Niche firms and their challenge of crafting a marketing strategy:
An exploratory study of seafood exporters.

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Abstract

This paper explores important aspects of crafting marketing strategies for export-oriented niche firms by using existing literature and primary research. Particular efforts have been made to discuss whether the chosen research cases can be defined as niche firms, to discuss their procedures for selecting customers and markets, and to discuss their competitive situation and assessments.

The applied setting for this research is the Norwegian seafood industry. Case research has been selected as the research methodology and a key informant from each of five firms has been interviewed. The data have been supplied by personal interviews of three independent industry experts and secondary data.

The results show that the case firms in question can be defined as niche firms. Further, their process of selecting customers and markets does not appear to follow the traditional textbook approach of segmenting and targeting, but rather seems to be the result of tradition, chance or the firm's production philosophy, and the firms make few efforts to position their products. Instead, they depend largely on resource-based advantages, high-quality products and personal relationships in crafting their niche marketing strategies.

Key words

Niche marketing, strategy, seafood, export

Introduction

The concept of niche marketing has been with us for some time and has been applied successfully by several firms throughout the world (Dalgic & Leeuw, 1994). Niche marketing is often understood as focused marketing towards a limited market consisting of a few customers and competitors, where the concepts of firm specialisation, product differentiation, customer focus and relationship marketing are frequently applied (Dalgic & Leeuw, 1994).

The processes of identifying and fulfilling the needs of small groups of customers by providing superior products and higher customer value are hence essential aspects of niche marketing. Frequently, niche marketing is cited and recommended as a potential strategic option for firms (Dalgic, 1998; Linneman & Stanton, 1991; Phillips & Peterson, 2001).

Marketing strategy is the result of a firm's segmentation, targeting and positioning choices (STP process) at the level of the Strategic Business Unit (Webster, 2005). This view is supported by traditional textbooks (for example, Kotler, 2003), where this process is enforced as the core of marketing strategy. In other words, central aspects of marketing strategy involve the tasks of identifying and choosing who the desired customers are and how to get these customers to purchase the firm's offerings.

However, a niche firm often has limited resources in terms of financial capabilities, human resources and market information systems. Such resources are useful in order to find a profitable position and to stay competitive in the marketplace. Thus, this STP process may be too demanding to follow in its entirety. For an internationally oriented niche firm, the increased uncertainty through international exposure (McAuley, 1993) further adds to the challenging task of handling the STP process. Does this mean that internationally oriented niche firms do not have a marketing strategy? Or does this mean that this three-stage process is too complex to follow and, therefore, an alternative understanding of marketing strategy is applied? Or do they simply struggle along, trying to the best of their abilities to survive?

Looking at the literature, there is some evidence suggesting that firms rely on niche marketing strategies and that there are potential benefits that they can experience by pursuing such strategies. For example, Linneman & Stanton (1991) claim that niche markets are more profitable, Dalgic & Leeuw (1994) claim that niche marketing strategy is frequently pursued by practitioners, and Dalgic (1998) and Dalgic & Leeuw (1994) claim that the increasing diversity in consumer tastes and habits and the changing needs of business and organisational markets seem to favour smaller, nimbler firms that can better tailor their offerings to the fragmented market.

Academic research on marketing strategies for niche firms, however, is scarce (Dalgic, 1998), and is even scarcer when it comes to internationally oriented niche firms (Hezar et al., 2006). What is lacking is knowledge about how to make niche marketing strategy work, and managers in niche firms who are looking for published research to find answers to their challenges of optimising their marketing strategy will largely search in vain.

Therefore, in an attempt to fill in at least part of this gap in the literature, our objective in this paper is to identify how internationally oriented niche firms define and choose their markets and customers, and how they position their products. Cases from the seafood exporting industry have been selected for this research. These selected firms are regarded as niche firms by the seafood exporting industry in general, and are heavily internationally oriented with around 90 % of their revenues coming from exports. Thus, managers in the selected case firms are well positioned to address the research questions at hand. A better understanding of the reasoning underlying the choices made in niche marketing will provide managers of niche firms with guidelines for crafting their marketing strategies more effectively.

In the following, conceptual aspects regarding niche marketing and marketing strategy are identified and discussed with reference to the existing literature, such as the definition of niche marketing and its relatedness to the segmentation concept. Next, the methodology for the research at hand is presented, followed by its results. The paper then continues with a discussion and conclusion of this research, followed by pinpointing some of its limitations and providing recommendations for future research.

Conceptual Aspects

Definition of niche marketing

To the best of the authors' knowledge, no widely accepted single conceptual definition of niche marketing exists. However, several attempts – which share similarities – have been made to capture this concept, including the following: Niche marketing has been defined as "a method to meet customer needs through tailoring goods and services for small markets" (Stanton et al., 1991), or "positioning into small, profitable homogenous market segments which have been ignored or neglected by others" (Dalgic & Leeuw, 1994). A third attempt is "a marketing strategy that uses product differentiation to appeal to a focused group of customers" (Phillips & Peterson, 2001, p.1). Also, Kotler (2003) characterises niche marketing as focusing on customers with a distinct set of needs who will pay a premium to the firm that best satisfies their needs, where the niche is not likely to attract other competitors, where the niche firm gains certain economies through specialisation, and where the niche preferably has sufficient size, profit and growth potential.

These definitions both overlap and differ somewhat. They imply that in a niche market, there are a limited number of customers. Furthermore, they incorporate aspects like tailoring, positioning, differentiating and focusing. These aspects are related, and although not identical, they all point at making the firm's offerings well suited to a particular group of customers. Focusing on the needs of a particular group of customers often entails adapting the product offerings accordingly. Such an adaptation often requires higher production costs, necessitating obtaining a premium price for the product offerings. Also, the term "product differentiation" is mentioned. This type of differentiation is probably the most common form of differentiation in niche markets, but other forms are also possible, including price, communication or distribution.

Obviously, customer needs occupy a role when defining a niche market. Since a niche market is small compared with the larger, main market, there are fewer competitors. Finally, the terms "profit" and "premium" are frequently used. It is clear that the chosen niche market must be profitable in the long run for the niche firms to survive and prosper.

On the other hand, it is questionable whether the term "homogenous customers" is viable. Some parts of a market, such as the organisational market, may be quite the opposite of homogenous, even though they may consist of only a few customers (Narayandas, 2005). Still, the term "homogenous" may be suitable for a number of niche markets.

Further, Kotler (for example, 1991; 2003) claims that specialisation is the key to efficient niche marketing. This specialisation can take a number of forms, such as customer-size specialist, vertical-level specialist, specific-customer specialist, geographic specialist, product or product-line specialist, product-feature specialist or quality-price specialist.

Although it seems difficult to agree on a single stated definition of niche marketing, the following characteristics may be illustrative for niche activities:

- Segmenting the market creatively, focusing activities only on areas where the firm has particular strengths that are especially valued (Hammermesh et al., 1978);

- Thinking and acting small (Hammermesh et al., 1978) by offering small production volumes, focusing on a few customers and avoiding markets with many competitors or a dominant competitor (for example, Hezar et al., 2006);
- Building long-term and strong relationships (Dalgic & Leeuw, 1994);
- Focusing on customer needs (Dalgic & Leeuw, 1994);
- Treasure firm reputation and using word-of-mouth references (Dalgic & Leeuw, 1994);
- Applying specialisation and differentiation (Dalgic & Leeuw, 1994; Kotler, 1991); and
- Charging a premium price (Dalgic & Leeuw, 1994).

Niche marketing versus segmentation

Another issue in niche marketing is the troublesome task of contrasting it with segmentation. Much of the theoretical delineation is identical for niche marketing and segmentation, and it may be difficult to distinguish between these two concepts. One way of separating the two is to compare the starting point of the processes. According to Shani & Chalasani (1993), segmentation is the process of breaking a large market into smaller pieces, labelled a "top-down process". Stated differently, the ultimate goal of segmentation is the identification of distinct customer groups that have homogenous needs (Wind, 1978). In this case, a niche may be defined as the last or final stage of segmentation (Dalgic & Leeuw, 1994). By this definition, a niche and a segment cannot be two separate concepts.

On the other hand, Shani & Chalasani (1993) state that niche marketing is a "bottom-up approach", where the firm starts from the needs of a few customers and gradually builds up a larger customer base. This approach may be termed "inverted" or "reversed segmentation" (Dalgic & Leeuw, 1994). However, although this "bottom-up approach" seems to fit nicely with the concept of niche marketing and less so for segmentation, both the "bottom-up" and "top-down" approaches have been applied for niche marketing (for example, Dalgic & Leeuw, 1994; Hezar et al., 2006; Linneman & Stanton, 1991). Other observed differences between niche marketing and segmentation are that a niche is usually smaller in size than a segment – a niche focuses on individual customers/firms whereas a segment focuses on a homogenous group – and a niche fulfils a specific need in contrast to a segment where the emphasis is on being a manageable part of the market (Dalgic & Leeuw, 1994). By emphasising these differences, one could view a niche and a segment as two concepts. In this paper, we do not take a stand as to whether niche marketing and segment marketing are two concepts or whether niche marketing could be placed within the domain of segment marketing. However, we recognise that niche marketing can be described by certain characteristics as listed previously, and that segment marketing and niche marketing share many of the characteristics and much of the literature.

When defining a niche, several customer characteristics may be applied. Examples are demographic characteristics such as age, gender and income level for consumer markets, and type of industry, firm size, location or geography for organisational markets. Other examples of applied characteristics are usage patterns, brand loyalty and readiness to buy (Sissors, 1966) or behavioural factors (Yankelovich, 1964), including value, susceptibility to change, purpose, aesthetic concepts, attitudes, individual needs and self confidence. Also, market segmentation based on product benefits is widely recognised as the state-of-the-art and superior to traditional segmentation (Moriarty & Reibstein, 1986), but is difficult as the product market matures when similar products are eventually offered by competitors and customers are no longer willing to pay a premium price (Rangan et al., 1992).

Differentiation

After conducting the segmentation and selecting the most interesting segments or niches, the next step is to decide upon the differentiation aspect. Simply put, differentiation is creating or offering something that is perceived as unique in the marketplace (for example, Hooley et al., 1998). Differentiation is preferably achieved by building on the firm’s strengths that are particularly valued and preferred by the customers (Hooley et al., 1998).

Research within agri-food marketing (Phillips & Peterson, 2001) concludes that product differentiation is a common way of differentiating the firm’s offerings from those of its competitors. This product differentiation is often based on two types of use criteria: intangible and actual use.

Intangible use criteria are related to non-economic purchase motivations such as style, prestige and brand connotations (Phillips & Peterson, 2001). Food marketers often use intangible use criteria that are based on how the product is produced, attempting to be perceived, for example, as healthier or environmentally friendly. Also, food marketers often attempt to differentiate their products by using criteria that are related to the identity of the producer, such as storytelling about the farm or producer and including information about their top-of-the-line product. In addition, food producers may achieve a successful product differentiation based on regional identity, which is frequently applied within the wine industry, for example. This latter approach includes specific product attributes that often cannot be legally copied by competitors outside that specific region and the possibility of benefiting from positive feelings related to that region, and has the advantage of appealing to local customers.

Actual use criteria derive from the actual product itself, such as taste, quality, functionality, ease of possession or time. If product differentiation is sought achieved by actual use criteria, this entails increasing the measurable benefits the customers obtain from the product (Philips and Peterson, 2001). Within food marketing, this typically requires processing the product based on the needs of the selected customers. Product availability is also potentially highly beneficial to the customers. This offered product availability requires transportation of the product according to the needs of the customers and provides convenience as perceived by the customers. Also, timing can be a highly desired way of achieving product differentiation in the food market. Timing is particularly important for highly perishable fresh food products. In addition, different regions may face alternative climate conditions and growing seasons, affecting the ability of supplying the market at a given time, and thus function as product differentiation.

Methodology

In order to examine the marketing strategy of niche seafood exporters, an exploratory approach was found appropriate. Past research on this matter is scarce, and in cases where relatively little is known about the matter to be investigated, exploratory research is recommended (Churchill, 1992).

Case analyses were used as the data collection method through in-depth personal interviews of key informants in the case firms and of industry experts, as well as through secondary research, accounting and other key data from databases. This method allows insight into the respondents' own interpretations of their environments and improves the researcher's possibility for understanding underlying or latent constructs (Miles & Huberman, 1994).

The population selected for this research is the Norwegian seafood industry. This industry consists of a number of small- and medium-sized firms with a strong export dependency, and the managers are therefore well positioned to address export-specific issues.

The cases selected for this niche research were based on the individual suggestions from three industry experts who applied their own interpretations when suggesting niche firms. The researcher offered them no definition. The experts seemed to suggest firms that were smaller than typical firms in the industry and firms that focus on areas other than the traditional species, production methods and markets. The cases also represent different product types, production methods, sizes and geographic locations, providing insight from several niche categories. Such a non-random selection of cases is suitable for extending the emergent theory (Eisenhardt, 1989).

An interview guide with 23 questions was developed, inspired by the interview guide developed by Larson (1992), and efforts were made to ensure that the questions were not biased towards preordained theoretical perspectives (Eisenhardt, 1989). The questionnaire was tested by marketing scholars for face validity. Further testing was judged unnecessary because our primary concern was to include relevant topics and make plans for probing interesting avenues for investigation that were presented during the interviews, rather than the exact wording of questions.

The six suggested firms were all contacted through an informational letter and a telephone call. Five out of six firms agreed to participate in the study. The sixth firm was interested in participating for this research as well, but repeated cancellations of interviews from the firm's side and expressed time pressure for its general manager made this interview impossible. For the other firms, a meeting was scheduled at the firms' locations, and the key informants, in terms of the general manager or export manager, were requested to allow a one-hour interview. In most cases, the interviews lasted from one hour and up to one and one-half hours. The average duration was one hour and twenty minutes. The interviews were machine-typed immediately after their completion. Key information regarding the firm cases is provided in Table I.

Table I. Key information regarding the firm cases

Exporter	Niche Product	Sales volume for niche product (in weight)	# of years in operation	# of employees, average this year	Estimated niche revenues (total firm revenues) in 1000 €
Case one	Stockfish*	130 tonnes	55	12	1544 (4631)
Case two	King Crab	600 tonnes	10	22	3518 (3518)
Case three	Ecological salmon*	150 tonnes	33	20	550 (6872)
Case four	Stockfish*	140 tonnes	86	16	2300 (5400)
Case five	Ecological salmon*	400 tonnes	10	95	1066 (5330) **

* The niche product in question constitutes only a part of the total product scope.

** The two main contracts were initiated at the end of last year, and the firm is thus in position to expand its revenues significantly this current year.

Results

The perception of being a niche firm

Case One does not consider itself as a niche firm. The manager claims that the firm is operating "like everyone else". The manager states that the most important difference is that this firm divides its attention amongst three equally important product areas, and the product in question represents one of these product areas. At the end of the interview, the manager moderates his statement somewhat by saying that they may have a niche product after all in terms of a particular product variant of stockfish sold in the domestic market.

Case Two considers itself a niche firm, since it "carries only one product". The firm's product line has depth in terms of product variants, but restricted product scope. This firm has specialised in a particular geographic market with tough quality criteria. The fact that the firm has been successful in adapting its production and documentation to the requirements of this market has been communicated purposefully when targeting other geographic markets, facilitating the process of entering these new markets.

Case Three claims to be partially a niche firm. This firm is conscious about its niche status and the manager says "…it is a part of our mission to produce niche products". The manager further informs that this firm is determined to produce a product according to customers' needs, and is willing to make changes to the product to meet customers' requirements. However, the ecologically produced salmon represents only a small part of its production, where the majority is conventionally or traditionally farmed salmon.

Case Four perceives itself as a niche firm. This firm offers other products besides stockfish, but the manager states that the stockfish makes this firm a niche player. "This stockfish market of 340 million NOK per year… (about 40 million Euros) …is only about the size of the revenues of an average mall in Bodø…" (local town of about 40 thousand inhabitants). Also: "…it is a small market with few actors and it is necessary to know the industry and the actors well, and it takes a long time to get the knowledge and the relationships that are required here".

Case Five claims to be partially a niche firm. This is because only a portion of its total production is ecologically produced salmon (about 20 % of the salmon). The firm is also perceived to be a newcomer and "an outsider" compared to more established and larger firms with strong ties to trade organisations.

Choice of customers and markets

Case One directs most of its sales to the Veneto Region of Italy with about two-thirds of its sales. The last third is divided amongst other parts of Italia, mostly the Genoa and Naples Regions, and small markets in Croatia, Switzerland, Austria and Australia. This firm has chosen to divide its long-term focus amongst all these markets for risk-minimising purposes since the markets outside Italy are more stable in demand than the Italian. There are some differences in the demanded product quality from these different markets, which fit well with production variation of the stockfish. The customers are importers, and for the main market in Veneto, the firm has five customers, the three largest of which account for around 30 % each of sales. The Veneto Region has traditionally been the most important market for Norwegian stockfish. A typical customer of Case One is a small firm with 10 to 15 employees, and has been a customer for 12 to 15 years. Case One changed its strategy of exporting directly to the international markets in 1996. Since then, the firm has used an independent exporter for the entire export production, and the exporter takes possession of the product. Very strong ties exist between the manufacturing firm and the exporting firm because the export firm was started by a former employee of the manufacturing firm and they have a deep, personal relationship. This promotes the development of a long-term relationship and trust, but at the same time, this manager claims that such a strong relationship may make it difficult to maintain the integrity and necessary professionalism. The exporter maintains most of the contact with the Italian market.

The geographic markets for Case Two are Japan and Europe, and essentially the entire production goes to customer firms. The firm has one dominant type of market and two smaller ones: the restaurant market, with about 85 to 90 % of its sales, and the gift market and retail chains with delicatessen departments, which share the remainder equally. This firm manages to divide the King Crab into 12 different product categories, which the manager claims is unique. The most expensive parts, the best parts of the claws and shoulders, go to the upscale restaurant market, while the so called “leftovers” are sold to the grocery market in one-kilo bags. Further, the manager believes that the product, in terms of the actual King Crab, is not solely dependent on particular markets. The same products can be made for both the gift- and the delicatessen markets. Rather, it is the quality and type of wrapping and product size that are adapted to the particular markets. This firm started up with production of King Crab in 1994 and produced 10,000 kilos. Now, the firm offers 600,000 kilos to the market. The process of defining and targeting customers has changed over the years. Initially, most of the production went to the domestic market. As the allowed catching quotas increased in 1996-1997, it was necessary to start exporting. The firm explored the Belgium restaurant market and upscale food distributors, and was contacted by importers and distributors in Japan. Currently, the firm has several ways of finding customers, including by segmenting the markets, using the Norwegian Seafood Export Council to find new markets and for supporting activities, as well as being contacted directly by interested customers. For the near future, the firm anticipates including two restaurants in Dubai and actors in the food service sector in France in its customer portfolio.

Case Three focuses in particular on the Swedish market due to the willingness to pay a premium price and the general interest of ecological production. Up to now, 90 to 95 % of the total ecological products are sold to one single customer in that market, which is a large retail chain. For the future, however, it seems that the sales will expand to other geographic areas, such as customer firms in the US and Scotland. Currently, the ecologically produced salmon represents only 5 to 7 % of the total production, but the share is rapidly increasing. Next year, the firm estimates that it will offer twice the amount of this year’s production to the market.

Currently, the firm rejects proposals from potential customers because of capacity. The Swedish customer, as defined by the firm, was the firm's first customer, and the delivery contract has been renewed several times since its start in 2002. The manager of this firm also claims to be the sole supplier to this Swedish customer and thus also to the entire Swedish market. The start of this customer relationship originated when the Swedish customer asked its main Swedish supplier of smoked salmon about the possibility of including smoked ecologically produced salmon in its portfolio. This supplier then contacted its salmon suppliers, including a particular Norwegian-based independent salmon exporter. This exporter happened to be the export company used by Case Three. The export company buys and takes possession of the ecologically produced salmon from this firm and sells it to the Swedish retail customer, but since there is direct contact between the Swedish retail customer and the manufacturing firm (Case Three) with clear product specifications, delivery details and price agreements, this export firm still functions as a middleman with responsibility for distribution. Case Three perceives the Swedish retail customer to be "its customer".

Case Four also has the Italian market as its main stockfish market. A small amount of its production goes to Nigeria, the US and the domestic market. The largest customer is an importer that accounts for around 80 % of the revenues from stockfish sales for this firm, which then distributes to smaller customers in the local markets. Overall, there may be around 12 to 15 different importers for the most important Italian regions. The manager of this firm claims to have three to four customers in general, including the dominating one. Not all customers buy from this firm each year. Most of the potential customers are former customers, and "have been around for ages". In addition, this firm is part of the Lofoten Stockfish Company, which provides information and negotiation strength. The customers are typically well informed and visit Lofoten annually to assess the production. Much of this market centres on price/quality for each stockfish and the quality and size of the total annual production.

Case Five has two main customers: one supermarket chain in Great Britain and one in the US. These two customers have both sought out and chosen the firm as their supplier. Case Five has not made direct efforts to find the customers. However, the firm has participated at trade fairs and in the media, promoting its ecologically produced salmon and special production methods. Case Five uses one British and one US distributor/importer for distribution purposes. The customers are ecologically oriented retail chains and both have been customers for about one year (Case Five has been in operation for less than 10 years). The firm is a dominating supplier of ecologically produced salmon to these customers. The relationships are close and mutually understanding with a common interest in the environment, and Case Five has been used by the customers to hold lectures and participate at seminars to "educate" other suppliers on ecological and environmentally friendly production. The customer contracts are long-term (three years), and Case Five currently has more customer requests and faces higher demands than it is capable of satisfying.

Competitors, competitive advantage, differentiation and value proposition

Case One identifies its competitors to be "a handful of producers in the Lofoten region". It appears that the manager has little knowledge regarding potential differences in the offerings amongst the firms competing in this market. However, the firm focuses instead on the demand criteria from its narrowly defined geographic market, particularly related to the length of the fish, and the entire production is centred on fulfilling these market quality criteria. The manger is not sure whether his firm performs better than its competitors in its handling and processing operations. This firm bases its competitive advantage on two firm strengths: access to quality resources (raw materials) and strong financial resources. Case One has sufficient financial strength to finance local vessels to capture cod for this firm exclusively, according to the firm's specifications. Other, financially weaker firms may be destined to accept the catch with the quality that is available at their location at any given time, or bid for the catch from independent vessels. This latter approach is likely to lead to higher prices for the raw materials.

Case Two's competitors are based in Murmansk, Russia. These competing firms are offering the same type of crab, but are focusing mainly on the US market. For the Japanese market, this firm also has some Alaska-based competitors, but these competitors are capable of offering only a smaller crab weighing about three kilos less than the firm's. In sum, this implies that this firm has no or very few primary competitors offering a product of similar quality to the same geographic markets. This firm intends to distinguish itself from any competitors through the quality of its offerings by communicating the following: The use of small coastal vessels (versus large industry trawlers in Murmansk), providing a 10-hour guarantee from catch to production, and hand selection of the live catch to identify large crabs in perfect condition. This latter criterion results in keeping only 10 % of the catch for production, while the remainder is carefully returned into the ocean to continue developing. According to this manager, the trawlers, on the other hand, grab anything they come across.

Case Three views its competitors to be other producers of conventional salmon, that is, the traditional producers based in Norway, Scotland and Ireland. This manager does not know how many competitors offer ecologically produced salmon or the total amount offered to the market. He claims that there are producers of ecologically produced salmon in Scotland and Ireland, but that they are producing according to another set of regulations and requirements for production. Different countries have different standards of ecological production, and comparison is thus difficult. In other words, the Scottish and Irish producers "offer a different product". When it comes to product differentiation, this firm informs that its salmon differs from traditional salmon only through a different type of feed. Also, the manager considers that the location in the Arctic waters is a means of differentiating itself from its competitors. This firm emphasises two competitive advantages that it possesses: First, the firm has good access to raw material in terms of sprout, which has proven to be a potential hurdle. This is achieved by producing its own sprout for production. Second, given that the market for ecologically produced salmon is a fast-growing market in its infancy, the firm perceives that it possesses first-mover advantages through access to distribution and for communication purposes.

Case Four identifies its competitors to be other exporters of stockfish in the Lofoten -region, estimating that there are 12-20 competitors operating in about the same market. The manager does not see that his firm's product offerings differ greatly from the competitors' ones, since it "is basically the same product". The perceived competitive advantage is the firm's long tradition for operating in this market, and it has managed to keep its main customer since 1922. The manager informs that most of the competitors are dependent on a network of agents working for them. This firm has long-term customers and is a member of the Lofoten Stockfish Company, a mutual export company for a dozen producers of stockfish in the Lofoten region.

Case Five claims its main competitors to be Irish and Scottish organic producers of salmon. There is a cluster of such producers there, the manager says, and continues: "In the US, some competitors are offering 'quasi-products'… For instance, there is a difference between ecologically smoked salmon and smoked ecological salmon… The smoke is ecological but not the fish…" The manager of this firm points at the cleansing of the salmon as one of its key differential factors by using wrasse in the production to keep the sea lice off. The manager claims that some of its competitors use "slice", a "poisonous additive" that is hard to detect in the fish some time after production. "We don't feed our fish poison!" According to this manager, however, the use of the environmentally friendly wrasse is difficult to manage, and the facilities and resource-based predispositions in this region fit better for the use of wrasse than for some of the competitors. Further, this firm emphasises the access to the resources, such as the salmon breeding conditions and the use of wrasse, as well as their reputation and personal ties, as their competitive advantages. "It's more like we're like sitting on a farm with cows. We're not a large firm – we're more like a large family."

An overview of the managers' views regarding competitive advantage, segmentation and differentiation are provided in Table II.

Table II. Choice of market, and use of segmentation base and differentiation feature

					Product differentiation achieved through:	
Firm	**Main niche market**	**Competitive advantage**	**Customer/ segmentation base**	**Specific differentiation feature**	**Intangible use criteria**	**Actual use criteria**
Case one	Importers in Veneto, Italy	Access to quality raw materials, location, financial strength, personal relationships	Geography	Quality, tradition, storytelling	X	X
Case two	Importers and restaurants in Japan and Europe	Access to quality raw materials, innovative, market dominance	Geography, type of industry	Quality, product adaptation	X	X
Case three	Retail chain in Sweden	Access to quality raw	Geography, Willingness to	Production method and	X	X

		materials, first-mover advantages, firm relationships	pay, product interest	location		
Case four	Importers in Veneto, Italy	Access to quality raw materials, location, personal relationships	Geography	Quality, tradition, story telling	X	X
Case five	Supermarket chains in Great Britain and the US	Access to quality raw materials, firm reputation, expertise, location	Ecological concept	Quality, firm reputation, production method	X	X

The case firms were also asked to identify the benefits they thought that their customers valued most highly from their offerings. The following benefits were identified and ranked, as illustrated in Table III.

Table III. Most valued benefits

Case	Product attribute	Quality	Adaptation	Price	Reliability	Speed	Firm reputation
One	1	2			3		
Two	1	2	4		3		
Three	1	2					
Four		1		2	3		
Five		2					1

Note: 1 is the highest ranked and thus most valued benefit. Each firm was free to identify as many benefits as it felt was necessary.

Discussion and Conclusion

In this section, the results of the case research are discussed. First, the issue of whether the case firms can be regarded as niche firms or not is discussed. Next is the question of how the case firms select their markets and customers and the results of these selections, followed by the case firms' assessments of their competitive advantages, differentiations and value propositions.

The perception of being a niche firm

Four of the five case firms regard themselves as niche players, partially or in full. The reasons behind this perception are multiple: Carrying a single product, in-depth product specialisation, targeting a narrowly focused geographic market, targeting a high-quality market, using customer references in their communication strategy, having a customer focus, being a part of their mission, targeting a small market, and being a newcomer and outsider to the establishment. Also, several case firms mentioned long-term relationships and few competitors. The reasons for defining their firms as niche firms varied somewhat, but the existence of a single product or parts of the production "on the side of the traditional product markets" combined with a customer focus and small market seem to be common. Some of the justifications include "being part of our mission" and "being a newcomer and an outsider with idealistic characteristics".

The case firms that perceived themselves as being partially niche firms did so because the niche production was only a part of the firms' total product offerings. The majority of their production was more traditional or "mainstream", and in the eyes of the respondents, this only qualified as being a "partially niche firm". In other words, their perception of niche was a market on the side of the mainstream market, with an adapted product for the main product category. The one case firm that did not perceive itself to be a niche firm regarded the firm to be operating "like everyone else", meaning everyone else in this particular industry. This may largely be correct when looking only at the limited product category and market, since the firm offers the same type of product and to the same type of customer in the same narrowly geographic market. However, this manager did not consider the level of market definition and the size of his targeted market. When considering the statement made by the manager of Case Four who compared the size of the stockfish market to the revenues of an average mall in the local town, the applied level or perspective of the market may explain the difference of opinion.

Compared to the literature, there are several overlaps of the suggested niche definitions and the case firms' perceptions and reasoning behind the perceptions. The case firms stated interest in meeting customer needs through tailoring their products for small markets fits very well with the definition offered by Stanton et al. (1991). Also, the specialisation (Kotler, 2003), differentiation (Dalgic & Leeuw, 1994; Kotler, 1991) market focus (Phillips and Peterson, 2001), small segments (Dalgic & Leeuw, 1994; Hammermesh et al., 1978), few competitors (Hezar et al., 2006), long-term relationships (Dalgic & Leeuw, 1994), firm reputation and word of mouth references (Dalgic & Leeuw, 1994), and charging a premium price (Dalgic and Leeuw, 1994) are all aspects that are in line with the suggestions in the literature about what constitutes niche marketing and niche firms.

The case firms did not emphasise traditions and regional identity as the main reasons for defining their firms as niche firms. However, the particular nature-given conditions for producing stockfish in the Lofoten region combined with several hundred years' traditions for producing this product and offering it to the same markets could fit with findings from agri-food niche marketing as identified by Phillips & Peterson (2001), which emphasised aspects such as regional identity, production methods and functionality. Also, none of the case firms stated that the small size of their firms on their own qualified for being defined as niche firms. Small markets, on the other hand, could qualify. This is also in accordance with literature since, for example, Dalgic & Leeuw (1994) identify a number of large corporations, such as Johnson and Johnson and Philips, which apply a niche strategy. In other words, the size of the firm does not suffice to characterise whether it is a niche firm or not, but the size of the targeted market may.

To conclude this section on whether the case firms may be defined as niche firms, the answer is yes, the firms may be defined as niche firms. This view is based on the firm managers' perceptions and the literature, and is strengthened by the fact that these firms were initially independently named as possible niche cases by three industry experts and confirmed through personal interviews with three others. However, the definition of operating in a niche market seems to fit more easily for new or rapidly growing markets than for larger and more mature markets. This view implies that the "bottom-up process" of building a larger customer base (Shani & Chalasani, 1993) is particularly relevant for these types of markets.

Choice of customers and markets

The next issue discusses the case firms' selections of customers and markets. In general textbook literature, the process of segmentation, targeting and positioning (for example, Kotler, 2003) is a central task when deciding on marketing strategy. However, in the Introduction section of this paper, this traditional view was questioned with regard to niche firms. What are the case firms' individual experiences in this matter? Does this type of firm recommend other niche firms to follow the textbooks processes?

When it comes to the task of segmenting the market, Case One conducts segmentation to some degree (since spreading its production to several markets). However, at the same time, the firm is following the traditional pattern of selling to some amongst a handful of potential customers that have been there for long time. Case Two also conducts some segmentation. This firm divides its production into three product markets, although one is a dominating one. The markets are somewhat segmented in geographical terms and then further into sub-segments. The different parts of their product (King Crab) are then allocated to the optimal markets, and the product is somewhat adapted, for example, in terms of size and product wrapping. Case Three did not initially segment the market, but the choice of customer is a result of chance. This firm has essentially only one customer for its niche product. Currently, this firm is facing a higher demand than they can possibly fulfil. Also, Case Four conducts some segmentation, since it divides its product offerings amongst different markets according to their willingness to pay and product demand and matches these needs with a corresponding product quality. Finally, Case Five did not initially conduct any segmentation. This firm produced the type of product that the managers and founders of the firm truly desired to make, and then the customers have come to them. In sum, the experiences from these five case firms suggest that traditional segmentation is only used to some degree in the process of establishing customer contacts and sales.

Besides segmentation, it may be claimed that all five case firms are working successfully with targeting and positioning issues. This is done by directing a great deal of firm effort into making product adaptations and fulfilling needs and requests from their current customers and within the traditional framework of relationship marketing. However, there is no (or only weak) evidence in this material suggesting that they do this for potential or new markets or customers.

Interestingly, however, the process of identifying customers does not appear to be initiated by the case firms. Cases Three and Five did not search for customers themselves; instead, the customer relationships are the results of the customers' initiatives in identifying the case firms as suppliers. Others would probably describe this as a result of luck, chance or coincidence. The respondents in these two firms expressed their surprise when a customer, often from a far-away country, calls them and requests their products. A typical statement could be: “Somehow, they’ve gotten our phone number”. Such a way of establishing customer relationships differs from the established textbook procedure: Instead of the firms making a targeted effort to identify the right customers, the customers identify the “right” suppliers. Since Cases Three and Five offer high-quality products in rapidly growing markets, one can wonder whether this situation characterises niche markets in general, or whether this is the situation only for high-quality products in rapidly growing markets.

Also, the customers for Cases One and Four do not appear to be largely the results of careful selection, targeting and positioning. Rather, the customers seem to belong to a potential “pool” of potential customers in a narrow marketplace that, to some extent, compete amongst each other for deliveries, but also make efforts to have the suppliers compete with each other. The customer relationships are long-term, but actual agreements and deliveries may not take place every year. In any case, both the customer and supplier know that there may be an agreement the following year or later in the future.

Another interesting point to be made regarding customer and market selection is the issue of defining who the real customer is. Cases One and Three, for instance, use an exporter that takes possession of the product and resells it to international customers. According to the textbook literature, such a situation would make the exporter the real customer of the case firm. However, since the exporter sells the product to the customer they mutually agreed upon at a price and volume that the case firm and the customer have negotiated, the exporter seems to be a traditional stage in the marketing channel and functions as a “middleman”. In addition, the case firms also operate with next-stage customers, which are small firms dealing with the importer/distributor, and the final customers, the consumers. These last two types are important since their needs and preferences will influence the needs and preferences of the importer/distributor. In other words, the case firms are dealing with several types of customers at different levels: the exporter, the importer/distributor, the small firms dealing directly with the importer/distributor, and the consumers. It is difficult to draw any conclusions whether this is the case for export-oriented niche firms, for the seafood industry in general or for niche firms in general. Given the often limited administrative resources in (small) niche firms, the decision to leave complicated operations, such as export, to external specialists, is understandable.

As concerns the actual results of the case firms' choices of customers and markets, some common grounds exist in their situations: They all focus on industrial customers in terms of importers, retail chains, restaurants or the food service sector. Also, they all prefer long-term and strong relationships, and offer their products in small markets with few customers and competitors.

To conclude the section on customer and market choice, it appears that the case firms only somewhat follow the textbook approach to segmenting, targeting and positioning. The process of establishing contact with customers seems to be the result of the initiative of either one of two actors where the customers' desires to carefully choose their suppliers is as important as the niche firms' initiatives to identify potential customers. Also, the strong relationships in the market channel may blur the simple picture of the stepwise process of segmentation, targeting and positioning that is often portrayed in textbooks.

Competitors, competitive advantage, differentiation and value proposition

The final issue discusses the aspects of competitors, differentiation, competitive advantages and value proposition as expected to be perceived by the customers. The case firms report in general about few competitors. Case Two identifies some competitors that supply inferior product quality or focus on other markets than this firm's primary markets. Cases Three and Five identify some competitors as well, but these competitors do not keep the same perceived level of product quality as the case firm and the customers are "locked in" in long-term contracts and strong and long-term relationships. Cases One and Four estimate the number of competitors to be about a dozen firms. The level of competitive pressure is moderate or low and the actors have developed a high level of trust amongst each other.

The reported competitive advantages for the case firms seem largely to be based on relatively few factors. First, the access to high-quality raw materials (i.e., fish, crabs or sprout) through catching or breeding conditions is mentioned by all the case firms. This is also true for the seafood industry in general according to the interviewed industry experts. Case One also identified financial strength as another competitive advantage. This advantage was largely used to ensure the supply of more quality raw material. Case Three also mentioned first-mover advantages due to early product launch in the ecological salmon market and the capture of suitable distribution channels. Lastly, personal market experience and personal relationships as well as good firm reputation, are reported as competitive advantages.

In conclusion, competition appears to be limited in the markets in which these case firms operate. This is in line with the description of Hezar et al. (2006), for example, who state that niche firms attempt to avoid markets with many competitors or a single and dominating competitor. Also, the competitive advantages are mainly resource-based. The access to sufficient volumes of high-quality raw materials is critical for the entire industry, and even more so for these case firms that focus on upscale markets or markets with special characteristics. Also, it seems clear that long-term and strong personal relationships increase trust and facilitate the business processes.

The next issue to discuss is the use of differentiation. According to Phillips & Peterson (2001), product differentiation is a common way of differentiating the firm's offerings from those of its competitors. Within agri-food marketing, this product differentiation often takes place as intangible use or actual use criteria (Phillips & Peterson, 2001). The responses from these case firms show several similarities. The most common differentiation feature is product quality. All case firms view this feature as very important to succeed in their respective markets. This also fits well with the results from the review from niche agri-food marketing by Phillips & Peterson (2001). Other differentiation features include the focus on tradition and personal relationships, particularly for the stockfish producers. Case Two includes the ability to adapt the product to each niche as one of its differentiation features, and location and production method have also been used to differentiate the products from their competitors. It also seems that both the intangible and actual use criteria are applied frequently. All case firms emphasise the product quality or functionality, which implies the use of actual use criteria. Further, all case firms use some form of intangible use criteria, such as production method, location, environmentally friendly, healthy, tradition or firm reputation. The similarities in the use of differentiation features could cause some worries about the effect of using these features to differentiate their product offerings from those of their competitors. Do they differ sufficiently, or do the managers overestimate the effect of their differentiation strategies? On the other hand, these firms are operating in different markets and thus the differentiation features could prove to be effective for all of them within their individual markets.

The most striking difference between niches in the seafood and agri-food industries, as reviewed by Philips & Peterson (2001), is that personal relationships, which seem to be of substantial importance within these niche firms in the seafood industry, is barely used as a specific differentiation feature within the agri-food industry. In particular, the case firms in the stockfish industry emphasise relationships as an important factor. One case firm further explains how mutual interests in environmental issues were essential for creating personal relationships, which subsequently facilitated a new customer relationship.

When asked about their beliefs about the most valued benefits as perceived by the customers, three of the five managers listed product attributes as the most important. Further, quality was listed as the primary benefit by another manager and as the second most important by the others, and firm reputation was listed by the fifth manager as the most important benefit. Price and reliability were also mentioned, followed by the ability to adapt the products according to customers' needs. These benefits seem to fit well with their thoughts about competitive advantage and differentiation. Also, these benefits seem to follow the requirements and needs of industrial buyers in general.

As a general conclusion of this paper, the studied case firms seem to fit the description of niche firms well. They are customer-oriented and offer differentiated products tailored for small or rapidly growing markets. They also rely on references from satisfied customer firms and word-of-mouth for communication purposes. The interviews further revealed that niche marketing and relationship marketing concepts are commonly applied in these firms.

With one exception, the firms do not segment their markets in order to choose certain customers. The one firm that does segment, segments because the domestic market has become too small and more customers are needed. Currently, the most important customer relationships of this firm are the result of initiatives from the customers, where the customers found the supplier, and not vice versa. In fact, the firm explored the opportunities in a different geographic market at the time when these customers expressed their interest in the firm's products. At the same time, the firm's production capacity dictates further search for new customers, and now the firm performs segmentation activities in the textbook sense. The other firms' markets are either defined by tradition, chance (customers expressing their need for products that are not currently available in the marketplace, and the customers therefore find them rather than the other way around, which represents the traditional, textbook approach), or by their production philosophy (produce natural products by natural methods).

Moreover, the firms do not position their products, although they are concerned about product quality. Only one firm actively relies on high-product quality for positioning purposes. Accordingly, the firms largely depend on resource-based advantages, high-quality products and personal relationships in crafting their niche marketing strategies.

The results of this study have several implications: First, it seems to be of utmost importance to base the strategic concept on a customer-valued competitive advantage and apply differentiation in terms of both intangible and actual use criteria. Included here is the understanding that the ability to adapt quickly and the possibility to maintain some flexibility could prove to be of great value. The general requirement of being knowledgeable about the relevant market and products naturally also applies for niche firms.

Second, this study confirms that it is often attractive to enter rapidly growing markets, and to minimise risk, if possible, to target more than only one product-market.

Third, the findings of this study also indicate that a long-term and strong personal relationship is one of the most important factors for success as a niche firm.

Finally, the findings suggest that there is some room for following one's own personal convictions and ideas for crafting a marketing strategy, even though these may not necessarily be in line with the structured marketing strategy process displayed in textbooks. It must be emphasised, however, that an approach with no theoretical foundation obviously may be risky. This also implies that the theoretical foundation for marketing strategy for niche firms, which is typically based on general marketing strategy theories, may be inadequate for the purpose of niche firms.

Limitations and Future Recommendations

The purpose of this research was to develop in-depth knowledge related to niche marketing strategies, and conducting personal interviews of key informants was considered the most appropriate method for gathering appropriate data (Miles & Huberman, 1994). A consequence of this methodology is that the results are not fit for generalising to a larger population, but are well-suited to extend the emergent theory (Diamantopoulos & Cadogan, 1996; Eisenhardt, 1989).

The seafood industry is currently facing a general rapid growth in demand. It is difficult to assess whether this situation has influenced the results of this study. If so, this would probably be related to the respondents' perceptions about current issues, such as competitive advantages and perceived customer value. For producers of ecological salmon, the market is quite new and thus the answers are naturally based on the current situation. For the other markets, we have mapped the firms' efforts in marketing strategies over a much longer period. This implies that the findings of this study are not necessarily representative for niche exporters in general, or even niche seafood exporters in general. If generalisation is an objective, the sample needs to be larger and representative for the entire population in question.

Further, this study has not explored differences amongst branches of the seafood industry or in terms of differences in processing levels. This provides an opportunity for future studies exploring or testing possible differences amongst such subgroups, which could gain additional insight into how these groups develop their marketing strategies. It is also possible to repeat this study by using other industries than seafood, or using firms based in other geographical locations.

We also need improved theoretical models for generating more knowledge about niche firms and their efforts in crafting marketing strategies. We have seen that niche strategies for the case firms are largely based on insight from relationships marketing. Can theories from this field be applied directly for niche firms, or is there a need for special adaptations? Further, small firms are in a weak position when developing or bargaining for entry into distribution channels. Our case firms, however, did not perceive this as a problem, and they even praised the cooperation with suppliers of distribution services. Nevertheless, our case firms did hand over control of distribution to others while concentrating on production. Is this an appropriate decision for niche firms?

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