant qualitative discussion

Category	Case	Related activity, planning strategically
Moderate	Case 1	“Most of our actions are based on the weather and markets during the year. We have a routine of replacing a certain amount of currant bushes each year and we try to manage the crop through the year to get the best yield.”
Strong	Case 2	“Decision on whether we keep or get rid of an enterprise is based on cost and efficiency. Each operation has to pay its way. The farm operates with a minimum of hired labor and as enterprises prove themselves by being better earners they replace other enterprises... there is no room for sentiment. We look at the bottom line every year and at what looks good down the road.”
Strong	Case 5	We were late to the industry and not highly capitalized but the price from GSK peaked in 2003 at \$2.39/kg. Price has declined since then. We believe the price has bottomed out now and we are still above breakeven. Budgeting is important but long term the industry needs to be in powders. Our goal is to sell into Japan at \$5.00/kg.”
<p>Discussion: A plan was considered strategic in nature if it was future oriented and covered one or more production periods. Management of Cases 2 and 5 commented that they developed the long term (three to five year) goals for their businesses and were committed to formal planning on an annual basis. Case 1 Discussed the necessity of retaining a contract with GSK and the implications to the business if the contract was discontinued. This demonstrated strategic thinking. However, seasonal operational decisions were discussed more often and in greater detail during each interview.</p>		

Innovation was supported through networking and representing the industry on various government sponsored research and export committees. Although Case 1 did not demonstrate aspects of formal planning (such as a written plan), there were indications of both operational plans (exemplified by a detailed annual production and marketing plan), and strategic plans formulated to consider a three to five year replanting and renewal of production material. A commitment to adopt varieties that were suitable for various niche markets also is indicative of strategic planning.. These plans were focused around the innovative aspects of niche growth and the implementation of barriers to entry.

Some of the larger case study firms such as Cases 2 and 6, invested funds internally to develop unique products and processes, while all firms contributed financially to collectively develop both unique products and sustainable markets. Case 6 for example, in a follow up interview in June 2008, discussed the plan to equity finance their own blackcurrant freezing facility to be better able to serve the American market in addition to marketing product through the producer cooperative. Case 7, a medium sized enterprise, was able to network with larger processors and exporters and appeared as well capitalized as many of the larger growers. Cases 1 and 5 preferred networking through the producer cooperative and other organizations to establish and maintain barriers to entry. Managers of both of these operations served as grower directors of Blackcurrants New Zealand Ltd. and as such, had input into the decisions regarding research and marketing targets for the industry.

Although innovation was one aspect of establishing barriers to entry, the concept was treated separately because of the complex relationship innovation plays within the firm. All firms recognized the role of innovation but only the large, financially able firms engaged in within firm innovation. Innovation in the niche market aspect of the industry is carried out mostly with the assistance of government both in agronomic (crop breeding), and in market development (trade missions, marketing and export specialists and operational funding).

The growers support a plant breeding program. This is very important for us to get into the Japanese and American markets. We have research plots in Canterbury and we get some of the time of a plant breeder in Plant and Food. Case 5

The plant breeding program is important, but we need to make sure we control our patents here at home and not let the genetics out of the country. Case 3

The only way to make real money is to get into the powders in a big way. Europe can undersell us any day in the juice market but we need to do more development at the processing end like freeze drying or making more products in the confectionery line. Case 6

6.6.3 Networking

All firms were members of the cooperative and view this as their primary form of networking. For small and medium sized firms (Cases 1, 3 and 4) the grower cooperative is their only actual avenue for networking. Case 1 actively encouraged a broader vision of networking through actions associated with serving on the board of directors for Blackcurrants New Zealand. Larger growers such as Case 2 and Case 6 tempered their desire to network through the cooperative with the desire (and capital) to develop their own value chain. Case 7, a medium sized producer was supportive of the cooperative, but also independently networked with regional processors. Case 3 networked closely with Barker's of Geraldine, a local processor with distribution in Australia. For Cases 3 and 7, creating their own value chain (vertical network) was as important as supporting the horizontal cooperative network. Case 2 commented:

We all work with the cooperative, and we attend grower days –you learn a lot about production there but there is a lot of marketing talk as well. For some of us we can organize our own processing as well as sell to the co-op so we can get our fruit dried and sold through local processors.

Case 2

Networking most often involved sharing production and agronomic information. The cooperative sponsored field days at which fruit variety testing was discussed, along with marketing sessions, and Department of Agriculture sponsored pesticide spraying and handling courses (a *grow safe* certificate is required to allow an operator to spray and an *approved handlers* certificate to purchase chemical). Another advantage of networking for small and medium sized operations was that it brought these firms into contact with larger more highly capitalized firms that were conducting their own agronomic and market research and provided equal time with government scientists and management consultants. Networking on the agronomic side of the business therefore assisted these operations to develop business contacts and further their marketing efforts.

Market networks evolved over the years. In interviews in 2007 and 2008, Cases 1 and Three outlined the evolution of the horizontal producer marketing networks that they were involved in. Case 3, for example, marketed fruit through the Canterbury Berry Cooperative and Barker's of Geraldine. Canterbury Berry Cooperative amalgamated with the Geraldine Berry Fruits Group. Case 1 marketed through the Otago Growers Association, which became the New Zealand Berry Fruit Growers Federation. All of the activities formerly invested in these independent groups now fall under the authority of Horticulture New Zealand which oversees all product groups. However, the evolution of marketing product groups from regional to national entities illustrates the commitment to networking activities of case participants over the years.

6.6.4 Strategic Planning and Formal Planning

Strategic planning was evident to some degree in all case studies, although the development of formal written business plans was not. Formal plans were prepared when required for a source outside of the firm such as a financial intermediary or export agency. The operator in Case 4, for example, commented that in applying for a Suspensory Loan for their blackcurrant enterprise :

We made sure that the machinery we purchased could be used in other farming endeavors in case we decided not to pursue the blackcurrants in the future. Case 4

Also, some machinery, like the currant harvester that doubled as a sprayer, could be sold as a sprayer if required. The Suspensory Loan application process required the submission of a five year business plan using a previously determined production quota. If the grower met the production quota, a portion of the loan (up to 70%) was forgiven. The Case 4 firm met these requirements despite the fact that product prices halved over the five year loan period. Case 4 was also involved in innovation, particularly supporting the crop breeding program and government sponsored research on agronomic practices.

Case 2 management developed strategic plans for each enterprise. Formal budgets were prepared to determine the relative profit potential of each enterprise. Management commented that:

Each crop has to pay its way, there is no room for sentiment. We went out of cropping (enterprise) because when we calculated it all out it didn't pay so we stopped and looked at our alternatives. Case 2

This firm's business philosophy can be summed up as:

Cannot do all things...what you do you must do properly. Case 2

Small and medium sized firms tended to rely more on their network to provide information for strategic planning and sometimes for the plan itself. The Case 3 firm, for example, was affiliated with a succession of grower and processor initiated joint ventures. The first of these was a collection of growers established primarily as a marketing group. This organization evolved into a regional cooperative which eventually was replaced by a national cooperative. These cooperatives assisted growers with both production and marketing and facilitated work with government funded agronomists and a research scientist. Growers such as Case 3 participated in these cooperatives and also with GSK, the major commodity purchaser who also provided agronomic advice designed to maximize processing efficiency and product quality.

Case 5, a medium sized firm, was, like Case 2, very planning oriented but for different reasons. Case 5 was a single enterprise firm with blackcurrants as one of a portfolio of enterprises. As such, long term viability of the business depended on careful day-to-day operational planning and a comprehensive strategic plan. The owner/operator of this firm displayed a commitment to strategic planning by discussing the alternative uses of the property (land, buildings and equipment). It should be noted that the plan for the initial start-up of the blackcurrant enterprise featured selling product into the commodity market where prices were steadily rising. However some five years into production the plan was shifting to aim at the nutraceuticals market overseas and more commitment was placed on networking to evaluate and access this market.

Interviews with members of the blackcurrant value chain supported this analysis in several ways. Interviewee A, a research scientist working to improve product characteristics for both the commodity and niche markets, interviewed in each year from 2006 to 2009, discussed the on-going effort to provide growers with new fruit varieties with characteristics specific to use. The chronology of this work confirmed that the initial successes were focused on the commodity market and specifically aimed at color and taste for juice.

Although this effort continues, several other lines of research were opened to develop varieties suitable for the extraction of anthocyanins and antioxidants to create products

for niche markets. In addition, variety development and testing was accompanied by a rigorous program of agronomic research to lessen dependence on pesticides and increase yields.

Processors also appeared to grow in sophistication with the industry. Varieties improved to meet the demand for products with specific characteristics. As there was very little differentiation in the early years of production, fruit most suitable for the commodity market was adapted for other purposes. One of the first innovations by processors was to require picking of fruit at different stages of ripeness to maximize the desirable characteristics for processing. The most common use at this stage was in confections, cereals and jams. This process has continued to evolve into a sophisticated selection process for juice, concentrates, jams, Individually Quick Frozen (IQF) for confections, and powders for the nutraceuticals market.

The grower cooperative and the largest commodity purchaser also collaborate on production and marketing efforts. Information passed down the value chain assisted growers to learn more about their potential markets and to develop products to meet these markets. Production efficiency was also enhanced by timely replanting of desired varieties. However, for growers, there is another level of risk to be assessed. There is a danger (and the risk is readily perceived by growers) particularly for smaller growers in specializing in blackcurrant varieties that are more suitable for the niche markets of IQF and functional foods and nutraceuticals. Growing varieties suitable for the juice market and harvesting at different times to provide a product better suited to niche markets is a partial solution. But, those farms that are willing to grow varieties of blackcurrants specific to the purpose will, when successful, gain an additional price premium.

Case 8 is a Canadian blackcurrant grower that is an example of a commodity producer that grew into a niche marketer with a strong customer-oriented focus. The orchard was planted under the encouragement of a local processor which contracted for initial production. When this processor ceased operation, local growers were left to find markets. With the relatively low price on the commodity side of the market, there was interest (of necessity) in taking a value-added approach. For Case 8, there were attempts

to operate both alone and with other growers in loosely knit cooperative or joint venture arrangements, in an effort to evaluate various niche market opportunities. Most growers, including this operation, now market independently.

We started out with the grower group but this helped mostly get established, learn how to grow blackcurrants and share machinery – especially a currant harvester – but we like to go on our own to market the fruit ourselves.

Case 8

Growing conditions are challenging for this farm and the strategic selection of blackcurrant varieties is skewed to the agronomic factors involved in producing in a harsh climate, but characteristics more suitable to the market are also considered.

Managers of this single farming entity demonstrated awareness of the operation's internal strengths and weaknesses, knowledge of general competitive strategies and commitment to a strategic planning process. This was demonstrated through the operation's innovative approach to marketing blackcurrant products.

The firm marketed the commodity portion of the crop as juice but also attempted to add value through the production and sale of blackcurrant wine as part of a joint venture with a winery from a neighboring province. Recently the firm has initiated the development of wine kits as a value added variation with assistance from the Alberta government's sponsored food processing and market development facilities. One of the firm's ventures was marketing product exclusively into the very high end restaurant trade in Calgary. The firm demonstrates flexibility and a strong customer orientation that competes on value rather than price.

Case 10 and 11 growers were considering alternative avenues of marketing but were selling all of their production through the commodity market at the time case interviews were conducted. There was evidence of strategic planning and recognition of core strengths and a desire to move to a focus strategy. There was limited opportunity to demonstrate contingency planning outside of agronomic aspects, but the operators

displayed evidence of knowledge of the concepts and application where possible. Case 9 had the potential to be a major player in the small industry and assumed a lead role early on in the development of the industry. This firm has since chosen to relinquish this lead role as part of the strategic plan of the firm. The firm's contingency plans were subsumed within the dominant strategic plan activity related to break-even price and cost of production.

All Canadian growers recognized the need to erect barriers to entry. This realization came at the expense of several failures to launch specialized products into the commodity juice market. Many were left jaded by the experience and this carries over into the discussion on niche markets. Case 11, for example, although struggling to articulate a long term commitment to the industry, nevertheless voiced this concern in the statement:

Do not look at the future market and try to judge...but rather construct
the future market.

Case 11

The management of the Case 10 operation was less committed to finding a niche market and more interested in developing networks to market the existing commodity and therefore assure longer term affiliations. As they noted:

A lot of farms just want to keep going with what they have now. The
same processor will take all of our product so for some there is not much
reason to experiment with niche products.

Case 10

The reference to "keeping going with what they have" also implies continuing with the commitment to research and development with the local commodity association to develop niche markets particularly in the area of IQF.

6.7 Cross-Case Comparison for Proposition Three

Proposition Three states that small and medium sized firms exhibit planning behavior and develop operating plans that allow them to capitalize on their distinctive characteristics to fill the niche. After reviewing the literature on niche marketing, SME marketing, and small business planning, a classification system was developed. Following Dalgic (2006), areas related to the firm's definition and description of a niche market and strategy for entering and maintaining a presence in the market over the long term were defined. Related areas were grouped and classified. The classification system is presented in **Table 6.7**. The activities of each firm were evaluated with respect to the classification system adopted. These category ratings are reported in **Table 6.8**. A firm categorized as *strong* within the classification of ultraspecialist, for example, would engage in most (but not necessarily all) of the activities related to this classification. It was sometimes possible to classify firms in terms of a dominant strategy although there were many firms that demonstrated the application of activities related to more than one classification.

Table 6.7: Classification of Related Activities Areas for Proposition Three

Proposition 3: Maintaining the niche barriers to entry – meaningful differentiation	Related activity
Ultraspecialist	<ul style="list-style-type: none"> • Narrow definition of the niche • Establish strong networks • Avoid outsourcing of core activities
Global player	<ul style="list-style-type: none"> • Control rather than own (including IP) • Unique product with pre-emptive product attributes • Commit to incremental innovation
Customer oriented	<ul style="list-style-type: none"> • Create a strong vertical network • Compete on value not price • Customize products to meet requirements
Vocal local	<ul style="list-style-type: none"> • Develop a local identity • Differentiate based on local culture • Market through local channels

Proposition Three guided the researcher to examine the long run strategic outlook of the individual case participants with a view to their understanding of the potential for long term viability of the chosen niche, and the likelihood of the niche becoming mainstream.

Table 6.8: Comparison of New Zealand and Canadian Blackcurrant Growers for Planning Behavior and Knowledge of Distinctive Competencies.

Farm type (Size, crops)	Classification			
	Ultraspecialist	Global player	Customer orientation	Vocal local
Small, diversified				
NZ Case 3	Moderate	Strong	Moderate	Strong
CA Case 11	Moderate	Weak	Strong	Strong
Medium, single				
NZ Case 1 Primary	Moderate	Strong	Moderate	Strong
NZ Case 5	Moderate	Strong	Moderate	Strong
CA Case 8, Primary	Strong	Weak	Strong	Moderate
CA Case 10	Moderate	Weak	Strong	Moderate
Medium, diversified				
NZ Case 4	Strong	Strong	Strong	Moderate
NZ Case 7	Moderate	Strong	Strong	Moderate
Large, diversified				
NZ Case 2	Moderate	Strong	Strong	Moderate
CA Case 9	Moderate	Weak	Moderate	Moderate
Large, single				
NZ Case 6	Strong	Strong	Strong	Moderate

NZ = New Zealand and CA = Canadian .

A general discussion of the case evaluation criteria was presented in **Table 6.2**. An application of these criteria with respect to the related activities applied directly to the case studies is presented in **Table 6.8.1** through **Table 6.8.4**. Cases and related quotations were selected in order to illustrate the qualitative application of the particular criteria.

Table 6.8.1: Ultraspecialist: Quotations and relevant qualitative discussion.

Category	Case	Related activity, ultraspecialist
Moderate	Case 7	“Our family business is driven by sales to GSK but now the focus is on internationalizing the blackcurrant industry and move into powders.”
Strong	Case 6	“We teamed up with a local processor in Canterbury. The company now produces a range of concentrate products and powders and oils. We still sell into the juice market but the goal is to concentrate on nutraceuticals powders and sell into Japan.
<p>Discussion: The ultraspecialist operates within a narrow definition of <i>niche</i>, and forges strong networks to maintain a close relationship with the consumer. Case 6 discussed their strong relationship with GSK but also their more recent interest in developing their own channels for accessing the Asian market particularly China. The management of Case 6, however, took very early interest in the nutraceuticals market and developed networks to access the New Zealand and Japan. This firm was the principal supplier of fruit to be processed into anthocyanin powders for the Japanese market. The importance of this value chain was a topic of discussion in every interview.</p>		

Table 6.8.2: Global Player: Quotations and relevant qualitative discussion.

Category	Case	Related activity, global player
Weak	Case 11	For us the best solution, down the road might be to start a u-pick rather than try to sell everything into the juice market.”
Strong	Case 6	The functional food market is worth about \$US 150 billion worldwide, we are looking at tapping into that market particularly the \$US 30 Billion or so Japanese market. To do this we have teamed up with the business partner called Just-The Berries. We have a marketing office in Tokyo and another in Los Angeles. Our next step is to get funds for research on health benefits of blackcurrants.”
<p>Discussion: Global players are noted for a preoccupation with the development of unique products with pre-emptive product attributes and a desire to control innovation through patents. Case 6 invested individually and through the cooperative network in both varietal and processed patentable products. Management of Case 11 however, discussed their future in terms of a local market utilizing existing varieties and technology.</p>		

Table 6.8.3: Customer orientation: Quotations and relevant qualitative discussion.

Category	Case	Related activity, customer orientation
Moderate	Case 9	“We belong to The Alberta Currant Coop. There are six growers. The sole purpose of the coop is to market blackcurrants. The main focus is to stay within Canada so for us the grower focus is to maintain high quality and supply fruit.”
Strong	Case 11	“We like to work directly with our customer. A u-pick would let us manage our business from home and get to know our customers. We think there is a big enough urban population to support a good size orchard”
Discussion: Quotations from these growers illustrate the difference in thinking from the desire to build a relationship with the customer on a one-on-one basis (Case 11) to remaining slightly removed from the customer and focusing on production (Case 9).		

Table 6.8.4: Vocal local, observations and relevant qualitative discussion.

Category	Case	Related activity, vocal local
Moderate	Case 6	“Canterbury grows high quality blackcurrants but we don’t do enough to promote powders in New Zealand most of our marketing is to Japan.”
Strong	Case 3	“Barkers of Geraldine purchase a portion of our crop. Barkers and GSK provide a stable income base. Barkers pays for bins and liners and transportation cost is greatly reduced. Selling to a local processor also lets us promote our berries in the community.”
Discussion: Vocal locals attempt to develop a local identity and market through local channels. Case 3 marketed a portion of their crop through a local processor and was, for a time, the major supplier of fruit to this processor. Discussions at several interviews related to the detail of this relationship and the financial and marketing advantages gained from this relationship. Management of Case 6 discussed the necessity of being in the local market but emphasized that to sell their entire product required that they become a global player.		

As expected, the related activity areas for Proposition Three involved much more integration in terms of how individual case study firms viewed their place in the industry. How each firm viewed its relationship with other firms at the same level in the value chain (degree of horizontal integration), and its relationship with firms along the

value chain (vertical integration), was critical to management's selection of business strategy.

Firm 6 was the primary supplier of fruit, through the cooperative, to Just-the Berries Ltd., a major New Zealand player in market development for functional foods and nutraceutical products in Japan. The farm specialized in fruit varieties selected for the functional food market and nutraceutical market. The farm operates within the definition of ultraspecialist with a portfolio of products to accommodate a variety of niche products for the functional food market, and powders for the nutraceutical market. The firm networked with a domestic supplier (Claridges Herbal) but, in the interviews, the emphasis was always on a discussion of how to access international nutraceutical markets. At the time of the case study interviews (from 2006 through 2008), promotional materials produced by JTB Ltd. cites this farm as the primary source of product for the production of powders and concentrates, and promoted the healthful benefits of location, climate, terroir, and management as characteristics that contribute to product differentiation.

We started in 2000 and decided to go into blackcurrants in a big way, they had traditionally been a juice product. They had always been regarded as being a healthful product so we investigated what justified the health claims and looked at the range of products we could produce. We teamed up with Claridges Herbal and after a year of research we formed the joint venture company, Just-the-Berries. Case 6

In 2004, NZ Pharmaceuticals of Palmerston North became a shareholder and now runs the company's marketing office. Grower, 2006

In contrast, New Zealand cases that were characterized as moderate with respect to this category grew a variety of blackcurrant primarily adapted to the juice market and relied on varying cultural practices (such as timing of the harvest) or fertilizer application to maximize desirable characteristics for niche markets. Case 1 operator noted:

We select varieties that will do well on the farm given what is best for our agro-climatic zone, the realities of the market and the preference of the purchasing agency.

Case 1

Canadian case participants with the same range of market alternatives were bound by their smaller acreage to limit their choices to a fewer options. Case 8, the primary Canadian case, however, made several attempts to enter niche markets specializing in high value products including wine and products for the specialty restaurant market.

Cases 2, 4, 6 and 7 are New Zealand examples of Global players. These firms developed vertical networks to market their product domestically and internationally as well as sell through the producer cooperative. Case 7 networked with a processor with international contacts located in Nelson, New Zealand. According to a 2007 interview, this network was originally formed when excess in the commodity market resulted in a greater supply than was marketable either through GSK or the producer cooperative. Case 2, with a view to expand globally, also networks with a local processor that is a licensed exporter.

We should focus on the United States, it is a big and affluent market that we should be able to compete in [referring to functional food and confectionary sectors].

Case 2

Cases 1 and 5 market production through the producer cooperative. Some of this fruit is allocated to products that are destined for niche markets. Managers of Case 1 and Case 5 firms are vocal in their support for the development of products for niche markets but network through the cooperative and administrative structure of the New Zealand Blackcurrant Group rather than as independent agents. The relative size of the operation likely plays a part in this decision as Cases 1 and 5 are medium size while, Cases 2 and 7, are large with greater internal resources and more incentive to develop markets that fit their core competencies. Case 7 is a medium sized grower but highly capitalized and well positioned to develop marketing networks.

It appeared that the firms in the best position to develop vertical networks were also the most customer oriented. Cases 2, 6 and 7 developed domestic and international networks and were larger and better capitalized. Case 4 was also Customer oriented by virtue of its unique position with respect to the firm's close association with agronomic research into new varieties for niche markets. Customer orientation implies a desire to develop products that are suited to a particular niche market and a commitment on behalf of the company to keep abreast of changes in customer needs. This research looked at the involvement of the firm in market research and environmental scanning as a means to gauge customer orientation.

Case 3 was an example of a vocal local. For some time the majority of the blackcurrant crop was sold to a local processor. This processor has been in business since 1969 and was prominent in the local community and domestically. The domestic market represented two-thirds of the market and Australia the remainder. Blackcurrants were the fifth most utilized fruit. Fruit was blended for fruit drinks, sold in bags to bakeries and in jars for syrup. This processor moved to purchase blackcurrants from Case 2 and Case 3 farms and contracted with these firms to ensure a secure supply. Prices paid by this processor were generally higher than for those paid in the commodity market, but because the niche markets change more quickly, there was also the requirement for producing firms to be more flexible. Case 2, a larger grower had a more diverse portfolio of markets than did Case 3, which sold either to the local processor or to the cooperative.

The processor introduced around forty-six new products annually and changed labels on existing products every three years. The average life of a new product is getting shorter so there is a need to keep innovation at the center of the niche marketing process. This need and attitude was passed down to growers who were required to keep abreast of new varieties and agronomic techniques that provide the optimum in fruit color, flavor and color characteristics required for products going to each niche market.

Canadian cases, because of their small size and the infant industry nature, are more difficult to categorize. However, general attitudes stand out from the case interviews.

Managers that were disposed to market through the commodity market were less inclined to network or to be aggressive in their search for niche markets. A complication for Cases 8, 10 and 11 was that they had been involved in networks that had failed in efforts to develop products for niche markets. Cases 10 and 11 managers had been involved in the same failed attempts, while Case 8 participated in two failed attempts of its own and one that was common with Cases 10 and 11. This influenced these managers to develop their own markets. Only the primary case exhibited characteristics of an ultraspecialist. This case, although small in size by world standards, was nevertheless involved in several niche markets each with a narrow definition and the need for strong networks. These niches included wine making and marketing and the delivery of select fruit to specialized restaurants.

We have been selling to a processor in the States for juice as a fall back but if we are going to stay in the business we need a bigger profit margin. We have to look at the value added market. Case 10

We can't just produce for the juice market. We are looking at alternatives right now and are checking on availability of space to and the cost to us to get into the food Processing Development Center at Leduc to look at adding value. [The food processing centre is fully equipped pilot plant and product development laboratory sponsored by Alberta Agriculture and Rural Development]. Case 1

None of the cases had the desire or the ability to become global players in niche markets although all participated in the global market with respect to commodity sales. Case 9, the largest grower, was primarily interested in blackcurrants as an alternative commodity crop. Because the firm was well capitalized, diversified and had a high propensity for strategic planning, this firm was willing to allocate resources to the development of niche markets, provided that this effort did not detract from its ability to perform in its core business which were primarily field crops. Customer orientation for

these firms, largely meant paying close attention to the harvest handling and packaging requirement of the processor. Case 11 was the only vocal local of the Canadian cases. This firm sought feedback from customers in the local community and networked with other small lot orchard operators.

The crux of the matter is marketing. There is no local product. We need a marketing development plan to guide us in what products to develop for the local farmers markets. We believe innovation is important but the marketing plan comes first for us.

Case 11

7 Discussion

7.1 Introduction

The research propositions were developed from an examination of the literature and were used to guide data gathering and analysis. The results of this analysis were reported in Chapter Six. This chapter is devoted to a discussion of these results. This discussion will relate the research findings to the relevant literature and is followed by a dialogue on the implications for theory and application to business policy.

The chapter is organized as follows. The research propositions are reviewed. The definition of niche marketing and the characteristics of an attractive niche are revisited in light of the results of case study analysis. An alternative view of niche characteristics is proposed. The results of cross-case analysis are used to develop an archetype of a niche marketer. This archetype is compared to that which was synthesized from the literature, and a discussion of the similarities and differences between the actual and expected results is provided. The implications of these findings are discussed in the context of the relevant marketing literature, and the application of this research to the formulation of business policy designed to assist small business in the development of niche markets is discussed.

7.2 A Framework for Discussion of the Data

The research propositions provide a framework within which the discussion of the findings can take place. This thesis examines the strategic decision making practices of small and medium sized agricultural firms, specifically the decision to seek out a niche market opportunity. Proposition One guides the research into the decision to seek out a niche marketing opportunity. It was determined from the literature that certain activities were related to this decision.

7.3 Case Study Analysis Results Compared to the Expected Results for Related Activities

7.3.1 Proposition One: The decision to enter a niche market is a planned business strategy and is based on an assessment of the attractiveness of a given niche.

Proposition One, the strategic choice to seek out a potential niche market opportunity is not substantiated by analysis of the results of the eleven case studies in the New Zealand and Canadian blackcurrant industries. The expectation, based on the literature and reflected in Proposition One, was that small and medium sized firms would be actively engaged in scanning the environment for niche market opportunities. However, the research results indicate that the eleven small and medium sized businesses studied, were more apt to discover a niche market opportunity through serendipity than by design. They were either approached by a firm downstream in the value chain, or joined a network already selling into a niche market. These firms were not actively engaged in market research or environmental scanning but were aware of their core competencies.

An objective of the analysis of the case study data was to compare the decision making process of the case study participants with the process that was expected based on a review of the relevant literature. A summary of this analysis for Proposition One is presented in **Table 7.1**.

Table 7.1 Observations of the decision making process derived from the literature compared to study based observations for Proposition One.

Related Activity	Observations from the literature	Case study based observations
Seek out niche market opportunity	Decision based on expected benefit of niche access	Decision based on the opportunity to diversify product portfolio
Distinctive competencies	Firm is aware of core competencies	Firm is aware of core competencies
Market research	Firm conducts environmental scanning and follow-up market research	Limited environmental scanning - more interest in product research than market research
Market orientation	Active scanning and assessment of niche market benefits	Weak market orientation – stronger product orientation
Opportunity seeking behavior	Strong orientation mitigated by network orientation	Moderate to strong orientation – based on search for independence

The literature suggests that niche marketing relies on firms being engaged in environmental scanning to uncover a potential niche (Dalgic, 2006) and market research to explore the opportunity more fully (Kotler and McDougal, 1985). The literature describes niche marketing as primarily a defensive strategy focused on limiting the competition (Leflang, 1990; Hezar, 2006). However, the eleven blackcurrant growers in New Zealand and in Alberta, Canada became niche marketers at some time after making the decision to plant blackcurrants. The decision to grow an alternate crop such as blackcurrants was sometimes made to take strategic advantage of a government program, or in an effort to develop some degree of income diversification, at the invitation of a processor or other member of the blackcurrant value chain.

The decision was often one of intuition, based on trial and error and the experience of the owner/operator guided by the knowledge that the risk to the overall operation was limited by the relative size of the new investment in blackcurrants.

Analysis of results demonstrates that grower participants sought to increase revenues while maintaining strategic flexibility in choice of enterprise mix. It is also apparent in both countries, but particularly in Canada, that niche products were developed in response to incentives from processors or other members in the value chain who would assume the responsibility for activities along the value chain, including sales and marketing. It was only when links in the value chain were broken, however, and growers assumed the role of marketing intermediary, that it became apparent to them that they were part of a niche marketing scenario. Once this became apparent, strategic plans reflected this reality and contingency plans became more focused and integrated.

The literature suggests that niche marketers build and rely on their distinctive competencies in order to maintain a competitive advantage (Campbell-Hunt, 1999; Kotler, 2003). The research provides evidence that firms at the grower level of the value chain understood their position with respect to the market. When confronted with a niche market position, growers assessed their core competencies and planned

strategically according to their assessment of market potential. Those growers with access to additional resources engaged in innovation (thinking and practice), others attempted to support innovation through their participation in alliances. Sometimes the alliances formed were horizontal, either as informal marketing groups (Canada), or more formal cooperatives (New Zealand), or vertical with other members of the value chain (mainly processors or exporters). There was also evidence of contingency planning though not always in the framework of the strategic plan.

7.3.2 Proposition Two: Niche marketers understand the underlying characteristics of a niche market in terms of minimizing competition and reducing exposure to turbulence.

Proposition Two assisted the researcher to examine the means by which agricultural niche marketers implement a niche marketing strategy, and guided the research on the strategic planning practices of small and medium sized agricultural marketers. The literature emphasizes the firm's commitment to innovation and organizational flexibility. There is also recognition of the positive role of networking in maintaining barriers to entry through the preservation of close connections with other firms downstream in the value chain. The activities that relate to the firm's ability to implement a niche marketing strategy are summarized in **Table 7.2**.

The literature suggests that in addition to a market orientation firms are more successful niche marketers if there is a predisposition to innovation as a means of maintaining barriers to entry (Kohli and Jaworski, 1990; Hunt and Morgan, 1995). A commitment to innovation in the areas of product development, market development or service, as well as the firm's networking activities is subsumed under the category *barriers to entry* in **Table 7.2**. These activities contribute to establishing and maintaining a niche by discouraging potential competitors. With regard to strategic planning, the focus of this research was to review the literature on the planning practices of small and medium sized firms. This literature favored the preparation of formal written plans.

Table 7.2 Observations of the decision making process derived from the literature compared to study based observations for Proposition Two.

Proposition	Related Activity	Observations from the literature	Case study based observations
Proposition Two Operationalizing the plan	Niche recognition	Strategic commitment of resources to assess niche potential based on assessment of desirable characteristics of the niche	Recognized potential when presented with niche market alternative to commodity market
	Barriers to entry	Strategic decision to maintain competitive advantage through product, market or organizational means	Work through horizontal producer network to consolidate the industry advantages
	Strategic planning	Formal strategic planning process with written plans including contingency planning provision	Planning mostly operational - some planning in terms of potential resource use should niche fail

Proposition Two was confirmed by the results from analysis of the data on the case study participants. Participants demonstrated an understanding of, and a commitment to, the erection and maintenance of barriers to minimize competition. The firms recognized the characteristics of a niche market (such as participation in horizontal and vertical networks) that were integral to establishing barriers to entry. The strategic planning process involved consideration of the maintenance of barriers to entry and the threat from competitors developing substitute products or of the loss of the niche through consumer indifference. Firms were committed to product innovation and supported plant breeding programs that developed seed stock specifically selected to suit the niche markets of functional foods and nutraceuticals.

7.3.3 Proposition Three: Niche marketing firms exhibit planning behavior. Firms develop strategic and operating plans that capitalize on their distinctive competencies. This action enables the firm to narrow its strategic focus and to develop a strong competitive position in a chosen niche market.

Proposition Three was developed from the literature on niche marketing and business planning. Proposition Three allowed the researcher to examine the operational plans of agricultural niche marketers in light of the existence (or lack) of an overall strategic plan (Proposition Two). The development of a niche orientation and the ability of the researcher to categorize this orientation were deemed evidence of strategic and operational planning whether or not a plan was formally written down. The activities related to the development of a niche operating strategy are summarized in **Table 7.3**.

Table 7.3 Observations of the decision making process derived from the literature compared to study based observations for Proposition Three.

Proposition	Related Activity	Observations from the literature	Case study based observations
Proposition Three	Ultra specialist	Maintain strong networks, niche focus and resource control	Strong vertical networks
Maintain meaningful differentiation	Global player	Control resources, market a unique product and engage in incremental innovation	Work through horizontal networks or independently with international contacts
	Customer orientation	Compete on value, not price, use networks to maintain customer contact	Ties maintained through the established networks
	Vocal local	Local identity	Emphasis on domestic market this is seen as a <i>safe</i> alternative

The literature on business and planning models suggests that unlike large corporate firms, SMEs do not generate formal business plans but often are seen to plan informally (Lyles et al., 1993; Orser et al., 2000; Allred, 2007). Also, the principal outcome of adopting a strategic plan was to create a framework to assess overall performance (Beaver, 2002). Participants developed, to varying degrees, operational plans that were subsumed under an overall strategic plan.

This planning process contributed to decisions on how the firm should construct its operations for long term survival within the chosen niche. The primary means of ensuring long term success was the ability of the firm to maintain meaningful

differentiation. Firms did not always adopt just one strategy, but adopted different strategies depending on the characteristics of the niche market, the features of the product and the stage of the product life cycle.

The literature suggests that small and medium sized firms develop operational plans and therefore operate more in the realms of the operational and economic domains (Glaister and Falshaw, 1999). For the eleven case study participants, the selection of niche activity was focused on a fit with current production resources and capabilities. Many individual firms adopted the strategy that was preferred by their grower association or other horizontal network to which the firm was tied. For these firms the ability to become an ultraspecialist in a niche market was predicated on the income continuance of the commodity market that they were also associated with. Also, individual firms were able to become *vocal locals* by capitalizing on the existence of regional processors. When this outlet was not available individual growers shifted their attention to the global market place and developed products for specific markets overseas. These were examples of firms acting individually and in association with a network to maintain meaningful differentiation in terms of product development, market served and paying attention to aspects of customer service related to product delivery (product form, location, stated benefits and method of delivery).

7.4 Archetypal Blackcurrant Niche Marketer Synthesized from Case Study Analysis

The strategic planning process of the small and medium sized firm engaged in nichemanship is reflected in the behavior of the case study participant members of the blackcurrant sector as presented in **Table 7.4**. A comparison between what was expected in the literature and the findings of this study was made for each step in the strategic planning process of the study population. The largest discrepancies between the findings of this research and the expectations based a review of the relevant literature was found to be in the area of environmental scanning and niche selection. In

other areas, particularly with respect to carrying out operational and contingency plans, the study group carried out the planning process much as expected. There were, however some interesting anomalies particularly in the New Zealand participants interest in horizontal as well as vertical networking. Decisions themselves were often made by intuition and *rules of thumb* stemming perhaps from familiarity with the productive plant and traditional markets.

Table 7.4: Model of the strategic planning process for case study participants: Activities of study participants compared to activities expected based on the normative model.

Normative Model	Model Component	Case Study Based Model
Operator scans the environment for possible niche market opportunities	1. Environmental scan	Operators evaluate opportunities presented by third parties
Internal strengths and weaknesses are assessed with respect to the resource requirements associated with the potential opportunity	2. Issue specification	Degree of fit with the existing resource complement of the firm and the potential additional cost and revenue streams.
Marginal costs and benefits of producing for the potential niche. Identify specific products for development. Role of innovation (cost, time frames), in assuring entry barriers	3. Option generation	Operational decisions. If the niche enterprise is considered a good fit in terms of production the manager turns to decisions on how best to implement the production routine
Formal decision making supplemented with heuristic methods	4. Evaluation	Heuristic methods and intuition supplemented with operational budgets and informal strategic planning
Developing horizontal and vertical networks. Develop operational and contingency plans	5. Implementation	Assess degree of independence and the necessity of networking
Profitability assessed on a yearly basis and over multi-year commitment	6. Control	Profitability assessed on a yearly basis

7.4.1. Environmental Scanning

Environmental scanning consists of the actions of the firm when looking out beyond its bounds for new opportunities, and an assessment of the competitive threats. It is one half of the traditional SWOT. In the marketing literature, the discussion of the adoption of a niche marketing strategy usually begins with the firm identifying a potential market based on an environmental scan. The activity is based on the firm's commitment to a focused (niche) strategy being one of the generic competitive strategies identified by Porter (1980). The literature also notes that small and medium sized enterprises generally allocate fewer resources to environmental scanning. They do, however, follow the same general principals as their large corporate counterparts by looking at the opportunity in terms of the profit and growth potential and how the opportunity fits with the current resource structure of the firm.

The results suggest that when participant firms scanned the environment, they did so for opportunities to diversify their firm's portfolio of products rather than for specific markets. What was more common among participating firms was the tendency to only passively scan the environment and to react to potential offers. Participants were open to proposals from third parties (such as processors) and evaluated these proposals accordingly. The implications of these actions are to disconnect the process of niche market selection from activities associated with environmental scanning such as market orientation and market research. On the other hand, an orientation toward seeking out a desirable business opportunity appears to be important, leading participants to the active consideration of a niche market opportunity.

7.4.2 Issue Specification

The issues specified by case study participants were similar to what was expected from the literature. It was apparent that participants placed a high priority on the fit of the niche enterprise with the skills of the operator and the physical resources of the farm. This is not surprising given that participants balanced a business orientation with a

production point of reference. During case study interviews participants often transitioned from a discussion of the characteristics of a niche product into a discussion of niche market opportunities. Case participants appeared to have a good grasp of the resource complement of their firm, their managerial strengths, and the potential fit of the proposed niche product as an enterprise. There was, however, a lack of either formal budgets or the use of other formal decision aids. Many participants developed informal, non-written, strategic plans and appeared to follow the components of the business model in a general sense, though decisions were made on the basis of experience and intuition.

7.4.3 Option Generation

Careful examination of the characteristics of the potential niche is undertaken in this stage. Option limiting pre-decision behaviour was in evidence at this stage particularly among the eleven case study firms in the blackcurrant industry. This was also consistent with expectations based on the literature. Case study firms tended, as expected, to spend less time and financial resources in this area, often making option-limiting pre-decisions based on intuition, heuristic methods and limited budgeting and formal techniques. For example, if formal business plans were generated at this stage they were usually done at the request of a third party such as a financial intermediary or investor.

7.4.4 Evaluation

The go-no-go decision point is the culmination of the three previous steps and the strategic decision to enter a market with a niche product. Based on Porter's generic strategies model, the focus strategy was seen as appropriate for small and medium sized firms. Several reasons were cited in the literature for this, including the observation that small and medium sized firms are more flexible in terms of managerial and production functions and therefore better able to adapt to a potential niche marketing opportunity.

This appears to be the case for the case study firms, particularly with respect to adapting existing agronomic principals and production techniques to producing the niche product. These principles applied less so to the marketing aspect of the business.

7.4.5 Control

The firm conducts an on-going assessment of profitability, viability of the niche and the fit of the niche product into the long-term production strategy of the firm.

7.5 Conclusions and implications for policy and further research

The purpose of the research was to determine the viability of the propositions developed from the literature, based on interviews with managers of firms at various stages in the value chain, and through more in-depth case study interviews at the grower level.

7.5.1 The Eleven Blackcurrant Growers and the Value Chain in New Zealand and Canada

Specialization was considered by growers of both countries. This is a complex variable and requires additional research. Growers were faced with considering the variety of blackcurrant that would be most suitable for the various markets (juice, functional food, nutraceuticals, or IQF), and the agronomic requirements of each variety to maximize production depending on physical location of the farm.

Observation of the success of the blackcurrant industry in each country, in total, leads to the following conclusions. The strength of the New Zealand blackcurrant sector was as a result of the presence of four characteristics of the sector at the time of the case study interviews:

1. A cohesive industry. There were fewer than fifty growers at any one time and most were members of the producer cooperative. Growers recounted the evolution of the cooperatives from small regionally based organizations focused on the agronomic aspects of production, into the single entity nationally based cooperative. The mandate of the cooperative has expanded to allow it to engage in domestic and international marketing activities, as well as the traditional field days devoted to the agronomic aspects of the industry.
2. Synergies in processing, research and marketing. The New Zealand blackcurrant sector shares agronomic research facilities and infrastructure with a variety of other product groups involved in growing and marketing horticultural berry crops such as boysenberries and strawberries. Fruit was shipped to an apple processing facility for the first stage of processing of fruit into juice. Processing in this facility occurred in the off season for apple processing thus utilizing idle capacity of the facility. Blackcurrant juice was then sent to various other facilities for further processing into concentrates and other products.
3. Producer levy. A four cent per kilogram levy was charged to growers and applied to sales of raw product. Funds from this levy were applied as the producer's contribution to agronomic research, marketing and administration. Critical scientific, agronomic and marketing research was funded jointly by proceeds from the levy on sales and by Horticulture New Zealand. This appeared to build a degree of good will and contributed to the ability of the product group to obtain on-going government funding for these same activities.
4. An existing commodity market. Two-thirds of growers had contracts with GSK at the time of this study. This provided both a base income and contributed to stability in terms of the number of growers at any one time in the industry, which was loosely seen as the *critical mass* of growers necessary to maintain product group visibility and representation on national boards and committees.

The Canadian blackcurrant sector was found to be generally lacking in most if not all of these characteristics in some form. Because individual blackcurrant growers entered the market at the invitation of a processor or marketer downstream and one of the motivators for the decision was to secure a greater degree of independence (away from products traditionally marketed through marketing boards or single-desk sellers), there was a reluctance to organize along the lines of horizontal integration. This mitigated against the development of a cohesive industry.

The lack of cohesion in the blackcurrant sector in Canada impacts two additional characteristics. First, it was difficult to capitalize on synergies in processing, research or marketing when producers act independently. Second, to institute a producer levy there is a need to demonstrate (particularly to government and research agencies) that there is a clear organizational structure, within which funds will be allocated in a manner beneficial to its members and to the advancing the cause of the sector. The absence of an organization essentially eliminates the possibility a levy being established.

A commodity market exists in both countries. However, a critical mass in the New Zealand sector provides more scope for the development of alternative niche markets. The lack of cohesion and funds for research in the Canadian sector makes the development of niche products and markets a process that may require a longer time frame.

7.5.2. Conclusions Regarding the Characteristics of an Attractive or Ideal Niche

The literature describes a niche market as separate and distinguishable from other markets, and provides several conceptual sources for the definition used in this thesis. The characteristics of an attractive niche were described by Shani and Chalasani (1992) and by Kotler (2003). The characteristics synthesized from the literature are:

- The niche is of sufficient size and purchasing power to be profitable.
- The niche has growth potential.

- The niche is of negligible interest to competitors.
- The firm should have the required skills and resources to exploit the niche.
- The firm gains certain economies through specialization.
- The niche should provide entry barriers for competitors.
- The customers in the niche have a distinct set of needs.
- The customers will pay a premium price to the firm that best satisfies their needs.

Overall, one of the most important attributes of a niche is the existence of entry barriers. Entry barriers serve to limit competition and provide a degree of monopoly power, which is considered a necessary, but not sufficient, condition to allow the firm to engage in premium pricing behavior. Also, it can be argued that a firm that is prepared to allocate scarce resources to the process of targeting a niche market with a product is hoping to develop long-term relationships as a means to maintain entry barriers and limit competition within the niche. Given this, a firm that pays attention to the needs of the target customers, understands its distinctive competencies, and is concerned about the firm's reputation in the long-run, is clearly operating in adherence with the marketing concept as defined by Kotler (2003).

Comparing the characteristics of an attractive niche in the literature with the findings of this research, there would appear to be some conflict between the desire to limit competition (maintaining a small but profitable segment) and the competing desire to grow the niche. A successful growth strategy might attract the attention of competitors, with the potential result of a breakdown of barriers and a disintegration of the protected niche. This is a dilemma for a niche marketer.

The six characteristics listed below are derived from a synthesis of the literature and this research.

- The niche is of sufficient size and purchasing power to be profitable.
- The niche is of negligible interest to competitors.
- The firm should have the required skills and resources to exploit the niche.
- The firm gains certain economies through specialization.

- The niche should provide entry barriers for competitors.
- The customers in the niche have a distinct set of needs.

What connects these characteristics is the overarching attribute that a niche limits competition by virtue of barriers to entry that are either natural or constructed. These characteristics make the niche attractive because they provide the conditions within which the niche is both profitable and sustainable. The other two characteristics considered in the literature - the requirement for growth potential and a price premium - may contribute to profitability but perhaps not to long term viability of the niche. The rationale for treating the remaining two characteristics as adjunct to the above six criteria is explored in the following section

7.5.3 Discussion with Respect to the Characteristics of Niche Market Growth and Premium Pricing

Observation of the value chain and the way in which niche markets develop leads to insights regarding the characteristics. It was observed from processor interviews that as niche markets develop and mature, they may become vulnerable to losing the key competitive advantage that provided the initial barriers to entry. As the niche grows, it draws the attention of competitors that had previously ignored the niche. The niche is no longer of negligible interest to distributors and possible competitors.

Also, even with barriers to entry, firms further along the value chain may find it advantageous to seek out lower cost product alternatives or substitutes. This action could jeopardize the privileged position of the firm where the niche product had previously enjoyed a premium price or preferential supply status. The critical level of production at which this is likely to take place requires further study. However, it is evident that there was some point in the growth of the market that the potential loss of competitive advantage became a significant issue to the niche firm, resulting in the need for the niche marketer to revisit their strategic plan. In one processor case there was

such a rapid and unexpected onset of potential loss of competitiveness that it initiated a crisis of management and a need to revisit the strategic plan.

On the consumer side of the supply/demand equation, Kotler (2003) states that one of the characteristics of an attractive niche is that customers will pay a premium price to the firm that best satisfies their needs. This, in some circumstances, may not be compatible with the fundamental strategy of not attracting the attention of competitors. Even a protected niche may be vulnerable to attack if prices are high and profits are what economists denote as excessive. Economists refer to excess or *pure economic* profits as profits that are above normal profits (from classical economics based on Ricardian rent theory; Ricardo, 1817). A normal profit is defined as the level of profit required to maintain a stable industry where this notion of a *stable industry* refers to a set of conditions, especially profit, which does not encourage either entry of new firms or the exit of existing firms from the industry. Hence the level of competitor interest and the confidence that the firm has in the efficacy of the barriers to entry influences the decision to maintain prices that offer more *normal* profits (McConnell, 2002).

Furthermore, Kotler (2003) also states that an attractive characteristic of a niche is that the niche firm gains certain economies through specialization. Hence, if prices for niche products are at a premium and the firm achieves cost savings through specialization, there may be even more reason for competitors to challenge the niche player when or if the marginal returns become disproportionately high for the industry. The firms studied indicated a preference for maintaining profit margins through cost reduction strategies in a competitive market.

For the firms studied, the organization of strategic business units within the overall operation of the firm played an important part when considering this issue. Where equipment was purchased with the intent to be used by several enterprises, the fixed cost allocated to the niche enterprise may be quite small. Also, variable cost economies normally associated with economies of scale may have been achieved by minimizing the production costs over the entire portfolio of products. This was accomplished by developing SBUs that were compatible with each other and that produced operational

and organizational synergies over the entire firm. This was clearly the thinking of many case study participants.

A consistent trend within all of the research outcomes in New Zealand and in Canada is that in most cases firms are not wholly committed to a single niche. Firms select a niche product first if it fits with the existing portfolio of products and utilizes at least some of the existing technology, production and management expertise. Also, managers continue to manage a portfolio of products including commodity and one or more niche products for a variety of markets as a means of spreading both production (natural) risk and market risk.

7.6 Niche Marketing Along the Value Chain

The following is an assessment of a niche marketing value chain taken in total. This analysis is an extension of the case study analysis for each firm. The objective is to relate the field research case results to the theory evident in the literature on niche marketing and strategic planning in small and medium sized enterprises. Implications of these findings are then discussed.

Each table includes a page reference to the theory from the literature review presented in Chapters Two and Three. This is intended to provide the source of the theoretical concept and where it is cited in this thesis (e.g. Shani and Chalasani, (1992)). Tables provide a summary of the research evidence relating it to niche marketing activity of the entire value chain. The vehicle for this analysis is the New Zealand blackcurrant industry.

The format of the analysis is as follows: The characteristic is marked with an x under the *yes* column if there was evidence that firms in the industry recognized the importance of this characteristic and that a collective action had been taken to achieve an objective related to the characteristic. Also, the objective must be measurable and quantifiable to be considered for analysis.

For example, with respect to profitability, the blackcurrant value chain in New Zealand has allocated funds for the development of the most profitable niche markets. Where a number of financial measures can be used to measure progress, sales targets and year over year actual results appeared to be the measure most referred to by the actors in the industry.

The link between theoretical constructs and results of data analysis is discussed with respect to the implications for confirming the propositions based on the actions of the entire value chain taken as a single entity or case study. The analysis is an attempt to corroborate evidence on related activities for each proposition on an industry basis (as opposed to an individual firm basis).

Table 7.5. Observations on the New Zealand Blackcurrant Industry based on Shani and Chalasani (1992)

Characteristic	Yes	No	I/P*	Evidence
Profitable			X	Commodity market has been a cash cow providing seed money for functional foods and nutraceuticals markets. IQF appears to be the rising star of the market.
Growth potential	X			Riding the wave of a health conscious developed world and increase in effective demand of the developing world food dollar expenditure.
Interest to competitors			X	Effort is required to solidify the position and develop an effective brand identity. There appears to be some action here.
Resources		X		Existing resources appear well managed but new resources are required to develop international markets – a niche market flexibility problem.
Entry barriers			X	Available patents not exploited effectively due to lack of resources.

*I/P - In Progress - members of the value chain are making progress toward achieving objectives in this category.

At the time of data collection, niche markets were generally not considered profitable enough to stand on their own. However, with the commodity market under constant pressure from price sensitive consumers, the cash reserves generated from this market was no-longer assured. Growers felt the imperative to continue development of niche alternatives, particularly the growing IQF market to help fund work on costly research required for the nutraceuticals market.

Because niche markets were seen to have growth potential, the cooperative undertook to develop an *exclusive union* type of membership structure and proceeded to define a nutraceuticals niche and erect barriers to entry. An example of this type of activity can be seen in a program initiated by New Zealand growers to promote blackcurrants as the *best berry for health* under the banner of the International Blackcurrant Association. This is an attempt to define the international association and its members and to lay claim to a nutraceuticals and functional food niche.

With regard to Proposition One, adopting a niche market strategy, it appears that the cooperative (representing the individual niche marketing firms) had made attempts to seek out niche markets in functional food and in nutraceuticals mostly in international market places. However, there had been insufficient evidence that there was real progress in defining the area in a manner that suggested the association could erect workable entry barriers that could achieve long-term sustainability.

Table 7.6 Observations on the New Zealand Blackcurrant Industry Based on Core Competencies (Hamel and Prahalad, 1990)

Competency	Yes	No	I/P	Evidence
Customer benefits	X			Active in the promotion of evidence of high anthocyanin and antioxidant levels implying health benefits.
Difficult to imitate			X	Branding is incomplete particularly in the domestic market.
Can be leveraged	X			Increasing number of products and market demand for IQF fruit and nutraceuticals products.

The area of core competencies is closely related to Propositions One and Two. Recognition of core competencies associated with individual firms, and the individual firm's commitment to action through the collective is apparent. Firms, through the cooperative, developed marketing campaigns that emphasized the health benefits of functional food products; attempted to differentiate these product attributes from other similar competitor products; and suggested that further research could leverage these products into the more profitable nutraceutical market. The cooperative and other marketing groups associated with this industry were also intent on capitalizing on the goodwill and image naturally accruing to the sector based on the previous track record

of the commodity product and from country of origin promotions. The synergistic nature of this suggests the need for a comprehensive strategic plan linking the blackcurrant product group with other product groups involved in niche market ventures.

Table 7.7. Niche Marketing – Essential Elements Identified by Dalgic and Pravit (1990)

Elements	Yes	No	I/P	Evidence
Positioning			X	Positioning is better defined in the international market than domestic market.
Profitable			X	At whim of typical niche market supply/demand (feast/famine) profitability is realized as supply stabilizes and markets solidify. Some offerings may become profitable only in the mainstream.
Distinctive Competencies	X			Unique structure of the industry encompassing all aspects of the value chain. Benefit of cohesive product group.
Small Segments	X			Multiple markets including functional foods, nutraceuticals, IQF, and others promoting flexibility.
Marketing Concept	X			Needs identification clearly evident in new product development. But product group sometimes reverts to a sales rather than market orientation
Long-term relationships		X		International markets subject to pressure from inferior product substitutes and domestic market underdeveloped. Evidence of long term relationship breakdowns in domestic market.
Company reputation			X	Highly respected in international markets but in danger of rupture due to different goals between large and small growers.

In terms of the essential elements of niche marketing identified by Pravit (1990) and Dalgic (2006), the value chain and the various production and marketing networks associated with the value chain appear to be struggling with the implementation of actions that would address the issues related to several of the elements set out above. Although there is evidence of recognition of the important issues, there appeared to be a lack of consensus on a collective action. In terms of positioning, for example, annual reports of the cooperative and other product groups advocated for the clear positioning of supplements and natural health products in international markets (these products are often absent from the shelves of domestic retailers and wholesale firms).

Also, the commitment of individual firms to collective action through the various network associations appeared to be quite tentative at times. Individual firms often have their own production and marketing goals outside of their network commitments and at times these take priority over those of the network. It is not known how these arrangements might affect future initiative of the networks to maintain entry barriers through differentiation of product and market, identified exclusively by the network on behalf of its members.

Table 7.8 Sources of Competition (Porter, 1985).

Source	Yes	No	I/P	Evidence
Barriers to entry			X	Building a brand – through costly scientific evidence and a long term strategic plan.
Substitutes	X			Many but none close.
Power of suppliers		X		Integrated value chain with growers linked to exporters and processors.
Power of customers	X			Few processors and limited outlets to final customers –here the power lies in the hands of distributors.
Level of competition	X			Higher in international markets and intense among the few close competitors.

Through their various network associations, members of the value chain were actively engaged in the process of building brand awareness based on product attributes and country of origin. The value chain faces competition from many sources but the products that were marketed at the time of this research possessed distinct attributes. The challenge for the network was to continue to stress the attributes that contribute to product differentiation and contribute to building barriers.

Table 7.9. Niche Market Characteristics According to Hammermesh (1978).

Characteristic	Yes	No	I/P	Evidence
Creative segmentation	X			Developed functional foods, nutraceuticals and IQF markets from the commodity juice market.
Efficient use of R and D.	X			Joint use of facilities with dairy, other fruit and vegetable sector. Efficient use of levy monies for agronomic research.
Think small	X			Niche thinking in each new market.

Marketing efforts of the blackcurrant value chain appeared to fall more in line with the actions expected in theory when their actions were examined with respect to the common characteristics of successful niche marketers discussed by Hammermesh

(1978). Network activities were focused on creative segmentation of functional food and nutraceutical markets, particularly in specific international markets. Also, the producer levy contributed to financing agronomic and market research and the product group committed resources to market research in an effort to select specific markets to target.

Taking the various network alliances and formal agreements with processors and marketing intermediaries into consideration, the most apparent lack appears to be in the realm of communications for the purposes of promotion, and establishing the fundamental characteristics of product differentiation in the market place. The product group and the producer cooperative were in discussion on these issues at the time of this research.

In terms of strengths, producer representatives appeared committed to product development that addressed unique customer needs, particularly in the functional food and nutraceutical niche markets.

Table 7.10. Targeting Considerations Developed by Hezar et.al in Dalgic (2006)

Consideration	Yes	No	I/P	Evidence
Unique customer needs	X			Developing products in functional foods and nutraceuticals according to international market demand (e.g. Just-The-Berries Ltd.).
Differentiation	X			Products developed are unique and patentable.
Location			X	Production is defined locally; processing is footloose to a degree.
Overhead costs	X			Share processing with apple industry and achieve economies of scale through cooperative ventures.
Communications		X		Industry lacks a forceful common voice.
Flexibility			X	Industry worked hard at flexibility in terms of product development but lack of resources hampered market research efforts.
Competitive advantage			X	Development of brand identity was slow on both domestic and international fronts but competitive advantages did appear to exist in non-juice niche markets.
Avoid competition			X	Action attempted on two fronts - international location - Japan where few competitors, and domestically by serving specialized needs.

There were actors in the value chain that fulfilled the roles noted above. Some individual growers and processors took on only one role (for example one company became an ultraspecialist, developing a range of functional foods for the Japanese market), others performed multiple roles through different strategic business units (the producer cooperative, for example, networked with processors to provide IQF product and also contracted sales and marketing professionals to sell product in various international markets).

Table 7.11. Industry in Terms of Generic Strategies

There are aspects of the industry defined by the position in the value chain that meet these criteria and as such, the sector itself meets all of the criteria in some aspects.

Recommendation	Yes	No	I/P	Evidence
Ultraspecialist	X			Processors are specialized by geographic target markets (geography and product type; e.g. nutraceuticals to Japan)
Global	X			Functional food products
Customer orientation	X			IQF developed for the confectionary and secondary dairy markets
Local			X	Underdeveloped except in the commodity juice market

Members of the value chain recognize the benefits of market specialization and both individually, and through various horizontal and vertical networks, operate as ultra specialists in a global context. IQF, functional food products and nutraceutical products are targeted to market segments in Japan and also more recently to the United States. The local market is perceived by members of the value chain to be underserved particularly with respect to the marketing of functional food products and nutraceuticals. Recognition of the importance of good customer relations and of market research indicates an important shift in thinking, on behalf of growers in particular, from a production mentality to one of adherence to the marketing concept. This is a vital step in the progress of a business sensibility through the value chain.

7.7 Implications of the Research Findings

7.7.1 Contribution to Theory and implication to SMEs

The findings of this thesis make a contribution to the conceptual development of niche marketing and the theory of niche markets and to a better understanding of the decision making process of small and medium sized firm engaged in niche marketing of agricultural products.

The literature recognizes a niche market as separate and distinguishable from other markets. Eight characteristics of a desirable niche market were synthesized from the literature. The findings of this research should result in further discussion of these characteristics. Conclusions synthesized from the literature and from this research indicate six characteristics that make an attractive niche market reported in **Section 7.5.2**. The salient feature connecting these characteristics is that barriers to entry limit competition within the niche. Research along the value chain found that as niche markets develop and mature, they may become vulnerable to attack by competitors. Competitors become interested in the niche if the premium price and sales volume reach a level that would make the cost of developing and marketing a competitive product attractive. Also, processors downstream may seek substitutes when input costs for the niche product becomes a significant part of their total cost, and/or the single supplier phenomenon becomes important.

With respect to the strategic planning process of agricultural niche marketers, this research found that the case study group did not behave in a manner expected by a review of the literature. The fact that agricultural niche marketers adopted a niche strategy largely as a result of serendipity, rather than as a planned strategy, contributes to the discussion on environmental scanning and market research as areas of academic research.

The study population was drawn from the blackcurrant sector in two countries, Canada and New Zealand. To the extent that individuals in this group plan strategically in ways similar to other SMEs, the lessons learned may be applicable. Individuals in this group

were working from a foundation of commodity based agriculture. This may influence generalizability as would the nature of the research methodology (see limitations of the study **Section 7.6.2**). However, the literature also, points to continuity and commonalities across the study group and the general population of SMEs. The literature describes SMEs as having a flexible organizational structure and therefore more suited to a niche marketing strategy but with limited resources, and with a focus on products and production. These common features coupled with the diversity noted within the study population should add to the potential for a degree of generalization to be considered.

7.7.2 Policy Implications

The niche market aspect of the blackcurrant industry in Alberta has been frustrated by a number of false starts and marketing dead-ends. Research in New Zealand with respect to the more mature blackcurrant sector indicates some important synergies identified as noteworthy aspects of the New Zealand Industry. It is suggested that the role of the New Zealand government, under the direction of the Horticulture Export Authority, played a role as facilitator for the industry. In Canada, with the absence of a lead player in the value chain, there are indications that grower associations might be able to fill a lead role. The universal levy, although small in total New Zealand dollars, appeared to contribute to industry cohesion and unify industry strategic direction. The universal levy appeared to encourage commitment to sector development on behalf of both the government funding agency and producers through their associations.

On closer examination of those propositions specific to planning at the grower level, it is clear that growers recognized the need for innovation. The levy system implemented in New Zealand provided comfort to growers that their input was valued and their specific requirements recognized. In New Zealand, although the cooperative is voluntary, most growers are members and pool at least a part of their production.

Canadian institutions also examined ways and means of assisting growers and grower groups to better develop markets. There may be merit in assisting grower groups to better utilize existing processing facilities in the same way they have already assisted growers to access research facilities for product and market research.

Producer cooperation and access to the value chain are vital in the initial stages of development of a niche market. Also, recognition by those seeking to assist niche marketers must be aware that as the niche market develops, niche players are likely to face the decision of whether to grow and attempt to become mainstream or whether to maintain the status quo. Niche strategy will be an important consideration in developing assistance programs. Whether the decision in fact lies with the niche producer or will be imposed by another member of the value chain, such as a processor, exporter or end user, also requires consideration.

The lessons learned from this research may be applied to initiatives of government or other non-governmental agencies that are attempting to foster or enhance niche market opportunities for small and medium sized firms.

- Encourage individual firms to network and form alliances. This provides a critical mass to better enable firms to approach agencies for the purpose of funding the development of innovative products.
- Encourage individual firms with a business orientation. Because managers are often motivated to develop a niche product by the lure of greater independence, care must be taken to ensure integration of these first two suggested initiatives. Forming alliances may not be the natural tendency of individual niche marketers unless the benefits can be thoroughly demonstrated and understood.
- Ensure that individual SMEs contribute to funding of product development and marketing on an equitable basis to foster a greater degree of cohesiveness in the industry and a commitment to a long-term strategic plan.
- Assist the industry to harmonize shared resources to promote cost effective synergies in product development, processing and marketing. Work jointly with other related niche market networks and supporting joint initiatives where possible.

- Foster niche market development as an adjunct to existing mainstream activities of potential niche marketers providing a means for small and medium sized enterprises to manage their own risk and develop product portfolios for this purpose.

7.7.3 Study Limitations

As with all research this study is subject to certain limitations. Yin, (2003) notes four general concerns with case study research. The first, and perhaps primary, is the concern that qualitative research lacks rigor. This criticism is often founded in the mistaken belief that case studies are largely descriptive. However, in a research case, validity and reliability measures are developed and monitored throughout the study and the researcher must work hard to report all of the evidence fairly (Yin, 2003). A rigorous and structured procedure was employed in this thesis to ensure the requirement of validity and reliability are met (see **Section 5.5**). However as with much qualitative research the weight of case study data precludes the reporting of all data and the choice of relevant data to report becomes a limitation (material excluded is discussed in **Section 5.6**).

A second criticism of qualitative research is that it cannot be generalized to a wider population, that case studies are generalizable to theoretical propositions rather than to populations. This is partially dealt with through the use of multiple cases studies. The multiple-case design used for this thesis is discussed in **Section 5.5.1**. The research focused on blackcurrant growers in Canada and New Zealand who were marketing agriculturally based products into niche markets. The findings from this research provide a theoretical basis for other similar research in the broader population of SMEs.

A third concern is that case studies take too long, result in large unreadable documents and should therefore only be used at the exploratory stage of a study. Yin (2003), however, points out that case study research can be explanatory as well as descriptive and that methods of analysis and report writing can lessen this concern (Perry, 1998).

Care has been taken to ensure that the appropriate methodology was selected (**Sections 5.3.5** and **5.5.1** presents a discussion of the selection of the case study method and **5.6.3** provides a review of specific analytical strategies). Although procedures were put in place to limit error, the fact that there is a large amount of data to assemble and report means that there are limitations to the certainty of outcomes, and data must be summarized for reporting purposes.

The final criticism, that cases studies are not objective can be minimized by following an established cases study protocol (see **Section 5.7**) and analytic procedure. According to Green and David (1984) comparability is most readily achieved by having a single data collector. This thesis used one interviewer and one additional note taker. The protocol included a review of the questions before and after each interview and returning drafts of interview notes to case study participants for review. However, the application of one interviewer requires extra diligence to ensure bias is minimized.

Employing a single data collector and coder has certain advantages for comparability, as noted above, but there also limitations that must be addressed. Reliability in terms of data collection and analysis can be issues that arise when a single interviewer is used. Recognizing this limitation early in the data gathering and analysis phases enabled the researcher to implement procedures to minimize this limitation. The case study protocol ensured that each interview was conducted according to established practice. In addition procedures were implemented that provided multiple opportunities for feedback from case participants during data gathering and throughout the analysis stage. Despite the efforts to ensure adequate procedures were in place, the possibility of coding and analytical error is possible and is recognized as a limitation to this method of data collection and analysis.

7.8 Further Research

This thesis contributes to extending the literature on the decision of small and medium sized enterprises to enter niche markets. The case study participants were all firms with

backgrounds in agricultural production and entered niche markets with products that were based in the agri-food sector. The value chain for various niche products varied but generally included processors, marketing and financial intermediaries, a role for government agencies (usually in agronomic research), and a horizontal network of producing firms.

Additional research suggested from the study includes:

- The role of serendipity in niche discovery. The literature supports the view that entry into a niche market is a planned strategy based on an environmental scan supplemented with the appropriate market research. The findings of this study indicate that the study group entered a niche market largely because the managers of these firms were presented with a business opportunity, and in the face of limited resources, the venture was taken on with rather more attention to hedging against production risk than researching the market. Additional research to examine the role of serendipity in the selection of a niche market by small and medium sized enterprises would appear to be a fruitful avenue for research in strategic planning practices of small business.
- The role of niche portfolios. Additional research is indicated to answer the following question. To what extent does the type and number of niche enterprises contribute to the profitability and sustainability of the individual firm? There appears, in the literature, to be some speculative research on the balance between the flexibility of opting for a number niche products and the trade off with economies of specialization. The suggested research should examine the complex interaction of management factors with the dynamic market variables that influence this decision.
- The influence of market turbulence on the need for a small firm to undertake a program of product or market innovation. The literature on market turbulence is concentrated on the actions of large corporate firms with the ability to develop new products through various forms of internal networks (such as skunk works or similar structures). The research on small and medium sized enterprises is very sparse with respect to agricultural niche markets. The agri-food sector generally relies on a blend of private and government funded product

innovation. This model is not only understudied but potentially more complex than the internal-innovation model alternative noted above. Despite the lack of interest in the literature to-date, the results reported in this thesis indicate that this is an important consideration for niche agricultural firms. The importance of this research is based on the reasoning that, as innovation is important to maintain barriers to entry and limit competition within the niche then it is appropriate to ask how small firms can ensure continuity of the innovation process and maintain some element of control in the face of their limited ability to contribute to product innovation itself.

- Having redefined the characteristics of a desirable niche, the question of long term niche viability requires further research. The results of this thesis indicated some concern on the part of niche participants with committing to the costly investment of developing and promoting a niche product; the niche in the face of unknown consumer commitment; the possibility of new substitute products; and the ever present danger of having to fight a much larger competitor. The issue of niche breakdown and market longevity is indicated. Questions arise concerning the best way in which a small firm can structure its activities in order to minimize niche breakdown and ensure long term sustainability. There is also the question of whether and when a niche firm should attempt to take a product into the mainstream and how best for agricultural niche marketers to make that adjustment.

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Appendix A: Interviews

The following is a schedule of case study interviews along with a short statement relating to the main topics of discussion at each particular interview and those in attendance. This is intended to provide an indication of the structure of a typical session and the specific data gathered at each individual interview.

Primary Cases

New Zealand

Case One

May 4, 2006 - introductions, discuss purpose of the interview, objectives of the research and confidentiality, obtain an overview of the firm and chronology of the decision making process. Tour of growing operation.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

May 20, 2006 – reviewed notes from first interview. In depth examination of the specific decisions with respect to the niche market decision

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Feb 14, 2007 – reviewed past year developments and examined networking activities in greater detail

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Mar 21, 2007 – reviewed participant's objectives for marketing the current harvest

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Jun 15, 2008 (telephone) - Discussed with participant views with respect to vertical marketing activities and attitude to participating in the development of niche products.

Attendees: case participant represented by the owner of the farm the principal interviewer.

Jun 11, 2009 – Reviewed current year's activities and summing up of decisions over the previous four years.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

AB, Canada

Case Eight

Apr 8, 2006 - Introductions, discuss purpose of the interview, objectives of the research and confidentiality.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Jun 10, 2006 - Obtain an overview of the firm and chronology of the decision making process.

Attendees: case participants represented by the owner of the farm and co-owner/spouse, the principal interviewer and note taker.

Jul 20, 2007 – Reviewed notes from second interview. Examined innovation activities and networking in greater detail.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Sep 10, 2007 – Reviewed notes from previous interview. The interview focused on marketing plans for the current year harvest and decisions regarding networking and future plans.

Attendees: case participants represented by the owner of the farm and co-owner/spouse, the principal interviewer and note taker.

Aug 21, 2008 – Reviewed cases study notes and major decision nodes

Attendees: case participants represented by the owner and co-owner/spouse of the farm, the principal interviewer and note taker.

Secondary Cases

New Zealand

Case Two

Mar 28, 2007 - Introductions, discuss purpose of the interview, objectives of the research and confidentiality, obtain an overview of the firm and chronology of the decision making process.

Attendees: Case participants were represented by the owner of the farm and two sons. All three are involved in decision making on the operation although it was made clear that the father filled a role as general manager and one son had been given responsibility of the blackcurrant orchard. Also present were the principal interviewer note taker.

Jun 30, 2008 – Reviewed notes from first interview. The interview focused on specific decisions regarding networking and activities associated with opportunity analysis.

Attendees: case participant represented by the owner of the farm and the son in charge of the blackcurrant orchard, the principal interviewer and note taker.

Case Three

May 22, 2006 - Introductions, discuss purpose of the interview, objectives of the research and confidentiality, obtain an overview of the firm and chronology of the decision making process.

Attendees: Case participant represented by the owner of the farm and co-owner/spouse, the principal interviewer and note taker.

Feb 24, 2007 – The primary reason for the case study visit was to requested information on decision with regard to marketing the current year harvest.

Attendees: Case participant represented by the owner of the farm and co-owner/spouse, the principal interviewer and note taker.

Jun 30, 2008 – Reviewed notes from first interview and discussed networking and activities related to the discovery and action toward niche opportunity.

Attendees: Case participant represented by the owner of the farm and co-owner/spouse, the principal interviewer and note taker.

May 28, 2000 – Reviewed notes to-date. Discussed with participants their strategic objectives, actions and future plans

Attendees: Case participant represented by the owner of the farm and co-owner/spouse, the principal interviewer and note taker.

Case Four

Feb 23, 2007 – Introductions, discuss purpose of the interview, objectives of the research and confidentiality, obtain an overview of the firm and chronology of the decision making process. Case participants discussed activity relating to niche opportunity discovery, networking and marketing plans. Emailed notes to participant.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Mar 24, 2007 (telephone) – Reviewed notes. Discussed specifics of suspensory loan program and impact this had on niche market decision making.

Attendees: case participant represented by the owner of the farm the principal interviewer.

Case Five

Feb 22, 2007 – Observed currant harvest and collection of fruit for processing.

Mar 29, 2007 – Introductions, discuss purpose of the interview, objectives of the research and confidentiality, obtain an overview of the firm and chronology of the decision making process.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Nov 19, 2008 – Discussed current year activities and decisions regarding marketing of existing supply.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Case Six

Apr 18/19, 2006 – Introductions, discuss purpose of the interview, objectives of the research and confidentiality, obtain an overview of the firm and chronology of the decision making process.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Mar 4, 2007 – Reviewed notes from first interview. Participants discussed marketing implications of decreased yield from current harvest.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Jun 26, 2008 - Reviewed past decisions and current emphasis on entrepreneurial activities and networking.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

May 26, 2009 – discussed overall strategy and specific strategy with respect to efforts to achieve greater penetration of nutraceutical market in Japan.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

May 29, 2010 – reviewed marketing decisions and the impact of research on niche products for markets in nutraceutical and functional food in Japan and the United States.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Case Seven

May 11, 2006 - Introductions, discuss purpose of the interview, objectives of the research and confidentiality, obtain an overview of the firm and chronology of the decision making process.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Nov 20, 2008 – Reviewed notes and specific decisions regarding network with processors to shorten the distribution chain.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

May 21, 2009 – Reviewed past year's decision, current crop yields and the impact of lower yields on supply and demand situation as it affects product available for the functional food market.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Canada

Case Nine

Jul 19, 2007 – Tour of growing operation. Introductions, discuss purpose of the interview, objectives of the research and confidentiality, obtain an overview of the firm and chronology of the decision making process.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Aug 8, 2008 – Review of notes from first interview.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Case Ten

May 12, 2007 - Tour of growing operation. Introductions, discuss purpose of the interview, objectives of the research and confidentiality, obtain an overview of the firm and chronology of the decision making process.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Sep 19, 2008- Review of notes from first interview.

Attendees: case participant represented by the owner of the farm, the principal interviewer and note taker.

Case Eleven

Sep 6, 2007 - Tour of growing operation. Introductions, discuss purpose of the interview, objectives of the research and confidentiality, obtain an overview of the firm and chronology of the decision making process.

Attendees: Case participant represented by the owner of the farm, the principal interviewer and note taker.

Sep 20, 2008 - Reviewed notes from first interview. The participants discussion with regard to horizontal and vertical networking activities and the relation of this to individual entrepreneurial activities.

Attendees: Case participant represented by the owner of the farm, the principal interviewer and note taker.

Interviewees

New Zealand

A – Research Scientist

May 12, 2006 – Industry overview. Recommendations with respect to possible case study candidates.

Attendees: The interview participant and the principal interviewer.

Mar 2, 2007 – Industry overview. Discussion of sector's critical mass.

Attendees: Interview participant, the principal interviewer and note taker.

Jun 25, 2008 - Industry overview. Discussions of marketing impact of decreased harvest yields.

Attendees: Interview participant, the principal interviewer and note taker.

May 22, 2009 – Industry overview .Discussion of agronomic advances and impact on marketing efforts

Mar 26, 2010 - Industry overview.

Attendees: Interview participant, the principal interviewer and note taker.

B – Processor with domestic and international contacts

May 22, 2006 – Tour processing facility. Discussion of processing procedures and challenges for niche markets

Attendees: Interview participant (production manager), the principal interviewer and note taker.

Feb 25, 2007 – Review notes from first interview and update current situation

Attendees: Interview participant (production manager), the principal interviewer and note taker.

C – Contract Negotiator for GSK

Mar 10/11, 2007 – Tour processing facility. Discuss supply and demand situation in the commodity market.

Attendees: The interview participant and the principal interviewer.

D - Grower Cooperative Representative

Apr 2, 2006 – Administrative and organizational structure of cooperative

Attendees: Interview participant (general manager), the principal interviewer and note taker.

Canada

E – Research Scientist

Jul 10, 2006 – Introduction of the project. Obtained an overview of the Alberta dark berry sector and plant and agronomic research activities.

Attendees: The interview participant and the principal interviewer.

May 18, 2007- review of current situation with respect to research.

Attendees: The interview participant and the principal interviewer.

F – Agent for several processors

Apr 3, 2006 - Introduction of the project. Obtained an overview of the Alberta dark berry sector and plant and agronomic research activities.

Attendees: Interview participant (general manager), the principal interviewer and note taker.

Oct 26, 2006 –Received update on international processing activities and the various domestic partnerships and networks.

Attendees: Interview participant (general manager), the principal interviewer and note taker.

G – Horticultural Research Scientist

May 18, 2007 – Obtained an overview of growers and business research activities in the dark berry sector. Also obtained information on various marketing groups associated with the horticulture industry in western Canada.

Attendees: Interview participant and the principal interviewer

**Appendix B: Sample interview notes with supporting quotations
and interview questions.**

New Zealand Primary Case

First interview before changes

1. Introduction and overview

Interview Question: Please tell me about your business

Preamble: Introductions and roles of the principal interviewer and the note taker. The purpose of the interview is outlined. The interviewer expresses an interest in the decisions that are made on the farm over time (this implies both seeking knowledge about strategic and contingency situations) and in particular the blackcurrant enterprise. Participants are informed of the case study process and that notes from each session will be forwarded to them for their approval and that they can choose to opt out at any point in the process if they wish. A brief background to the study is given to set the context for the interviewee.

Notes from the interview:

The owner is a second generation blackcurrant grower from Central Otago. He has been growing blackcurrants since 1989 when he went into partnership with his parents grew vegetables, fruits and blackcurrants through the 1970's. He was the first blackcurrant grower for Ribena in the 1970's and the largest blackcurrant grower with a 50 acre block in the 1980's

The current owner took over the farm in 1994 The current farm was purchased in 1980 and was at the time primarily for sheep production.

2. Chronological History of Farming Operations

- 1968 Purchased original farm. Blackcurrant bushes were already on this property.
- 1975 Purchased 50 acres with another grower
- 1980 34 hectares planted to blackcurrants. At around this time the industry suffered major setback due to the introduction reversion virus.
- 1984 Original 12 acres sold
- 1989 goes into partnership with his parents

1989 to present Planted shelterbelt trees for blackcurrant bushes. Shelter is very important for blackcurrants in this area.

Interview question: Why did your father plant more blackcurrants? What did you think of this decision?

We were the largest grower in the 1980s. My dad and I worked together on the farm...there was good money in those days [*in blackcurrants*], better than in sheep. But, then the industry had a setback because of the introduction of the reversion virus.

Average yields on the farm are 6 to 7 tonnes per hectare

3. Blackcurrant Cultural Practices

Blackcurrant production is not the primary subject of this case. However, to the extent that cultural practices are an integral component of the business of growing fruit of a particular quantity and quality and that there is the inevitable impact of production technique on decisions of how and when to market the product it is essential to take some time to review the production sequence and cultural practices followed.

Blackcurrants are prone to several pests and diseases. Pests include the Currant Clearwing, Two Spotted Mite, Gall Mite, Aphids and Leaf Rollers. Diseases such as the

Reversion Virus, Botrytis, American Powdery Mildew and Leaf Spot can also be present.

The Reversion virus was a particular problem in the region in the early 1980's. The virus causes sterility and is carried by a gallmite.

Interview Question: How did you manage this pest problem? Did this affect your sales to GSK?

We took out the entire orchard just to be on the safe side. It was also an opportunity for us to plant the newest varieties that we hoped had some resistance to the other common pests.

The entire orchard was removed and replanted when effective measures (mainly through plant breeding) were successful in controlling the gallmite. (Comment on reversion virus corroborated by Interviewee A –research scientist in New Zealand Interview question: So why did you stay in blackcurrants?)

We replanted because the money was good and GSK was looking for more growers. GSK was moving into the Australian market at that time it was a bit different that the usual [*raising sheep*] and the orchard didn't take up much room .We still kept the same number of sheep anyway.

The participant and others have conducted trial to control Botritus (a fungal gay mold). This mold is difficult to kill and requires a spray such as "Switch".

Generally, preventative measures add to the cost of production. In addition it is difficult to obtain products that are registered for blackcurrants (usually not sufficient payback for large chemical companies to undertake a testing regime and the process is expensive)

However all buyers require residue free products and in cases such as Ribena for the concentrate to be residue free the grower must be very careful to follow strict application guidelines.

In addition, 11.5 ha. under overhead sprinklers for frost protection.

Harvest usually begins around January 5. In contrast, harvest in the Nelson/Canterbury area can begin from December 20. Harvest is also dependant on variety, Murchison is a later maturing variety that might be harvested as late as Jan 25 through February 04.

4. Chronology of Marketing

1970's first Ribena blackcurrant grower

1980's largest blackcurrant grower. Production that was not sold to Ribena was exported as frozen product to Australia. For this market product was transported to Dunedin and shipped in 20kg. boxes. Also, some fresh product was then sold to Japan and the United States. The U.S. market dried up (permanently) at a time that some feel coincided with New Zealand's international policy with respect to declaration of Nuclear Free Zone.

Ribena encouraged growers to adopt 500 kilo boxes that are used today.

Currently most of the production goes to the juice market.

The interviewee commented on production practices related to selecting varieties for various markets.

We sell some of our crop to GSK and the rest is sold through the co-op.

We like the idea of the co-op taking on the job of developing value added markets.

The participant told me that the Ribena contracts provide the stability not achievable in a completely open market.

- Ribena requires a consistent product (requirements for consistency are discussed under “production”).
- Terms of payment are 50% payment in February and the balance March. Ribena will buy a maximum of 75% of any crop.

Contracts are with individual producers and start with a three year rolling average based on production. The remaining 25% is marketed through the co-operative which is located at Nelson.

Interview question.: Why do you not sell all of your crop to GSK.

GSK buys a maximum of 75% of **any** growers crop. This is because you are signing your contract a year in advance and there has to be room for weather and other problems where yields might be down. It evens out for GSK and for us too because of the co-op.

5. Marketing Blackcurrants – A perspective from the South

The majority of growers have some form of supply contract from Ribena. These contracts are direct negotiations between the individual grower and Ribena *[need to enquire more about the nature of the contract – what is the participants thinking about a situation where there is no commodity market?]*

The interviewee commented on the importance of a contract from GSK.

There would not be an industry without GlaxoSmithKline (GSK).

In addition, most growers are shareholders in the cooperative.

- Ribena and the cooperative are two separate markets.
- The cooperative supports two main functions those of processing (juicing, powder market and concentration) and marketing.
- Just—the-Berries sells product into Japan. *[separate company where do they source their raw product and is this part of the participants decision matrix]*

Note: need to discuss Brix levels and IQF (discussed under cooperative) for clarification re marketing of blackcurrant concentrate. Also Glaxo Smith-Kline the parent company for Ribena brand

Interview question: How have blackcurrants been marketed over the years?

Horticulture New Zealand will be taking over the New Zealand Berry Federation after next year and there won't be a Berry Federation. Here is how things have worked ...

Marketing groups and associations evolved over 20 years.

- One of the earliest was the Otago Growers Association The New Zealand Berry Fruit Growers Federation (Disbanded this year) managed the regional grower associations and the product groups.
- Horticulture New Zealand now takes the lead in dealing with generic issues of the horticulture industry.

The more current philosophy is for individual product groups to look at their own industry not leave government liaison to a generic group [*need to research product group*]

The owner is chairman of N.Z. Berry Federation last three years Currently still is until closed as Hort NZ now providing this role.

Now 2 day conference in September –should attend if possible.

6. Production

Production decisions are based on two factors which are interrelated. First, there is the influence of climate soil, location and other physical factors associated with production of horticultural crops.

The interviewee commented:

Most of our actions are based on the weather and markets during the year. We have a routine of replacing a certain number of currant bushes each year and we try to manage through the year to get the best yield.

Second, is the interplay of the market.

Comment:

“We grow varieties for GSK, and sell the surplus through the co-op. Blackcurrants New Zealand is working on international markets for powders and that should help our bottom line and take up some of the excess supply as well”.

Varieties are selected for the market that will be served. It is recognized that some varieties are better for juice and others for nutraceuticals. There are also different cultural practices (such as timing of harvest) to consider. Generally the gauge for product quality is the Brix level .

We select varieties that will do well on the farm given what is best for our agro-climatic zone, the realities of the market and the preference of the purchasing agency.

7. Organizational Structure Of The Blackcurrant Industry

Horticulture Export Authority – Oversees licences and approval of Export Market Strategy.

Blackcurrants New Zealand (BCNZ). The participant is a grower director of BCNZ Ltd. Growers, exporters , processors and researchers sit at the same table as members of BCNZ .

The role of BCNZ Ltd. is to ensure production, research and marketing targets are met. The group works with the N.Z. Blackcurrant co-operative with growers and grower groups, with Hort. Research and with the N.Z. Blackcurrant Group.

The growers are assessed a 4.5 cent levy based on production (per Killo.). Ribena deducts the levy for BCNZ. – the participant supports the this levee and thinks this is the best source of funds to look at expanding niche markets.

The Board oversees the allocation of this levy. The Board's decision with respect to research funding (plant breeding etc,) is partly based on a yearly grower survey. Research is concentrating more on varieties for the export market rather than home at the present time.

Allocations are also made towards marketing both domestic and international. The participant considers the Japanese market in powder very important [*note: powders is the term for functional food processed in powder form*]

Also with respect to marketing allocation, funds are allocated through a marketing sub-committee of the Board. The co-operative is one recipient of marketing funds allocated by the sub-committee.[*ask about what the coop does with this money – what input do growers like the participant have*]

Another subcommittee of BCNZ is known as Blackhort. Blackhort representatives are from both BCNZ and Hort Research. A summary of monies allocated by this subcommittee is as follows

- To support the Healthy Berries Program
- Hort. Research BCNZ partnership
- . Research has the responsibility of selecting the best varieties.
- Oversees Blackhort including **Intellectual Property** as a potential income stream. It is hoped that as new varieties are developed that marketing these varieties overseas will generate an income stream based on I.P. much in the way that New Zealand growers are required to pay a levee for the use of U.K. blackcurrant stock Ben Rua and Ben Ard. It is anticipated that varieties of interest to other countries will be the low chill varieties developed in New Zealand.

Interview question: To clarify the research aspect can you discuss the agronomic and then the market research aspects.

BCNZ and it is partly funded by the levy. This pays some toward the research into better varieties done at Crop and Food in Lincoln. The levy also helps pay for the Healthful Berries Program. Healthful Berries pays for a marketing campaign and for some research on the Japanese market... our group (the blackcurrant group) contracts a part time marketer with this money. Our marketer works with the co-op as well especially for Japan. We want to get this refunded -it is really important for us...

8. Other Marketing Considerations

There is an oversupply currently. This oversupply is considered to be a result of a commodity supply and demand cycle rather than a niche type of market supply situation. Note; this is important to follow up will this give more interest in niche markets?

- First, the oversupply refers to juice and concentrates for juice which is the commodity side of the business. Nutraceutical and functional foods are recognized as the niche market aspects.
- Second, supply and demand characteristics of typical commodity markets are different from those of niche markets though both may experience over or under supply.

A characteristic of the commodity market for blackcurrants is the large swings in world production particularly at the lower end of the quality continuum. There are indications however, that Poland may become more commercialized and therefore a more serious player with improved quality. It is perceived that New Zealand must maintain a vigorous Research and Development program to and maintain strict standards with respect to traceability and residue free protocols.

that we had times of low supply and higher demand when process went up. We don't seem to see these times now...so it is important to go for more the high value markets.

Other contributors to the oversupply situation appear to be an overoptimistic forecast by Ribena. Ribena wanted new products and so encouraged growth but failed to take the next step in increasing contracts to New Zealand growers. This is the context of the situation that Tasman Extracts was established. Tasman finds its own markets overseas but also works with BCNZ.

The participant sells fruit to GSK and the co-op. When the participant asked about this relationship responded:

The co-op coordinates processing and distribution. This includes IQF [*Individually Quick Frozen –used in the bakery and confection industry*] It is very efficient. Right now blueberry price is high and processors are more interested in blackcurrants so it gives us a chance to get into this niche. I'm a grower director and we have some say in directing the co-op into different markets so I feel this is good for my business.

The co-operative sells some product in the domestic market but mostly attempts to cultivate export markets to Japan and other Asian countries.

“Satisfying the stringent requirements of the Japanese nutraceutical market and ensuring traceability, high quality antioxidant and anthocyanin content is crucial for our marketing effort”.

BCNZ is also working with the United States to reopen the U.S. market to New Zealand juice products.

In terms of pricing only Ribena has a base price, the co-operative is not as strict.

The participant notes that an important function BCNZ is to manage competition from other markets. China, for example my wish to purchase fruit or concentrate but may

then attempt to develop products for resale into the Japanese market – the very market that New Zealand is also attempting to reach.

