

MARKET POSITION OF NON-TRADITIONAL AGRICULTURAL PRODUCTS

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Abstract. The liberalization of food trade leads to intensified competition at the regional and transnational levels. Consequently, the current economic and cultural processes indicate that a gradual shift from mass trade in commodities to trade in a large number of niche products occurs. Product differentiation or a strategy for different factors is considered to be the most proper approach to assessing the ways of business strategy positioning for deer farming. In this respect, the real differences among deer-farming products (higher quality, a different appearance, a pronounced taste, smell etc.) and the apparent differences, achieved by pricing and visual differences (packaging), that could be used to differentiate the deer products should be noted. **The research aim** is to identify the strategic advantages of deer product positioning and the most proper competition strategy. The most proper competition strategy for deer farming to reach the target market is a differentiation strategy focusing on the niche market. Niche specialization focuses on a product attribute strategy and emphasizes the difference between deer-farming products and traditional agricultural products, product exclusivity as well as the positive effect of venison consumption on human health.

Key words: deer farming, non-traditional agricultural, meat market.

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Introduction

As information exchange opportunities and educational attainment increase and owing to other socio-economic conditions, consumers become more knowledgeable, leading to the emergence of certain consumer interest groups, which largely affect their requirements concerning goods and services. The mentioned factors increase consumers' interest in products with unique, different, functional and other specific characteristics and decrease their interest in homogeneous mass products. The mentioned market trends also apply to the market of food of animal origin, where high-quality products instead of low-cost mass products come to the fore and, for example, environmental protection requirements, organic farming criteria etc. have been met in the production of food.

The liberalization of food trade leads to intensified competition at the regional and transnational levels. The concept of competition is usually understood as a strategic model that allows any enterprise to rank the most relevant players in the industry. Foreign scientists have extensively researched competitive advantages, emphasizing the role of a niche strategy and a specialization in high-quality service and high-quality products (specific product features) for small, narrowly specialized enterprises, which is the most proper competition strategy for marketing also non-traditional agricultural products.

In recent years in Latvia, focus has been put on the development of non-traditional agricultural enterprises, which ensures the diversification of agricultural products and promote the production of specific products with high added value. However, non-traditional agricultural enterprises need to be viable, as the positive effect of the enterprises on the socio-economic situation of a specific region could be observed only in a long term (Barkley and Wilson, 1993; Dannenberg and Kulke, 2015). Accordingly, the selection of a proper market strategy, which can ensure a regular and growing market for the products and consequently the long-term operation of the enterprise, is of particular importance.

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In Latvia, deer farming as a non-traditional agricultural industry began developing in the 1990s. Venison contains optimal levels of cholesterol, amino acids, fatty acids and micronutrients for human health (Daszkiewicz and Mesinger, 2018; Polawska et al., 2013; Shao et al., 2018). Besides, venison has specific, distinct taste characteristics (Hoffman and Wiklund, 2006; Hutchison et al., 2010), which means the quality of venison is a potentially important competitive factor in the development of deer farming and gives an opportunity to position the venison in the market as a healthy, safe and high quality product for consumer health.

Accordingly, the research aim is to identify the strategic advantages of deer product positioning and the most proper competition strategy. The following specific research tasks are set: 1) to examine the extent of difference of deer-farming products from similar products available in the market; 2) to identify and assess the most proper competition strategy for deer-farming products.

The research employed the following methods: monographic, analysis and synthesis as well as induction and deduction. To examine theoretical matters concerning the economic role of competitiveness of deer-farming products, the research used research papers by national and foreign scientists and researchers.

Research results and discussion

Under economic globalization, one of the factors contributing to the competitiveness of livestock products is the high quality of the products. Quality is important when it comes to discussing the competitiveness of a product, a service, an industry and the economy as a whole. In this respect, competitiveness is perceived as both a process and a result, and methods for researching it are selected accordingly. Competitiveness is most commonly researched with regard to how the overall position in the market could be identified as well as the process between an investment and a return could be analysed; in addition, it is researched as process performance or a structural component (Paula and Titarenko, 2009). Economic scientist Karnite R. (2008) stresses that competitiveness has to be viewed from the static and dynamic perspectives (Karnite, 2008). According to the static perspective, productivity contributes to high incomes in the economy and to high returns on investments, whereas according to the dynamic perspective, high productivity and returns on investments determine the growth and development of the economy in the future. Scientific research studies on competitiveness and opportunities to increase it indicate various ways how to achieve it: price competitiveness, service competitiveness, quality competitiveness etc. (Dumont et al., 2016).

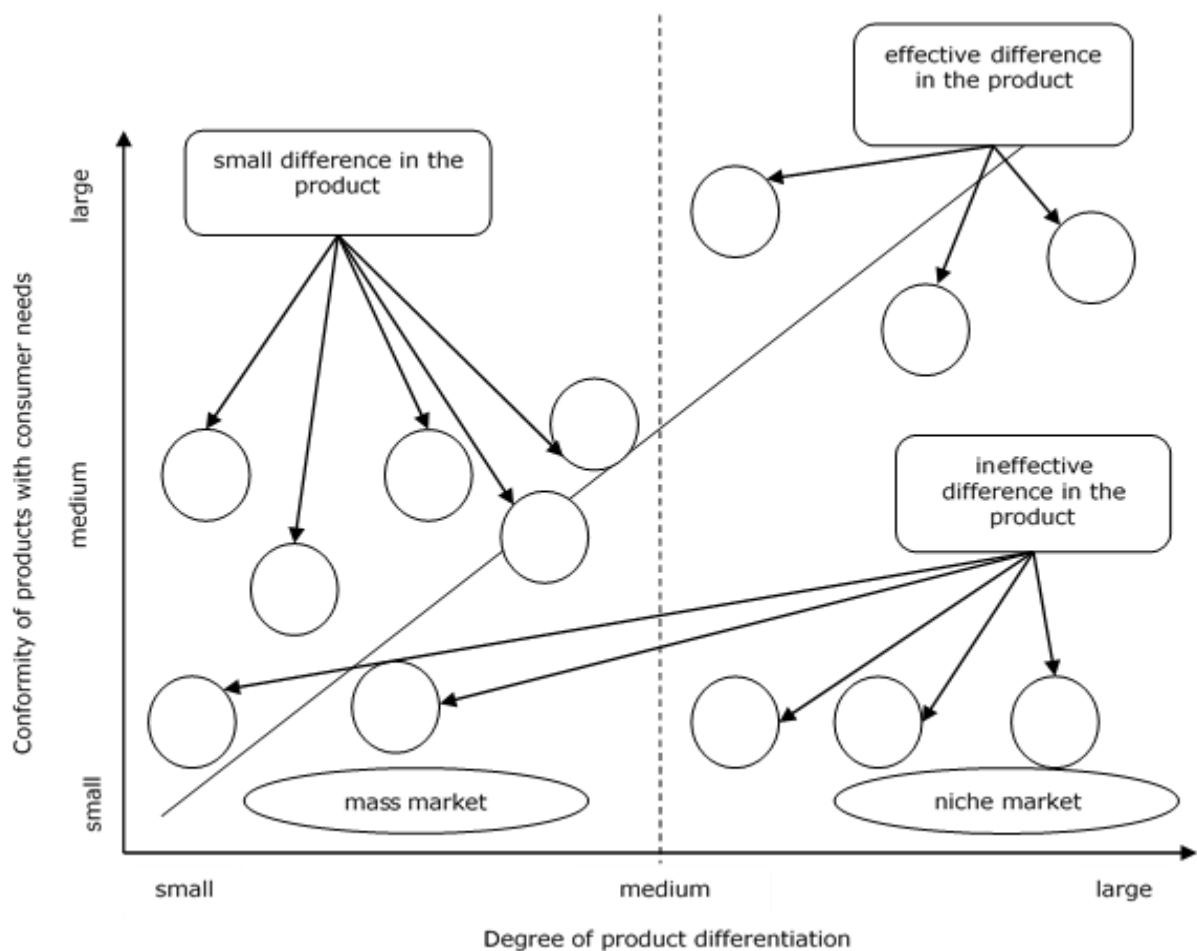
There are several ways how to develop competitive advantages in most of the industries. This applies in particular to a segmented market: in such a market, product or service and communication differences could exist not only at the level of the market as a whole but also at the level of individual customer categories. Deer farming enterprises have to compete with traditional agricultural producers and service providers in a dynamic market. Accordingly, it is necessary to set key priorities in a deer farming development strategy in order to protect deer farming from competitive forces or to use the forces to its advantage.

Business strategy positioning allows choosing from among either a low cost strategy, a product differentiation (diverse factor) strategy or a focusing strategy (Porter, 1998). Enterprises could use a low cost strategy by introducing a new technology that lowers production unit cost. Such a strategy could be applied in the fields of production, marketing, finance or management; however, in the author's opinion, it is not suitable for a strategy for the deer-farming product market because the production capacity of deer farming enterprises and, consequently, their output are constrained,

which limits the potential for cost reductions. Product differentiation means making products distinct from similar ones, i.e. creating an effective difference in the product that meets consumer needs to a high extent (Fig. 1). It should be emphasized in this respect that the consumer has to be able to clearly perceive product distinctions and understand an effective difference in the product that meets the consumer's needs to a high extent. If a product or service is not distinct from similar products, the consumer has little reason to choose it from among the competing ones.

Product differentiation ensures competitor rivalry is eliminated owing to consumer confidence in the brand, which also manifests itself in lower sensitivity to price differences. In this respect, the real differences among deer-farming products (higher quality, a different appearance, a pronounced taste, smell etc.) and the apparent differences, achieved by pricing and visual differences (packaging), that could be used to differentiate the deer products have to be noted. Higher quality allows marketing a particular product or service at a higher price without losing market share. The phenomenon of placing goods of different quality on the market is called vertical product differentiation.

Applying the differentiation strategy in deer farming, it is necessary to emphasize the difference between deer-farming products and traditional agricultural products, product exclusivity and the positive effect of venison consumption on human health.



Source: author's construction based on Porter, 1998

Fig. 1. Degree of differentiation of products and their conformity with consumer needs

When focusing on a narrow market segment, deer farming enterprises could apply the focusing strategy while considering that they are able to serve the narrow target market more effectively than competitors operating on a broader scale.

The author believes that with deer farming developing in the future, a focusing strategy applied to a narrow target market could partly limit the overall expansion of the market, yet the strategy cannot be excluded if specializing in narrow specific market segments, e.g. restaurants. In the opinion of the author, differentiation is the most proper strategy. There are three commonly used approaches to product or service differentiation: 1) unique features of the product; 2) unique features of the enterprise and resources used, which allows offering specific and different products; 3) customer satisfaction level.

Each of the three approaches contains a number of options for defining product or service distinctions. The purpose of choosing a differentiation strategy is to emphasize the uniqueness of the product or service. Differences in a product or service are defined as unique features that are perceived by the buyer as an advantage over the competing products and services.

Two main approaches to making an effective difference from the competing products are offered by Kuhn K.U. (Kuhn, 1997): specific features of the product or service, e.g. the quality of the product or service etc. and communication messages, e.g. advertisements, sales, sponsorship etc. The most essential feature is the quality of the product or service, which contains a number of various potential features, each of which, individually or in combination, could serve as the basis for the market strategy and supply.

The nutritional value, wholesomeness, safety, etc. should be mentioned as the most important properties of food products. Non-traditional agricultural production, incl. deer-farming products and services, are valued by potential buyers for quality, price, sales channels and product promotion approaches. One of the most important sales channels for non-traditional agricultural products is direct selling (Kuzman and Prdic, 2018; Szelag-Sikora et al., 2019), while cooperation among manufacturers, retailers and other market players in various fields, including marketing activities, is desirable for promoting the products. The current economic and cultural processes indicate that a gradual shift from mass trade in commodities to trade in a large number of niche products occurs (Anderson, 2008; Godin, 2008). As various non-traditional agricultural industries develop in Latvia, changes also occur in the agricultural market; therefore, the author considers it useful to assess the market position of deer-farming products.

Potential producers of non-traditional agricultural products should assess their potential for entry into the industry from a competition perspective. Barriers to entry into non-traditional agricultural industries could be linked to economic factors. Barkley R. and Wilson C. (1995) point out that barriers to entry into a non-traditional industry could be due to a lack of resources (Barkley and Wilson, 1995). The barriers to entry into the market, indicated by Barkley R. and Wilson C. (1995), pertain to the limited possibility of product differentiation and limited access to marketing channels and the time needed to learn technologies and production practices in a new industry.

Barriers to entry into deer farming for new entrants or producers are relatively high and linked to limited access to resources. The area of land owned or rented and start-up capital are essential for ensuring an adequate scale and success for this kind of business. However, the underdeveloped market for deer-farming products makes it difficult to process the deer and access sales channels.

Competition among market players for gaining or maintaining their market share might be intense, requiring designing a competition strategy. In deer farming, given the small volume of

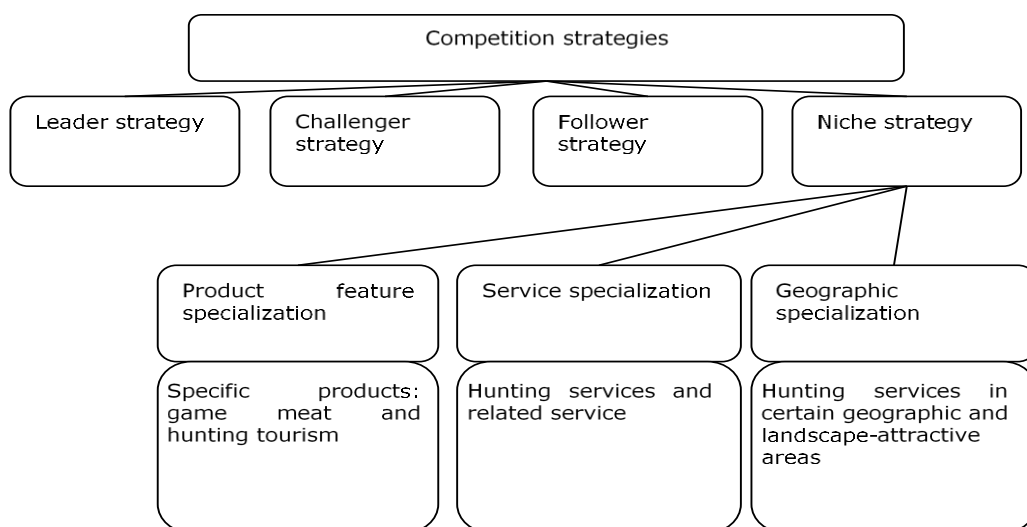
production, the competition strategy should be, first of all, determined at industry level. Kotler F. et al. (2008) distinguishes four types of competition strategies, depending on how much market share the enterprise has, and points out that the market could be entered at several levels – segment, niche, local and individual – as well as distinguishes several specializations or niche player roles the enterprise could apply in a niche market, emphasizing that market segments represent large identifiable groups of customers in the market, while a niche is defined as a narrow segment (Kotler and Armstrong, 2008).

Conner D. S. (2004) defines non-traditional agricultural enterprises as niche market players, pointing out that the enterprises are small or medium-sized farms that produce diverse, heterogeneous products and which, because of their small market size and production characteristics, could be included in the niche product category (Conner, 2004). The target market for non-traditional agricultural products is a specific and concentrated segment of the market that differs by location, income class, age or buying habits. If finding such a niche market, the enterprise could make good use of it (Porter, 1998). In the opinion of the author, a niche strategy is the most proper strategy for deer farming to reach the target market.

The author has identified several characteristics indicating that the market for deer-farming products is a niche market:

- small, usually narrowly specialized enterprises operate in the market;
- deer-farming products are different from traditional meat products; tourism services, including hunting and wildlife viewing, are different as well;
- specific sales channels are used for sales, and a small amount of production is sold;
- enterprises specializing in specific, narrow market segments – niches (restaurants, farm visitors etc.);
- certain consumer requirements for quality, exclusivity etc. of the product or service are met;
- focus is placed on high profit margins.

The author believes that deer farming enterprises serve narrow market segments or niches, based on the offers of a special kind of products and services in the market (product differentiation), choosing no more than 2-3 niche specializations (Fig. 2).



Source: author's construction based on Kotler et al., 2008; Conner, 2004; Porter, 1998

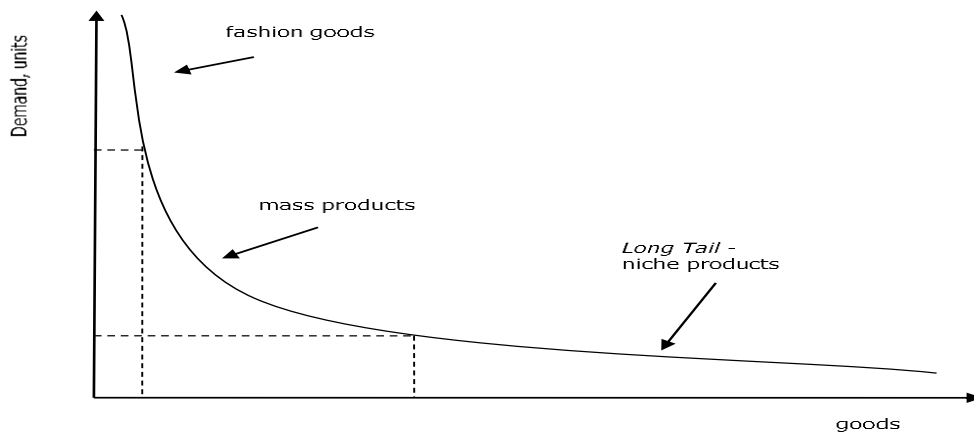
Fig. 2. Competition strategies for deer farming in Latvia

The product feature specialization of a niche strategy focusing on producing high quality products is the most important one. In the field of services, the strategy focuses on raising trophy animals for hunting tourism.

The principle defined by Italian scientist Vilfredo Pareto (1971) states that 20 % of the assortment or mass production of goods on the market accounts for 80 % of the revenue; therefore, a logical question is whether it is appropriate to sell the remaining 80 % of the total product assortment. Niche products, according to the Pareto principle, make up most of the total assortment of goods (75-80 %) and generate minimal revenue (20 %), compared with mass products. In the author's opinion, this principle could be fully applied to the meat market in Latvia, where the majority of the market turnover is made up of traditional types of meat; however, changes in consumer buying habits indicate market growth opportunities for the non-traditional types of meat.

As socio-economic and technological factors change, niche products are gaining market importance (Anderson, 2008), and selling products requires seeking new and narrow market segments – niches. Niche products make up the so-called "Long Tail" in the total assortment (Fig. 3), which, as a result of change in demand, shifts towards mass products or fashion goods. The term Long Tail was created by Anderson C. in 2004. He employed the "Long Tail" to describe an online shopping business model used by, for example, Amazon.com, NetFlix etc. These companies supply a great variety of goods being able to meet a wide variety of requests, yet they sell a small number of items of each good.

The Long Tail theory defines that a wide range of assortment within a category of similar products creates a wide range of niche products, resulting in a higher share of revenue from sales of individual niche products than from mass products.



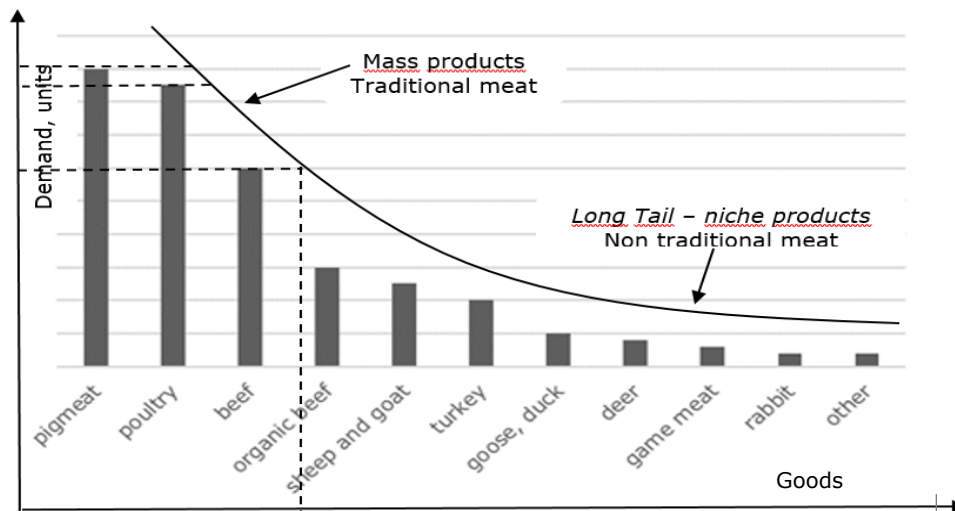
Source: author's construction based on Anderson, 2008

Fig. 3. Long Tail theory applied to the goods market

The author believes that the Long Tail theory is applicable to define the position of deer-farming products in the meat market. In the meat market, traditional types of meat – pork, poultry and partly beef – constitute a mass market, while a niche market is characterized by a variety of less accessible and less known types of meat, incl. venison (Fig. 4), the sales of which need to be intensified, thereby increasing the proportion of revenue from it.

Niche market players focus on a narrow segment of potential consumers with specific requirements – the niche. The basic principles of a niche market state that developing a niche market requires research studies on consumer motivation, behaviour etc. As pointed out by Anderson C. (2008), the growth of sales of niche products is largely affected by the possibility of distance sales

and an opportunity to purchase goods through online shops. The positive role of distance selling for non-traditional agricultural products is also emphasized in research studies by national scientists (Baraskina, 2010). The author concludes that such a sales channel could also be used to promote deer-farming products.



Source: author's construction based on Anderson, 2008

Fig. 4. Position of deer-farming products in the meat market

One can conclude that selling deer-farming products requires a variety of sales channels. At the same time, this means disseminating information on the positive effects of deer-farming products on consumers' health, lifestyles etc. and arousing the consumers' interest in the products as well as a desire to purchase such a product or service.

There are authors who recommend a limited access strategy for distributing niche products. Simon H. (2009) emphasizes that the availability of products for a limited customer base is an essential element in maintaining an elite customer base, pointing out that product exclusivity could be maintained only if output growth is controlled (Simon, 2009). Such a strategy is often implemented by luxury manufacturers, deliberately making the product difficult to access and, to some extent, creating a shortage of the product. Although the limited availability of a product is one of the most effective ways of maintaining a high intangible value of the product – exclusivity –, such an approach to a niche strategy in deer farming would also mean that niche market players would not exploit their growth potential to expand the industry; therefore, this approach to a niche strategy for the development of the deer-farming product market would be unacceptable in Latvia.

Godin S. (2008) and Anderson C. (2008) believe that a niche market could be developed through a wider price range, thereby making the product available to a wider audience. However, the author only partly agrees with this assertion. Such a strategy is applicable when deer-farming products are planned to be marketed as mass products.

Deer-farming products – meat, hunting and other niche products – have to remain unique to some extent (high quality, luxury status etc.), thereby arousing consumers' interest in the products. The unique properties and condition of a product have to be continually renewed and maintained over time. Simon H. (2009) suggests several instruments for maintaining the uniqueness of a product. The instruments are as follows: patent protection, a strong trademark, focus on customers, artistic design changes in product packaging, the trademark etc. Customer-focused activities as well as branding to promote product awareness in the export market would be important in the development of a market strategy for deer-farming products.

Conclusions, proposals, recommendations

- 1) A market strategy for deer-farming products, compared with traditional agricultural products, involves differentiation, which is based on the real differences among deer-farming products (hunting services, venison quality etc.) and the apparent differences (achieved by pricing).
- 2) The most proper competition strategy for deer-farming products is a niche strategy, specializing in high-quality service and high-quality products (specific product features).

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