

Niche marketing

From time to time, you see someone growing or selling something completely different from everyone else. The one person who sells flowers amid the vegetable stalls at a farmers' market. A grower who sells to urban gardeners by mail-order catalogue. A field of some new plant that you don't recognize. How did they come up with these ideas? Where did they find these opportunities? Are they actually making money?

The essence of niche marketing is in two strategies. One is to find an existing unserved market niche, and to jump into it at the right time. This requires luck, and the business capacity to enter a new, probably untested, market niche. We've all heard stories of the farmer who made \$10,000 profit per acre growing the latest fad diet food or a flash-in-the-pan botanical. The truth is that there aren't too many of those people out there. It's really hard to be lucky, and in the right place at the right time.

A good example is Echinacea, the purple coneflower root that became a leading botanical medicine in the 1990s. When the market was hot, some Western Canadian farmers jumped in and made a fortune. The little roots sold for \$20 per pound and more, which was thousands per acre, but only a few years later, everyone else tried it and flooded the market. Prices plummeted, and many growers had to till their crop under because they couldn't afford to harvest it. Many other would-be Echinacea fortune hunters lagged behind as they tried to



The people selling heirloom tomatoes use crop diversity to differentiate their crop from regular tomatoes.

Photo credit: Karyn Wright

learn how to grow and market the new crop, and never caught up. This kind of boom-or-bust, gold mining approach to niche business is not for the faint of heart.

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In niche marketing, you can create a product or develop a new way to provide a common product that differentiates it from similar commodities. You then need to market the product to people who care about the difference. This business model is characterized by lower volumes, greater profit margins, and more attention paid to marketing than to growing. You

aren't selling a commodity anymore—you're selling novelty, fashion and joie de vivre.

For a good example, look at the pages of garden seed companies. A red kidney bean in a \$2.00 seed package is not much different from one in a 50-pound bag. But if you can sell 30 beans for \$2.00, how much is that 50-pound bag worth? Seed companies stay in business by marketing small quantities of seeds to gardeners at a high profit margin relative to the commodity price of the seeds. Take a look at specialty garlic for gardeners. The going rate for novelty seed garlic in Canada is about \$3 per bulb. That's about \$18–\$25 per pound!

Naturally, there is a lot of marketing effort and sales cost in making hundreds or thousands of tiny sales to gardeners, and the people who do this work are very busy year-round. But the point is

that they differentiate their products from ordinary bulk commodities, and are rewarded by consumers who are willing to pay a high price for small quantities.

The problem, again, is that the niche effect only works if a specific market stays small enough to serve its consumers. If too many sellers get into one niche, there may not be enough demand to sustain them.

Competition is the death of niche markets, but good marketing can grow the size of the whole market. Take organics as an example. It was once a tiny niche market with relatively low demand, but it has expanded into a sector that accommodates the supply of thousands of Canadian growers. Most organic farmers view their market as a large enough place to sell their produce. They realize that they can benefit from the promotion of organics as much as by promotion of their own farm.

Besides, the real strategic attraction of niche marketing is that there are so many products, and so many consumer segments, to choose from. If you're willing to do the marketing, you can carve out a niche that will deter local competition, simply because it's easy for other growers to choose a different niche.

That's where diversity comes in. The people selling heirloom tomatoes use crop diversity to differentiate their crop from regular tomatoes, and set a premium price for what amounts to the same effort. People who sell specialty garlic for eight or ten times the commodity price are selling novel varieties that cannot be found elsewhere (from the consumer's point of view) and

For small-scale growers, potential competitors fall mostly into two groups: the supermarkets and other small-scale growers who are selling direct in your region. What you need to know about the big players are what fresh produce they are offering and at what price, and where they are located. Other businesses that can play a brokerage role are simple to find. Just use the phone book or the yellow pages, or wander the shopping centres and ask.

You need to know where the competing growers are, what they sell and to whom, as well as how they sell. In the unlikely case that they are nearby and are selling what you plan to sell, you need to rethink your plans. They may be selling quite different products, in which case you could enter into partnership with them. Your cooperation may be as simple as agreeing to refer customers to each other or, more proactively, by operating a common market stand or sharing the cost of transporting goods to farmers' markets.

Location is important for potential customers as well. Beyond your immediate neighbours, customers may come to your selling site from surrounding population centres. Mark on a map the villages and towns, the shopping centres with supermarkets, and your competitors' farm sites.

The income of people living in surrounding communities can be extrapolated from a drive-through to check out homes and by finding out where most people work. The middle class income earners are your most likely customers. You should highlight the routes to your farm and to the other growers on the map to help decide if you want to truck your products into a farmers' market, sell at the roadside, or establish a CSA or U-pick. This exercise will also help you draw a map of routes to your farm or selling site to include with other promotion material."

—excerpt from *Selling Heritage Crops* by Jim Dyer, published by Seeds of Diversity Canada

marketing directly to the enthusiastic urban gardener/food lover. There are fascinating stories about the re-marketing of ancient and heritage grains, such as Red Fife wheat, which are finding willing buyers through marketing that creates an interest in variety names at the consumer level. Again, products that are differentiated from common commodities form the basis of a business opportunity.

How do you find an

opportunity for your farm business? They're all around you. It starts with market research.

You can learn a lot more about niche marketing from *Selling Heritage Crops*, a 36-page booklet available for \$8 from Seeds of Diversity. See www.seeds.ca for ordering information.

Bob Wildfong is Executive Director of Seeds of Diversity Canada. www.seeds.ca