

## NEW ZEALAND NICHE EXPORT MARKETERS: CRITICAL SUCCESS FACTORS

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### Abstract

A qualitative study of New Zealand niche export marketers looked at the key factors these companies believe are responsible for their success and the key barriers they believe other New Zealand niche export marketers must overcome to achieve success internationally. Four key success factors emerged: competition based on branding and product characteristics rather than price, personalised customer service, a strong passion for products, and offerings that are 'relevantly different'. Key barriers to success included the physical location disadvantage, inadequacy of the home market and underestimation of the size of overseas markets.

Keywords: Niche marketing, key success factors, key barriers to success

## Introduction

New Zealand is a small country and for many New Zealand firms the size of the New Zealand market means that exporting is the only way to achieve substantial growth. But New Zealand is geographically isolated from most major markets and most New Zealand firms are small by international standards. To overcome the disadvantage of size many New Zealand exporters adopt a niche marketing strategy – concentrating on high quality, high value products or services in a small market segment – to overcome the tyranny of distance they can (and do) use the Internet.

New Zealand firms cannot expect to compete with the low manufacturing and labour costs of countries such as China or Indonesia. For this reason, New Zealand niche market exporters must focus on other strategies to create competitive advantage for their products and services. There is general agreement in the literature on the efficacy of the following approaches:

- i) A focus on quality and continuous improvement. Corbett (1996) found these were characteristic qualities of successful global companies when compared with local companies.
- ii) Establishing offerings in niche markets (Bryce & Dyer, 2007) and (Zucchella & Palamara, 2007).
- iii) A focus on value creation, not cost (Chetty & Holm, 2000).
- iv) Using a website to remove geographic constraints and allow instant foreign direct entry (Al-Qirim, 2005; Rundh, 2007; Zuchella & Palamara, 2007).

Charbonneau, Gendall and Henricksen (2008) investigated whether New Zealand niche SMEs who use the Internet to reach international markets concurred with the critical success factors identified by Feindt, Jeffcoate and Chappell (2002), Al-Qirim, (2005) and Webb, (2002) for successful websites. The companies researched ranked user convenience, content and design as the most important factors. Interestingly, factors such as website customisation, personalisation and creation of on-line communities heavily emphasised by academics and web designers (see, for example, Kennedy, 2006; Szmigin, Canning and Reppel, 2005; Yucelt, 2007) were ranked as relatively unimportant.

However, while websites play a significant role for many New Zealand SMEs in achieving a global presence, they are only a relatively small part of the overall explanation of how New Zealand niche market exporters are able to gain success worldwide. This paper reports on aspects of a qualitative study designed to determine what other factors, in addition to use of the Internet, New Zealand niche export marketers believe are necessary for success, and the barriers they believe need to be overcome in the global niche marketplace.

## Methodology

This research used a case study approach, involving depth interviews with seven New Zealand niche market exporters. Six of these firms were small to medium sized businesses under Cameron and Massey's (2003) definition of firms with fewer than

50 employees; the seventh was a larger organisation with 130 employees, but still a relatively small firm by international standards.

The first criterion for selecting the firms studied was that they operated in a 'niche market', where a niche market was defined as a 'small market consisting of an individual customer or a small group of customers with similar characteristics or needs' (Dalgic & Leeuw, 1994, p. 40). The firms had to produce a physical product, sold in several countries; there also had to be some variation among the firms in terms of the industries they were in and the distribution strategies they followed.

Among the seven firms selected, four produce specialised sporting goods; the other three produce general consumer goods. The firms had been in business for between 12 and 35 years and all had been exporting for more than ten years, mainly to western, English-speaking countries. For six of the firms, more than 80% of their turnover is earned through exporting, for the remaining business the figure is 40%.

Most of the research was conducted by a series of in-person semi-structured in-depth interviews. However, in one case the interview was conducted by phone and in two cases multiple iterations of questioning administered by email was employed. The interviewing was conducted between June and August 2007.

## Results and Discussion

The companies researched were asked what they believed to be the critical factors responsible for their international success and what advice they would provide to other New Zealand niche market businesses. In response, the companies essentially reiterated what they believed had made their own firms successful: strong branding, product quality and innovation, high levels of personal service, a passion for what they do and established distribution channels. However, from this four general success factors emerged that were common to all firms examined: competition based on branding and product characteristics rather than price, personalised customer service, a strong passion for products, and offerings that are 'relevantly different'.

First, and perhaps most important, is the fact that none of the companies studied was competing with other firms in their market on price. Rather, they were competing on the basis of their brand, their products' quality, and their products' innovativeness and features. This is consistent with the views of Corbett (1996), who articulated the role of product quality and continuous improvement or innovation in creating competitive advantage, and Chetty and Holm (2000) who suggested New Zealand firms should focus on value creation and not cost to gain competitive advantage. This was reflected in comments from respondents such as:

*Our world leading and differentiated product designs are a critical success factor.*

*My products are very unique, which is really important; they are very high quality.*

*We've got a bloody good product, one we have confidence in, we have a lot of pride in, and we can't do a better job.*

Second, the firms in the study all took great pride in providing the best possible personal customer service. The importance of service is generally understated in the literature, but it had clearly played an important role in the success of the firms examined, as illustrated by the following:

*If I was a customer in LA and was buying from New York, our goal is to provide at least as good a service as they could get across the country, but from the other side of the world. In reality though we are set up even better than that.*

*We provide a fantastic service that nobody can match.*

*For me in this business a lot of it is being personal. If you can get personal with them, you get a better grip on who they are and they know who you are.*

Third, all the firms claimed a significant involvement in their niche, often developed through a strong passion for their products, better enabling them to understand and satisfy their market's need for innovative products (consistent with suggestions of Dalgic and Leeuw (1994)). As explained:

*I think it's been successful worldwide because we love what we do. We have an amazing depth of knowledge and feel for our markets.*

*There are people that are in our niche we treat like family, we joke with them like family, we have a great relationship, we look after them, and they look after us.*

Finally, niche markets typically involve highly specialised products where significant differences between competitors are possible (Dalgic & Leeuw, 1994). To be successful, firms have to have a 'relevant difference' – be doing something different that sets them apart from competitors but in ways that are relevant to their target market. Being different simply for the sake of being different is not sufficient; the difference must be relevant to both the product and the emotional mindset of the customer.

*If we start with the product then we've got to have to have a different answer to anyone else's offering in the marketplace – different in terms of everything about the product, both the physical and emotional.*

*But, when it comes to relevant difference for a 'brand' then you have to find a positioning, a style, an expression, a language and a total look and feel that is preferably different to what has ever been done before, but is somehow relevant to the psychographic makeup of the user.*

While the 'difference' is usually developed within companies, since customers often do not have the mindset or drive to product different product ideas, a close relationship with the market and constant checking is required to ensure that any difference is 'relevant'. In some circumstances, companies may determine something is relevant to the marketplace and then find a different way of producing and delivering that relevance to achieve competitive advantage.

*New Zealand is perceived as a 'creative centre' and therefore focusing on brand differentiation, that 'unique story', seems to be a key factor NZ businesses can utilise.*

Bryce and Dyer (2007) suggested smart companies build a strategic and focused business model that leverages their existing assets, reconfigures the existing value chains, and establishes their offerings in niche markets. The firms interviewed in this study reiterated the need for a clear business model, including clear mission statements, market definition and objectives, and the importance of effective leadership structures and clear responsibilities for staff. They also emphasised the need for New Zealand niche marketers to have confidence in themselves, especially in terms of dealing with customer feedback, and a willingness to assume risks.

*We are very confident about what we do and we openly say to people if you don't like what we do that's OK, go find somebody else. We set our pricing on that basis, we set the products we release on that basis, and we set how our website looks on that basis. We just have to be strong and secure about who we are and what we offer. We know that there are people in the world who like what we do and if there is alignment there, we will be very successful.*

*From a design perspective and a product development perspective, and this is going to sound terribly arrogant, but we feel that we know best. We are very confident about what we do and we openly say to people if you don't like what we do that's OK, go find somebody else.*

*We do business the way we want to and we do business with who we want. Focusing on our niche allows us to be ourselves.*

The firms were also asked about the barriers faced by New Zealand niche marketers when exporting. In addition to common international marketing issues such as exchange rates and tariffs and the obvious disadvantage of physical distance, two barriers were identified as being inherent in having New Zealand as a home market. For most New Zealand niche market firms, the size of the local market is inadequate, making exporting the only viable option for growth or in some cases, existence. However, due to the limited size of the local market and their experience servicing it, decision makers often have a false perception of the size of overseas markets (or global markets accessed via websites), underestimating their potential. This can cause problems when firms do not have the resources available to meet rapidly increasing overseas demand.

Chetty and Campbell-Hunt (2003b) describe the period of three to four years of rapid growth resulting from internationalisation as 'the gusher'. The gusher puts enormous pressure on a small firm's resources and this can often cripple a business as it struggles to keep up with demand. The firms interviewed concurred with the Chetty and Campbell-Hunt's (2003) conclusions that the struggle to keep up with international demand not only puts extreme pressure on firms' resources but can lead to a loss of key relationships, quality and competitive advantage.

## Conclusions

While the generalisability of the findings from this research is inevitably restricted by the small, purposive sample of firms studied, nevertheless they do provide some interesting insights into what these particular New Zealand niche marketers believe are critical success factors. This research suggests there are four general factors that have contributed to the examined companies' successes: competition based on branding and product characteristics rather than price, personalised customer service, a strong passion for products, and offerings that are 'relevantly different'.

Of particular interest is the importance of establishing a 'relevant difference', reinforcing the often-discussed need for niche marketers to establish close relationships with their customers and satisfy their particular needs with an offering that sets the firm apart from its competitors, but in ways that are relevant to its target market. These were characteristics of all of the firms studied. However, another interesting finding was that most of these firms are very self confident; they offer their customers what they think is best and do not necessarily adopt customers' suggestions. This tends to contradict what conventional literature suggests about successful niche marketing, which is that customer needs should always drive the search for competitive advantage.

Finally, the research emphasised that New Zealand niche exporters must overcome barriers of physical distance, foreign exchange susceptibility, customs issues, tariffs, and resource issues to achieve international success. The solution to these problems lies in a clear business model, including clear mission statements, market definition and objectives, supported by effective leadership and clear accountability structures for staff. Inevitably, every individual niche export marketer has a different success story, but among the diverse sample of firms studied in this research there were commonalities that suggest there are some generalisable factors that, while they cannot guarantee success, are likely to increase the chance of achieving it.

Future research in this area would extend the current study to a larger, more representative sample of exporters and a wider range of niche markets. Ideally, this research would include unsuccessful as well as successful exporters, since confirming the critical success factors we have identified requires looking for their absence in unsuccessful firms as well as their presence in successful ones. A more quantitative research approach would allow the relative importance of these critical success factors to be determined and their effect on different performance measures to be estimated.

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