

The Application of Niche Market Strategy for Traditional Horticultural Products in Hungary

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Abstract. Oversupply of foodstuffs on developed countries' markets is apparently a constant experience, which can alternatively be addressed with the differentiation strategy, namely offering unique and easily distinguishable products to a target audience with matching quality and specificity needs. Niche marketing is a viable strategy for small businesses to succeed. The aim of this paper is to prove that the production of high quality local traditional horticultural products can be a niche market besides the mass production. Questionnaires containing consumption and purchase related questions have been used for the research, collecting information on the consumers' thoughts. The results supported our assumption that natural and social values of the traditional region-specific products have great market potential; the optimal exploitation of it, however, requires the enhancement of the competitiveness of these products as well as the intensification of the marketing activities of launching these and preserving their positions there.

Keywords: niche marketing, traditional horticultural products, quality

1. Introduction

Throughout history, prices have usually been determined between the sellers and buyers in price negotiations (bargains). Traditionally, consumer decisions and purchase decision making processes largely depend on price. However, non-price factors, e.g. product features, place of origin, communication, have been gaining significance in purchasing decisions over the past decades.

Niche marketing with the prospect of achieving success via exploring and tapping undiscovered but profitable markets by producing special smaller quantities is an appealing opportunity for many enterprises as small entrepreneurs hope that niche marketing helps avoid competition on a broad, mass market, thus enabling nice fat profit returns. Furthermore, numerous now large mass markets once started as small niche markets with substantial growth potential [1]. Niche marketing is hence a viable strategy for small businesses to succeed. Copying the factors that have turned several enterprises on the niche market successful, for instance "specialization", "maximum flexibility", "close customer relationships", "focus on core competences" or "solid product and technology know-how" does not suffice, though [2]. Niches and niche strategies are closely interrelated and distinctive niche strategies resonate with different target niche markets. Consequently, each business has to assess its capacity and competence to develop a suitable strategy and successfully address the audience segment and ultimately, achieve lasting success on the niche market.

Oversupply of foodstuffs on the markets of developed countries is apparently a constant experience, which can alternatively be addressed with the differentiation strategy, namely offering unique and easily distinguishable products to a target audience with matching quality and specificity needs [3]. In terms of foodstuffs, this special and distinguishing character might derive from their revised and reinvented traditional tastes and methods (eg. feta cheese) [4], their link to the geographical place of origin (eg. paprika powder of Kalocsa) [5] or their ecological production methods (eg. organic products, Utz Kapeh coffee). Instead of targeting the mainstream market, these products all aim at satisfying the needs of particular

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minority market subgroups (niches). Special foodstuffs represent special quality due to their traditional nature, their roots in the region or their ecological production methods. The three pillars of the European Union's Common Agricultural Policy (CAP) reform related quality policy help the definition and identification of special products [6]. No single economically or psychologically well based price setting method can be established for these traditional and region-specific foodstuffs due to the heterogeneity of the subject product group [7].

2. Material and Method

2.1. Material

Opinion survey is the most popular mean of primary data collection and is still dominant in the field of marketing and sociological surveys. Quantitative research and questionnaire based survey form the primary source of my study; the questionnaires contain consumption and purchase related questions and background variables. Consumers (N=462) have been asked about their ideas, perception and willingness to buy traditional local products. Some of the respondents volunteered to answer to my questions in their homes, with the participation of their family members. The age, educational attainment, occupation and place of residence of the respondents vary a lot. The interviews were conducted on various premises in order to obtain a largely representative sample.

2.2. Method

Niches can be vertical or horizontal and the main idea behind this differentiation can be traced back to the concept of evolution. The main difference between the two kinds of niche is highlighted below: Horizontal niches: minority market subgroups within or on the periphery of the larger marketplace; they trigger market compression. Vertical niches: new level of depth is built in the current market as a result of providing a highly specialized product or service that was not available before.

The collected data were evaluated by statistical-mathematical methods. SPSS/PASW and LISREL program-package and factor-analysis, multi-dimensional scales and Correspondence analysis and cross-tables as methods have been used the examinations.

3. Results

3.1. Assessment of the importance of quality and price for traditional region-specific foodstuffs

Purchasing decisions are seldom resolute; consumers are exposed to a certain level of risk in the purchase decision making process [8]. The perception of the risk depends on the consumers' personality, the nature of the product or service and predominantly on the price. Our research investigates the consumers' perception of the quality and price of traditional region-specific foodstuffs. The respondents have been segmented on the basis of their gender, age and educational attainment, residence in order to examine whether the different segments respond differently.

The quality and price is almost equally important factors for both male and female respondents. Males are a little more price sensitive and females are slightly more quality sensitive. Many respondents claim that they purchase Hungarian foodstuffs due to their high quality (Fig. 1).

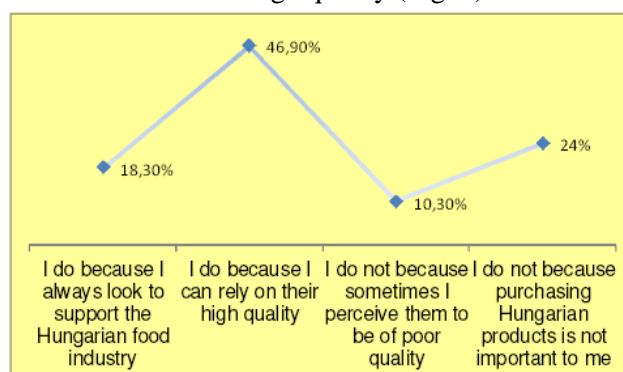


Fig. 1: Conscious choice of Hungarian products

Consumers generally support linking outstanding product quality to specific regions (such as walnuts of California, wines of Bordeaux; Hungarian examples are onions of Makó, red paprika and paprika powder of Kalocsa and Szeged). With these products, consumers accept only the highest quality and they also demand special organoleptic characteristics.

Price obviously plays a key role in the purchase decision making processes; and as the products in the focus of our research are special quality ones, many consumers perceive their prices as a reflection of their heightened quality. The assessment by age group reveals significant differences (Fig. 2.), respondents below forty and over sixty profoundly take quality into consideration for their purchase decisions (80.1% on average), whereas quality is seemingly not so important for respondents in their forties and fifties (25.4%). The reason can be that this generation is fighting with the troubles of make both ends meet; they are highly affected by the economic crises, unemployment etc.

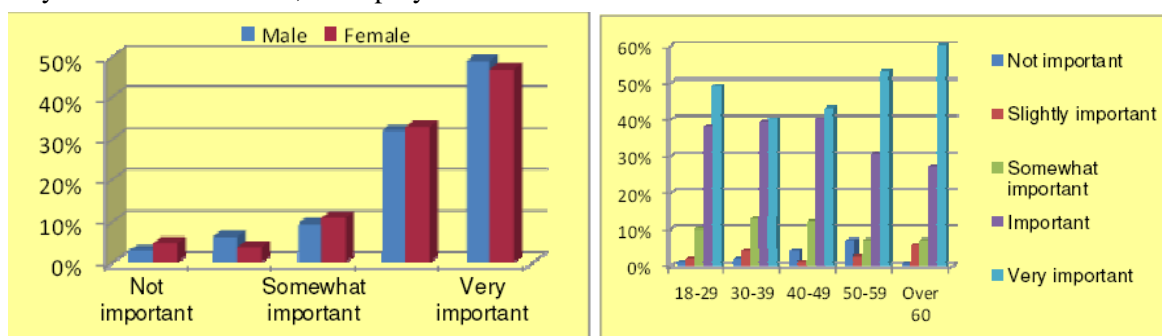


Fig. 2: Assessment of the importance of price by gender (a) and age group (b)

Quality is in general a more important decision making factor for respondents with higher educational attainment (77.4%) than for those with low educational attainment (40%), though the importance of price in consumer decisions yields opposite results. Interestingly, the assessment by place of residence highlights the utmost importance of quality in the purchasing decisions of villagers as well as capital city inhabitants (100%). It may be due to the reason that living in the countryside people have more chance to meet and know fresh, homegrown products first hand, therefore they insist on the same level of quality during their purchase. For respondents from the capital, quality and price are equally important factors.

The findings of our research are on the system of values and preferences that seem to determine foodstuff purchases. Apparently, the influential factors for female customers are the quality and product mix, whereas male customers seem to primarily focus on the producer and price; however, members of both sexes mainly find the price tolerable”.

3.2. Assessment of the importance of quality and price for traditional region-specific foodstuffs

Two third (65, 6%) of the respondents buy Hungarian products mainly because of their perceived high quality (47, 6%) (“I do because I can rely on their high quality”) and supporting the local industry (18, 3%). One third (34, 3%) of the respondents do not consciously pay attention to the preference of Hungarian products in their purchasing decisions. This segment does not represent mathematical majority; however, this finding calls for further examination. In an attempt to target the above mentioned segment, the price differentiation strategy could be deployed to develop an efficient price strategy: with the aim to address consumer expectations; price differentiation strategy recommends price readjustment in relation to three dimensions, namely quality, product range and brand.

Fig. 3 points out that approximately half of the consumers purchase Hungarian foodstuffs on the marketplace because this environment fosters personal contact between sellers and buyers; this finding thus highlights the significance of personal contact. Sales on the marketplace encompass various beneficial aspects: packaging has an insignificant marketing function, usually the producers themselves take care of the transport of the products and producers are in control of the entire production and sales process. The respondents opine that purchase of products originating from Hungary is ascertained in this scenario.



Fig. 3: Food purchasing places in Hungary

About half of the respondents prefer purchasing expensive but traditionally manufactured products because they think the higher price guarantees that the product originates from a reliable source (Fig. 4).

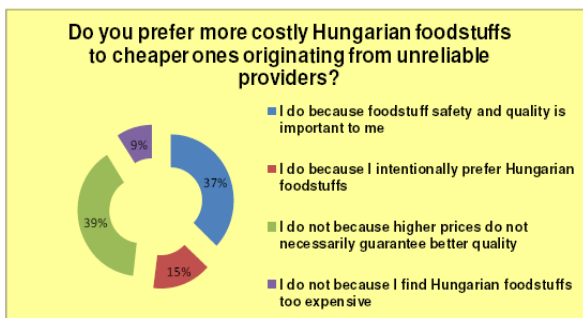


Fig. 4: Aspects of the preference for Hungarian foodstuffs

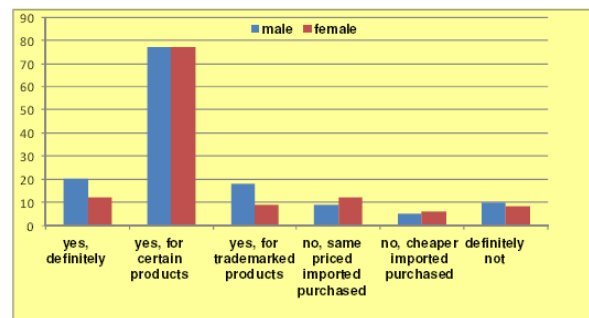


Fig. 5: Willingness to pay extra for Hungarian foodstuffs

3.3. Willingness to pay extra for Hungarian foodstuffs

The research examines and assesses the willingness to pay extra for Hungarian products (Fig. 5). Trademarks are more often required for traditional products because such labelling represents excellent quality. However, their availability is not as good as their competitors.

Generally, the respondents are willing to pay extra solely for certain products and Hungarian foodstuffs that are perceived as prestige goods *constitute such exceptions*. There might be a correlation here with the fact that the main target group of these Hungarian products is customers who are more affluent than the average Hungarian consumers.

4. Conclusions

In the European Union, most people are no longer interested in the quantity of food as they already have it. Rather, more and more, product specification is becoming relevant. The goal is to tap already profitable niches and discover new ones. Having discovered a new niche, the business aims at the maximum tapping of its potentials and securing long-term demand retention.

This strategy allows the further differentiation of the target group, thus building new and further specialized sets of niche markets (exploring new horizontal niche opportunities). Eventually the point is to always stay one step ahead of the competitors.

Food consumption in the developed countries of the world sooner or later reaches the biological saturation point, when time potentially comes for the production of special value-added products for the economic take-off. Small and medium-sized businesses are in key position to foster the deployment of the values inherent in their regions, the expansion of value-added production and the creation of new job opportunities.

The traditional specific characteristics of the food are the properties which originate with the traditional raw materials, the traditional technologies and the composition used in the course of manufacturing. It is assumed that buyers of the unique and specialized products have more than average knowledge of the typical characteristics of these products, as this forms the basis for their decision to purchase them.

The natural and social values of the traditional region-specific products have great market potential; the optimal exploitation of this potential, however, requires the enhancement of the competitiveness of these products as well as the intensification of the marketing activities that help the products enter the market and preserve their positions there.

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