

THE IMPORTANCE OF NICHE MARKETING STRATEGY ON THE MARKET OF "SPECIAL FOODS"

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ABSTRACT

The agri-food market of the developed countries has become saturated, healthy nutrition is emphasized, and the food safety is valued.

The oversupply of mass products has made a great competition, where the small and medium-size firms should find outbreak points to stay alive. One possibility is to produce special, unique products with high added value and high quality. Special food products – their uniqueness may derive from tradition, geographical characteristics or organic production – satisfy special demands. Because of producing them in low quantity, they are suitable for filling market gaps (niche).

The application of the niche marketing could help companies to stay in the quantity products' market with their special products. With the niche orientation they could stabilize their customers and make themselves differ from their competitors.

To make the niche marketing effective, collective marketing activity is necessary. Although companies recognize the importance of adaptation to the different market situations, they can't take the suitable steps alone. Therefore collective marketing has distinguished importance, for in its frame market research, product policy, advertising and distribution channels can be operated more efficiently, while companies can keep their corporate identity.

1. INTRODUCTION

The mass production and oversupply characteristic to the developed markets result in heavy competition, in which the situation of small and medium-size firms deteriorates more and more in the struggle for gaining consumers.

A chance for these lesser enterprises is to provide such a product or service to the customers, which is highly appreciated by the consumer. Their task is to produce and offer such products, which not only have apparent, but real values. These can be special foods, which are highly processed, and even their added value proportion is higher.

Even future trends justify that the demand for special foods of unique quality grows more and more. While in case of mass products, the decisive factor is the price, the key factors for purchasing special foods are their unique features and their quality.

2. SPECIAL FOODS

Among today's competing market situations the unique features of products – which have been created and subsisted during generations – show the appreciated and constant quality, they represent value.

The concept of „special foods“ can be defined in wider sense as such kind of foods which are yet not widely spread in public consumption. They represent unique quality, which in my opinion may originate from the traditions, the geographic characteristics concerning the production of these foods, or the organic feature of their production.

From the producer's point of view, the special foods opens the possibility to satisfy special consumer demands, and thus it is suitable for filling market gaps (niche) due to its small

volume. As a result, the producer is not subjected to the principles and rules of scale intensity and economy of scale.

3. NICHE MARKETING

Segmentation is the identification of groups of persons or organizations of identical characteristics, which significantly influence the determination of different marketing strategies. The kaleidoscopic market is divided into smaller, homogeneous submarkets to identify and effectively supply the consumer groups with identical demands.

Different products have to be offered to the different groups to realize marketing concept and to satisfy consumer demands. If we manage to identify the consumer groups with similar needs, their demands can be satisfied more effectively. Segmentation lays emphasis on consumer satisfaction forward; markets have different structures of demands. These have to be examined and finally known thoroughly and adapting to the results, the decent services have to be offered. A company adapts its marketing plan to the needs of the target group in order to satisfy them at its best.

Market segment is a larger, identifiable part of the market. A market spot is a narrowed group of the market, which is determined by the segmentation of market segments or by the group of such clients who expect certain unique advantages from the purchase.

Niche can be considered as a small market, which consists of a customer, or of a small group of customers who have similar characteristics and demands. Niche can be defined as a circle of clients or market segment which has been created by considering the objectives of the enterprise, and must be highly homogeneous considering the features which are important for the firm. It must be well-separable from other niches and have a decent size (to make profits above the cost), and also has to be well accessible for the company.

The general features of niches can be determined as follows:

- the group of customers belonging to the market spot has a characteristic and distinguishable structure of needs;
- customers are willing to pay even more for that company, which satisfies these demands the best;
- the company supplying the spot has the abilities required for high quality supply of this group;
- the company gains advantage from specialization;
- it is not probable that the niche will draw others, but even in this case the owner of the niche can defend its positions;
- the spot has a considerably high scale-, profit- and growth potential.

Focused marketing, expedient marketing, concentrated marketing can also be used as synonyms for niche marketing.

In case of niche marketing, the company concentrates on a single niche market. Niche marketing can help companies to remain among the healthy survivors. Those firms, which

intend to survive, expand and gain profits may be obliged to find such kind of markets which are:

- sufficient size to be potentially profitable,
- no real competitors, or markets which have been ignored by other companies,
- growth potential,
- sufficient purchasing ability,
- a need for special treatment,
- possess appropriate clientele (Kotler,1991).

In case of niche marketing, two attitudes can be distinguished:

1. To see niche marketing as a creative process, as Chalasani and Shani (1991) termed „nichemanship” which is a process of carving out a small part of the market whose needs are not fulfilled. By specialization along market, customers, product or marketing mix lines, the company can match the unique needs.
2. To see niche marketing as a last stage of segmentation, taking place in the following sequential stages: segmentation, targeting, positioning and niching (Keegan,1992).

Kotler suggests that the key idea in niche marketing is specialization and he provides the following ways in which to specialize:

- end-user specialization,
- vertical specialization,
- customer-size specialization,
- geographic specialization,
- product or product-line specialization,
- product-feature specialization,
- „job-shop” specialization,
- quality/price specialization,
- service specialization,
- channel specialization.

Kotler's idea of specialization leads us to the distinctive competencies a firm needs to possess to pursue niche markets. (Kotler, 1991). According to Pavitt, innovating small firms are typically specialized in their technological strategies, concentrating on product innovation in specific produced goods. Their key strengths are in their ability to match technology with specific manufacturing requirements (Pavitt, 1990).

Under today's market conditions, even non-profitable segments can become attractive as the effectiveness of marketing enhances. Effective marketing work is a key element of the spreading and evolution of niche marketing. It is of utmost importance that we could create such kind of demand towards our product, which can be best satisfied by us, and we can also protect it from competitors. Clients should be arranged in networks, draw them into service-, product- and corporal development, thus gaining satisfied and loyal customers. In niche marketing the focus is on the customer and on profit; niche marketers specialize in serving marketing niches. Instead of pursuing the whole market (mass marketing), or large

segments of the market, these firms target segments within segments or, for the sake of simplicity, niches (Blattberg and Deighton, 1991).

Due to the above-mentioned features, the company present in niches is able to get to know the targeted customers thoroughly, and also able to fulfil their demands better than anyone else, since it can tailor its products for the niches. As a consequence, the company specializing in the niche can realize significant profits over its cost, because the price judgement of the market accepts this. While the firm specialized in a niche can gain profits from high margins, a mass producer realizes its profits from the high volume of its goods.

Niche marketing fulfils best the basic principle that profit objectives served by marketing can be best achieved by serving the customer. The advantages of niche marketing are rather obvious resulting from the previous aspect. Based on niche orientation, a rational product- and assortment-structure can be formed, since the survey and service of the homogeneous clientele works more effectively. The target group can be easily stabilized; the uniqueness of the firm and its profit-generating image becomes stronger. The risks can be better measured and reduced due to the safer decisions, which can be better grounded. By increasing goodwill, the sale conditions can be gradually rendered more and more favourable and in most cases, also the size of the niche can be increased. Based on well-ground knowledge, new and new products can be developed for the niche, although this is also a must, since the competitors are ready to conquer the niche. Other elements of the marketing mix change as well. More effective marketing channels can be created, the strategy of pricing might have more freedom and also significant savings can be achieved in the costs of marketing communication.

4. THE APPLICATION OF THE NICHE MARKETING STRATEGY

Change in macroeconomic forces transforms marketing strategies. As a consequence, it is not enough to do things better and quicker; companies are forced to work out new marketing tricks and practices (Sheth, 1992).

There are many reasons why the American and European mass markets had been segmented since the Second World War, and these reasons (Linneman and Stanton, 1991, McKenna, 1988, Rapp and Collins, 1990) led to the fecundity of smaller markets:

- single-parent households, families with double income and no children (dinks), yuppies,
- working women, overweight people,
- increasing minority markets,
- technological advances,
- the evolution of consumer countervailing power,
- changing demographics and lifestyles,
- the demands on personal time,
- overcrowding by too many products, services and stores,
- the decline in brand loyalty,
- spreading of turmoil and aggression,
- increasing possibilities for discount purchases.

According to Leeflang, niche strategy is chosen by companies in case the following circumstances are present:

- If the company concerned has the ability to approach a niche in a specific manner, better and different than others.
- If the company is able to create a considerable amount of goodwill in a relatively short period, in order to deter potential competitors (Leeflang, 1990).

It is stated by many that niche marketing is applied only by small firms, however a significant part of medium- and large companies also apply it since the great added value results in high profits. This is supported by a study from Linneman and Stanton, which was published with the title „Profit Impact of Marketing Strategy” (PIMS) by the Strategic Planning Institute. Hundreds of business units have been examined regarding the profit gains in different business sectors. After the evaluation of the results, the survey states that the mean profits of investments on larger markets were around 11 %, while in case of small markets they found it 27 % (Linneman and Stanton, 1991). This result also proves the effectiveness of the application of niche marketing strategy both in the case of small- and medium-size companies.

In the following, we are going to summarize the most important basic principles which can help a company in the realization of a successful niche marketing strategy:

- Know your company's strengths and weaknesses, its uniqueness, competitive advantages, distinctive competences, regional and traditional characteristics
- To be able to focus on specific niches or customer groups, exact information is needed on these customers. The key to getting to know the customers is through talking and listening to them.
- The products of the competitors must be known, and a way has to be found that our customers choose our products and not that of the competitor's.
- Unique advantages must be offered for the customers, they can access only this way real values.
- High entrance limits has to be set for the competitors, like trademarks, patents, collective activities.
- It is vital to constantly monitor market changes and react to them.
- The number of possibilities has to be increased, it is necessary to think and act on new fields all the time.
- It has to be determined how we could convince to buy our products those, who are currently using a competitor's product. This can be done by giving new meaning to our marketing offer, or by its repositioning.

Niches can not be developed as individual markets, they must be connected to cooperate and provide efficiency. The base of the activities in a market segment is the specialization, which has many possible ways, for example specialization in a unique, specific product. Since these kinds of products are unique, their general feature is that their production requires a large amount of live workforce, which is also realized in their prices as well. By

this group of products prices excess by far the prices of mass produced goods. Their further feature is that they are produced in relatively small amounts. A frequent misunderstanding is that a certain scale limit always has to be fulfilled, since under a certain quantity sale promotion and reaching the loyalty of the customers would be hopeless tasks.

5. THE COLLECTIVE MARKETING WORK

The appeal of niche products necessitates the creation of a new collective marketing concept.

A tool of utmost importance for niche marketing is the collective marketing activity itself. The collective form of marketing offers many advantages for the enterprises, since they can work more effectively by carrying out some important tasks together (e.g. market research, advertising, distribution politics, product policy) while their corporal independence remains unaffected. Cooperation usually means incorporation and coordination – among independent companies - of identical subtasks.

Collective marketing activity – with the participation of numerous food industry enterprises – plays a very important role in the shaping and balancing of the domestic market, and export.

More and more small- and medium-sized firms recognizes the necessity of active adaptation to changing market conditions, but can not take the appropriate steps on their own. Thus the need for cooperation emerges which means the cooperation between companies in a collective, integrated form. Collective marketing applies the traditional methods and tools of marketing, since the target group of the marketing work is the same as in the case of corporate marketing. Collective marketing can be widely connected to the individual marketing activity of the firms, but in cooperation greater success can be achieved as working separated.

Collective marketing has an important role in the preparation of producers and traders to possess appropriate market information, thus becoming competitive. The program of collective marketing above all deals with the collection, processing and sending of market information. Cooperatives play an outstandingly positive role in providing unique and constant product quality, in the delivery of market information and in the spreading of modern attitude to marketing.

Since the '70-es, the concentration of the food trade has been continuous. Nowadays, almost in every country of the European Union, only a few trading partners possess more than 80 % of total turnover. This concentration resulted in the affirmation of the buying up position of trade with all those consequences which affect the players at inferior levels. If bid-makers want to be competitive, then it is necessary that they cooperate, integrate even on the level of food economy or agriculture. Collective marketing has to prepare for the consequences originating from the afore-mentioned conditions. The exact determination of the goals which are to be reached by collective agricultural marketing is quite important. The most important objectives are:

- creating preferences for agricultural products,
- providing market areas,
- providing the user level directing to traditional products,
- innovation of new products,

- provision of high quality standards,
- provision of marketing channels,
- strengthening the competitiveness of domestic bid-makers,
- protection of the domestic market (Gaál, 2004).

To realize the collective marketing objectives, application of collective marketing tools is necessary. The first place on the importance list stands the communication policy. Products (and even niches) must be made attractive even at home and abroad with the methods of advertising and sales promotion. The role of public relation is also significant: the press releases on food supplies represented by the collective marketing agency must be re-actuated. Product policy has to take care that the attractive products should appear in the market supply. The given product must possess quality proofs, for example in case of the purchase of bioproducts, consumers are oriented by reliability and guarantees of the applied bio-labels. In the building and maintenance of consumer confidence, the product indicators play a key role. Moreover, collective marketing must support the development of appropriate marketing channels (distribution policy), through which foods can succeed. Of course, the application of different marketing tools has to be based on extensive and intensive market research; this provides the data required for planning to the collective marketing institutions and also data on the efficiency and control of the tools which can be applied on the examined markets.

Unfortunately, collective marketing activity has hardly begun in Hungary. But it would be a glaring blunder if – based on the controversial experience from the recent years – we'd give up the intentional development of the country-region-product image system at a time when exactly this activity group – among others, to the effect of the WTO-deal – gets more and more attention in every developed country.

6. CONCLUSION

On the saturated food market, the phenomenon of oversupply seems to prevail. Thus, the application of differentiating strategy has utmost importance. Such kinds of unique, special products are needed which – in special fields - offers more, better quality, or something special to the customers. This speciality can originate from the traditions, the geographic characteristics concerning the production of these foods, or the organic feature of their production. Hungary possesses some of these unique products of outstanding quality, which result in the practical realization of niche marketing.

For small- and medium enterprises, the application of niche marketing offers a possibility to break out from the shadows of the multinational companies. Consumer demand for special food increases continuously and the rapidly changing needs can be best fulfilled by the small- and medium firms which are able to react very quickly to these changes. The production of special foods results greater added value for the enterprises, and as a regional concern it helps rural development. It can contribute to the population-withdrawing effect of the regions and indirectly contributes to rural tourism. The added value, which remains in the region increases local consumption via local restaurants, gastronomic festivals and cultural, tourist programmes. Also results in a significant increase in the number of workplaces and makes possible the starting of local enterprises, thus hindering the depopulation of rural areas.

Small enterprises can not conduct the all-round marketing activity by themselves, thus their cooperation is expedient and advantageous. The participants of the collective marketing activity retain their independence in their base activities, but in case of certain tasks, they can divide the cost among each other.

Possibilities which are available nowadays can only be exploited optimally if we use every tool to create the different form of cooperation and to strengthen the willingness to cooperate.

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