A Pig's Tale: Marketing Stories for New Value Chains[1]

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They can have any color they want, as long as it's black.
--Henry Ford

We live in stories. We breathe stories. Most of our best conversations are about stories.

The broadcast era is over. Marketing is conversation.
--The Cluetrain Manifesto

In conventional business circles, niche markets are suspect. Being part of a niche market means being vulnerable---too small, too powerless, too helpless to amount to much. Niche markets are considered high-risk ventures that are not expected to survive. Major mass markets that control billion-dollar inventories are the markets we admire. Economies of scale reflect economic power, and economic power suggests market resilience and reliability. Why then would anyone propose---much less attend---a conference on niche marketing?

Perhaps we tend to devalue niche markets because of the way we define "niche." In common parlance, niche often means small, insignificant, vulnerable, or unimportant. But Webster describes "niche" as "a place or position particularly suitable for the person or thing in it." In other words, a niche is not necessarily something tiny. It can be a place where whatever is in it is well adapted to the place, especially well suited to what it is doing in that place. That suggests the opposite of weakness. It suggests a state of being well-suited, well-adapted, well-adjusted, and therefore resilient.

Other definitions of "niche" have also been offered. In the August 20, 2001 Iowa Communications Network program on niche marketing, Iowa State University Extension defined niche markets as "any marketing system (in part or in whole) which does not use the current commodity-based marketing channels."

Operating with the correct definition doesn't insure success in the marketplace. As we all know, one can be right and still go out of business.

Productivity and Competition

The more likely reason many of us think of niche markets as suspect, however, is that we simply don't believe that they are competitive. I suspect that assumption is derived from a long history of operating out of a marketing paradigm based on a narrow concept of

[1] Keynote address, "Niche and value added marketing: What's in it for you?" conference, September 18, 2001.

competitiveness. Going all the way back to Henry Ford---and to Frederick Taylor before him---we have relied on a specific industrial model that can be used for everything from automobiles to Twinkies. Ford used Frederick Taylor's "scientific management" theories as the basis for his mass production assembly line. Taylor's theory assumes that the lowest cost supplier of a mass-produced, undifferentiated commodity always holds the competitive advantage.

But as Michael Porter has pointed out, this is a rather narrow way to view competition.[2] While it is, of course, true that competitive advantage can be gained through efficient mass-production, it does not capture the full range of competitive possibilities. Porter argues, correctly I think, that "productivity" is a better avenue for understanding competitive advantage than "competition." Porter defines productivity as "the value of the output produced by a unit of labor or capital" and he suggests that "it depends on *both* the quality and features of products (which determine the prices they can command) *and* the efficiency with which they are produced." (Emphasis mine.)

In other words, as Porter goes on to say, there are "two basic types of competitive advantage: *lower cost* and *differentiation*." (Emphasis his.) He states:

- "Lower cost is the ability of a firm to design, produce and market a comparable product more efficiently than its competitors."
- "Differentiation is the ability to provide unique and superior value to the buyer in terms of product quality, special features, or after-sale service."
- "Differentiation allows a firm to command a premium price, which leads to superior profitability provided costs are comparable to those of competitors."

Finally, Porter suggests that "it is difficult, though not impossible, to be both lower-cost and differentiated relative to competitors."

Porter offers some examples from the food industry to make his point. In the chocolate industry, for example, the Hershey and M&M/Mars firms in the United States have decided to compete as lower cost suppliers by mass-producing and mass-marketing standardized candy bars as cheaply as possible. Lindt and Tobler/Jacobs in Switzerland, on the other hand, have decided to compete mainly by selling premium products through more limited and specialized distribution channels and sell them at much higher prices. To achieve their business objectives, Lindt and Tobler/Jacobs use only top-quality ingredients, produce numerous separate items and spend more time processing their products---almost the converse of Taylor's scientific management model. The point here is that both approaches appear to be equally successful in their separate market climates.

Porter's analysis suggests that there are different ways to be successful in the marketplace depending on where one is, who one's target customers are, and how one decides to present oneself in the marketplace. That would suggest that niche marketing can be successful if one is in the right place, at the right time and if the place and time are particularly well suited to the person or product in the niche.

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[2] Michael E. Porter. 1990. *The Competitive Advantage of Nations*. New York: The Free Press.

That brings us to the $64,000 question. Is this the right place and the right time? Do we have the right products and people to develop successful niche markets?

Now, the main goal of my presentation is to attempt to answer those questions primarily from the perspective of producers---farmers here in Iowa and surrounding states. Immediately following my presentation, Amy Barr will try to answer that question from the perspective of the consumer. Then we will hear from the folks in between---the folks who are in the business of marketing the producer's products to the consumer. And while we are concentrating on one commodity at this conference---namely pork---many of us are interested in using pork as a model for other products as well. We each will be addressing different points of view---those of producers, consumers, and marketers. What we ultimately want to ask today is whether or not it might be feasible to form a new value chain that connects entrepreneurial producers, processors, and retailers to bring a range of differentiated products into the marketplace.

Of course, even before we begin, we know it *is* possible to develop niche markets consisting of value chains that tie producers, marketers, and consumers together to present unique products in the marketplace. It would be silly to suggest otherwise since such value chains already exist and producers, marketers, and consumers representing them are here at this conference today.[3] So the real questions are:

- Do these markets promise advantages to producers?
- Can they be expanded to provide opportunities for more producers?
- Are these markets sustainable?

Those are tougher questions to answer and part of the purpose of this conference is to bring us all together to explore exactly those questions.

As producers, it seems to me that we want to explore three areas as we try to determine whether there is a future for us in niche markets.

1. We want to take a close look at what is happening on the farm.
2. We want to examine what is happening in the marketplace.
3. We want to scrutinize what is happening to the infrastructure that serves the food and agriculture industry.

And we ask the same question of each: Is this the right place and the right time for producers to consider niche marketing?

On the Farm

What is happening on the farm? There are two pictures that I think can help us understand what is happening to farms in America. The first comes from Willard Cochrane who bases his analysis on 1997 statistics provided by the U.S. Department of Agriculture's Economic Research Service.[4] (See Overhead 1).

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[3] Niman Ranch, Organic Valley, and America Fresh are a few of the niche market value chains already in operation, linking farmers, processors and retailers to bring unique products into the marketplace.
[4] Willard W. Cochrane. 1999. "A Food and Agriculture Policy for the 21st Century." Unpublished paper, available from the author, professor emeritus, University of Minnesota.

The important things about this picture are *not* the specific categories or the statistics used to create them. What is important is that this picture suggests how we may be conducting business as farmers in the very near future. It also raises some important questions about the future of midsize farms in America. And since the majority of midwestern farms fall into that midsize category, it raises some interesting questions about the future of farming in the Corn Belt.

What the picture tells us is that the majority of commodity sales (61 percent) are captured by a small number of very large farms, and those farms enter into contracts to mass produce a specialized, uniform commodity as cheaply as possible. According to Cochrane, 63 percent of these farms now access the market through such contractual relationships. At the other end of the scale are a much larger number of small farms that capture only a minority of the sales (9 percent). Increasingly these farms resort to direct marketing schemes as a way of capturing value from their production. The latter is, of course, a market niche, one that has been growing during the past decade or more. It is a niche, furthermore, that appears to be safe from competing with large farms because it is difficult for large farms to put the kind of human face on their commodities that makes the direct markets appealing to consumers. Additionally, large farms appear to have little interest in cultivating those markets.

The group in between---a modest number of farms---is the group that presents the greatest opportunity---and perhaps the greatest challenge---as it relates to niche marketing. These are the farms, from a marketing perspective, that increasingly find themselves falling through the cracks between today's undifferentiated, contract markets and the small, highly differentiated, direct markets. For the most part these farms are too small to access the contract markets. The large processing firms that issue the contracts only want to do business with the largest producers, since that is one of the most effective ways of reducing their transaction costs. Nor can the midsize farms readily access direct markets because those markets tend to be too small and the farms too bound to commodity production. Some midsize farms have, however, demonstrated that they can access both direct markets and differentiated value chains.

However, it is not only the midsize *farms* that are vulnerable in this scenario. As the food industry consolidates---first in manufacturing and now the retail sector---midsize *processors* and midsize *retailers* also become susceptible. The entrepreneurs in this midsize category are sometimes called the "tweenies" since they fall in between the two thriving markets.

This analysis poses an interesting question. Does it mean that midsize entrepreneurs---farmers, manufacturers, and retailers alike---are doomed to economic extinction? Or, does it mean that they have an unprecedented opportunity to differentiate themselves, to develop new value chains that connect them, bringing unique products that appeal to sophisticated consumers into the market place? Remember, Porter argues that it is difficult---though not impossible---for the same firm to be *both* a lowest-cost supplier of an undifferentiated commodity *and* a supplier of a higher-priced, differentiated product.

It does seem to follow from Cochrane's analysis that if we do not create new, differentiated markets that work for midsize farmers, then they will likely disappear from the landscape. And that, in turn, raises another set of questions that may be of concern to a much wider audience. Small and midsize farmers still manage over 80 percent of the nation's farmland.[5] And they also are the farmers who are in the best position to take good care of the land, since most have lived on their land long enough and intimately enough to know how to care for it wisely. If they have sufficient information and market incentives, they will take care of it well. So if midsize farms are unable to access markets and then disappear, who will step in to provide this public good to our society?

A second picture that we might consider in trying to understand what is happening on the farm comes to us from Stewart Smith, agricultural economist at the University of Maine.[6] (See Overhead 2). Smith suggests that to understand the economics of farming, we first have to recognize that the agricultural economy is comprised of three sectors. He then proceeds to chart the rate of economic activity in each of those sectors during the 80-year period from 1910 to 1990.

As Smith's graph points out, economic activity (the activity within a sector that produces income) has shrunk dramatically (from 41 percent to 9 percent) in the farm sector during the80-year period in question, and that, simultaneously, the economic activity in the market and input sectors almost doubled. Smith argues that "technology is the linchpin" which accounts for this economic activity loss in the farm sector since most of the technologies adopted by farmers "result in a shift of activity from the farm to the non-farm sectors." For our purposes it is not important to understand why this activity loss occurred. It is important, however, to understand what it means for future improvement in farm income.

A view commonly held by farmers and non-farmers alike is that the best way to improve farm income is to increase the scale of the farm and invest in more purchased inputs. This will increase yield and spread costs over a larger production unit. But that plan ties up the farmer's capital and management capability to produce more undifferentiated commodities, depriving him/her of the opportunity to use those resources to engage in lower cost, and/or higher income-producing, activity. So far there is little real on-farm evidence to suggest that the expansion/yield increase strategy has worked to improve the farmer's net income.[7]

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[5] Michael Duffy, Associate Director of the Leopold Center, has calculated that 80.6 percent of today's farmland is still managed by small and midsize farmers, using Cochrane's categories, while 19.4 percent is being managed by the large farms.
[6] Stewart Smith. 1992. "Farming Activities and Family Farms: Getting the Concepts Right." Paper presented at the Joint Economic Committee Symposium, "Agricultural Industrialization and Family Farms: The Role of Federal Policy," Washington, D.C. (Available from the author)
[7] Analyses by Michael Duffy, Associate Director of the Leopold Center, have, in fact, demonstrated that in the time period from 1950 to 1998 net farm income for Iowa farmers has remained essentially flat despite a 13-fold increase in gross income. See Appendix I.

If this analysis is correct, it suggests at least two important questions for farmers to consider vis-a-vis niche markets. First, would farmers be better off investing their opportunity costs (their own time and money) in activities that reduced their input costs and captured more of the value of their production, rather than investing in more technology and expansion? Second, will farmers be any better off selling into niche markets if they lack either a marketing relationship that makes them an integral part of the product, or a bargaining position that economically empowers them to capture part of the higher value of the differentiated product?

For the farmer, there are mixed signals about whether to enter a niche market. A small farmer who is in a good position to enter direct marketing relationships would appear to have increased opportunities. A very large farmer whose farm is designed to produce mass quantities of undifferentiated commodities may find it very difficult to sufficiently retool the operation to meet the requirements of a niche market. And it may be even more difficult to do both---supply products for high-quality niche markets and for mass-produced, undifferentiated, commodity markets. A midsize farmer may not have an opportunity to produce undifferentiated commodities for mass markets, simply because the operation may not be large enough to access that market. On the other hand, with sufficient cooperation among farmers, processors and retailers, there may be an opportunity to produce and market a differentiated product possessing unique qualities that command a higher price. And given the right marketing relationships, farmers may be in a position to capture part of that value and retain it on the farm.

In the Market

The second arena that producers will want to explore as they decide whether or not to enter a niche market is the marketplace. What signals are food markets giving us? Are there real, solid opportunities in the marketplace for developing and supplying differentiated products with unique qualities?

The answer to that question, of course, depends largely on what today's consumer is looking for in food products, and I will leave that issue to Amy. But there are some general observations that may at least give us as producers a frame of reference for asking the right questions.

First, it seems that the marketplace of the 21st century could look very different from the marketplace of the last century.

In *The Cluetrain Manifesto: The End of Business as Usual*, Rick Levine (co-founder of Sun Microsystems) and his colleagues suggest that the successful business strategies of the 20th century will not work in the next century because the consumer of the 21st century lives in a new era. The 20th century marketplace was dominated by mass marketers who attracted buyers by broadcasting information to them. Whether by means of a Sears, Roebuck catalog, a radio spot, a newspaper, a magazine, or expensive advertising on prime-time television---consumers expected information to be broadcast to them, and they would make their buying decisions based on the attractiveness of the message.

Rick Levine and his colleagues argue that this era is ending[8] because many of today's consumers have grown up using the Internet. They will have gotten in the habit of having a conversation about everything that affects their lives. Increasingly, we have conversations with whomever we chose, about whatever we want, any time we wish. Markets of the future will have to provide those same opportunities. Markets will be conversations.

The end of the broadcast era does suggest some interesting opportunities in the marketplace for niche markets. A news article that appeared recently in a British newspaper explains how some of these new "conversation" markets are already surfacing.[9] A group of entrepreneurs developed a value chain connecting small and midsize farmers (who had differentiated their livestock in ways that made them attractive to consumers) with processors, distributors and retailers to maintain the identity of the unique meat product throughout the food chain. The value chain provided customers with the opportunity to consider all the information about the meat they buy---who raised the animal, how it was raised, how it was fed, what its medical history was. Using an access code, the customer could simply log onto the Internet and get all of the information, including a full picture of the farmer who produced the animal as well as the landscape on the farm where the animal was raised. According to the article this venture is enormously successful, emerging as "an immediate hit with the trade."

Examples of such creative marketing niches can, of course, be found here at home as well. A recent *Des Moines Register* article, for example, featured Waukon, Iowa farmer, Yosef Abrams, who has developed a niche for kosher dairy products and plans to set up a kosher cheese factory, supplied by cooperating dairy farmers. Abrams is quoted as saying "It's not hard to sell something that is very good." (See Appendix II)

These examples show how niche markets supplied by small and midsize farmers could be connected to value chains that bring their product into the marketplace with a human face. By providing opportunities for conversation, they can gain a competitive advantage in today's marketplace. It is much more difficult for mass markets to create meaningful opportunities for real conversations about the products they produce and distribute. One can more readily have a conversation about food that was produced by a particular farmer, in a particular place, whose animal was produced in a particular manner.

A second possible change in the market suggests that today's consumers are much more divergent than consumers of the past. Michael Adams, a Canadian marketing guru, goes so far as to argue that the day of mass marketing is rapidly coming to a close because different segments of the consuming public are looking for very different products based

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[8] Rick Levine, Christopher Locke, Doc Searls, and David Weinberger. 2000. *The Cluetrain Manifesto: The End of Business as Usual.* Perseus Publishing, Cambridge, MA.

[9] Jo Knowsley, 2001 "You Saw the Cow, Now Eat Its Meat." *The Mail on Sunday*. September 2. p. 37. (I am indebted to ISU student Matt Miller for this information.)

on very different lifestyles. We are not homogenous consumers, all looking to buy the same things. We are "pre-boomers" and "boomers" and "Generation Xers." And within these groupings---especially among the Generation Xers---there are "tribes," each tribe having different tastes based on different lifestyles.[10]

Not only does this create markets for differentiated products, it provides opportunities to market different services. When consumers are in a rush, they want shopping to be quick and convenient. When they want to indulge themselves, they want an experience that is sensually rich and personally meaningful.

Adams also suggests that many consumers increasingly want to do business with humane and ethical organizations, and don't want to associate with social organizations that are paternalistic or that promote institutional authority. They want to "make their own decisions about the things they value." If that is true, it reinforces the notion that one might successfully market food products with a story in a niche that genuinely invites the consumer to have a conversation about the product, including the possibility of having a conversation with the producer that produced it.

It also suggests that trying to "convince" consumers that they should buy a product that we have already decided to produce in the way we wanted to produce it, is a strategy that increasingly will fail. Similarly, trying to convince the consumer that a product is safe simply because regulatory agencies have said it is safe, probably will be increasingly ineffective. Such strategies appear paternalistic and appeal to institutional authority.

A third social phenomenon that appears to be emerging in today's marketplace was revealed by Harvey Hartmann of the Hartman Group at a conference sponsored by the Kellogg Foundation last April. Hartmann indicated that the two main qualities today's customers are looking for when they buy food are "trust and authenticity." Since trust and authenticity cannot be fabricated or "broadcast," it would seem to provide yet another opportunity for niche markets consisting of more intimate value chains. Trust has to be earned. It would seem that one of the quickest ways to earn it is to invite the customer into a marketplace where she/he can have a conversation with the producer and be able to avail themselves of full transparency of all aspects of the product's life. As one customer (who purchased meat supplied through the unique British value chain) remarked: buying from that source "restores integrity to the retail market in meat."

All of this suggests that there are new opportunities emerging to market food as a *story*, with farmers as an integral part of the story. In today's market, the pig's "tale" may become at least as important as the pig's "tail."

[10] Michael Adams, 2001. *Better Happy Than Rich*? For more information, see http://www.environics.ca

The Infrastructure

What about the food and agriculture sector infrastructure? Is the current infrastructure receptive to niche markets consisting of new value chains? Again, there would seem to be some mixed signals.

First, given the dramatic consolidation in the manufacturing and retail/broker sectors of the food and agriculture industry, the sheer economic power which controls most of the food that enters our supermarkets has to give everyone pause. The consolidation phenomenon forces us to question whether consumers still have free choices in the marketplace. Bill Heffernan, rural sociologist at the University of Missouri, has, of course, been tracking the consolidation of firms in the food manufacturing as well as the agricultural input industry, for several decades.[11] More recently Bill and Judy Heffernan, together with Mary Hendrickson and Phillip Howard, have demonstrated the rapid consolidation in the retail sector.[12] According to the report, during the last three years the percent of total retail food sales of the five top food retailers jumped from 24 percent to 42 percent. The report suggests that over the next few years fewer than six global food retailers will come to dominate the entire retail sector, and only one of them, Wal-Mart, will be a U.S.-based corporation. The report also suggests that as the balance of power shifts to retailers, "smaller entities in all parts of the food system" will be left out, and that increasingly the retailers will "dictate terms to food manufacturers who then force changes back through the system to the farm level." In other words, farmers will have to manage their farms to meet the business needs of consolidated (mostly foreign) retail corporate entities.

We already know how this works. During the past several decades, food processors increasingly dictated on-farm management practices, designed to meet the business interests of the consolidated food processors. Indeed, many leading mainstream farm magazines began telling farmers that the processor, not the consumer, was their customer. It now appears that both the farmer and the manufacturer must manage their operations to meet the business objectives of the consolidated retailer.

This has enormous implications for niche markets and the farmers who might want to become part of the value chains that supply those markets. How can unique products produced by a small value chain of farmers, processors and distributors, and designed to meet the consumer's demand for a range of differentiated products, gain access to store shelves when shelf space is controlled by a very small number of mass marketing giants?

Another problem for niche marketing value chains are retailer fees that consolidated retail stores demand. For example, according to the Heffernans' report, it takes $50,000 to

[11] William Heffernan, Mary Hendrickson, and Robert Gronski, 1999. "Consolidation in the Food and Agriculture System." A National Farmers Union Report, February 5.
[12] Mary Hendrickson, William Heffernan, Philip Howard and Judith Heffernan, 2001. "Consolidation in Food Retailing and Dairy: Implications for Farmers and Consumers in a Global Food System." A National Farmers Union Report, January 8.

place "one jar size of specialty pickles on the shelves of four major grocery chains in Tampa, Florida."

Yet an additional problem for niche market value chains may be the consolidation of food brokers. A recent article in the *New York Times* Business section pointed out that placement of products on store shelves is determined increasingly by a very few consolidated food brokers who charge enormous fees to represent your product.[13] Food brokers not only determine which products get placed on supermarket shelves, they also largely manage the shelves. The services of a food broker are, consequently, often essential to the successful sale of food products. As one manufacturer put it, "You're dead in the water without a broker." So even popular products that have won taste awards don't make it onto store shelves simply because their manufacturers cannot find or afford brokers to represent them.

At the same time consumer choice still has enormous influence in the market place. In the last analysis, the consumer still reigns supreme. [14] At a recent conference in Des Moines, Iowa, Mary Swalla-Holmes, Project Coordinator for Iowa State University's Value Added Agriculture program, reported that most regional marketing analysts agree that "if as few as fifteen consumers ask for a specific product at the same store during the same week, the store manager will usually find a way to get the product into the store." During a telephone interview with June Holley, President of the Appalachian Center for Economic Networks, concerning the dismal picture painted in the *New York Times* article about food brokers, she asserted that "it is still possible to get unique food products into regional stores with imaginative promotion."

Theresa Marquez, marketing specialist with Organic Valley Foods, suggests that "guerrilla marketing" techniques are often successful in getting unique products onto store shelves. She pointed out, for example, that the Stoneyfield Company had dramatically increased its sales of its organic yogurt by hiring teenagers to give away containers of Stoneyfield yogurt to subway riders in New York City as a way of thanking the riders for using public transportation.[15]

It may be that niche markets will be limited only by our imagination.

The Role of the Land Grant University

Where does the land grant university fit into this picture? Land grant universities, with their network of extension services, are in a perfect position to create an alliance consisting of producer associations, processors, retailers, consumer associations, investors, conservation organizations, community leaders, and others. They can foster conversations about marketing opportunities that enable farmers to retain more value on

[13] Kate Murphy. 2001. "Food Brokers are Bigger, So Shelves Look Smaller," *New York Times, Sunday*, September 2. p. 4.
[14] Neil E Harl. 2000. "Agriculture in the Twenty-First Century." Paper presented at the 2000 Crops Production Conference and Expo, Lubbock Civic Center, Lubbock, Texas, February 23.
[15] Private conversation.

the farm, communities to recycle more local wealth within their communities, and citizens to receive a greater public good in the form of cleaner water, healthier soil, and more robust landscapes. Creating healthy local communities can be both ecologically sound and economically lucrative. The environmental benefits of such business ventures are part of the marketing story, which in turn can make the products more attractive in the market.

The university community needs to play the role of catalyst and servant in this scenario, not the role of parent or overseer. Remember that today's sophisticated customer will not respond well to institutional authority or paternalism.

- Serving as a catalyst to help foster conversation among the various parties,
- providing access to research that can help solve problems along the way, and
- responding to educational needs to supply information vital to the success of these new marketing ventures

offer perfect opportunities for the land grant university to once again reassert its traditional role of public service, and public-interest science.

Facing the Future

So where does all this leave us as producers vis-a-vis niche markets? If we take the trouble to become part of a unique food story that differentiates the food we produce in a way that is attractive to consumers, and become part of a value chain to bring that product into the marketplace, can we capture more value on the farm for the products we produce? On one hand, it looks pretty attractive, especially when the alternative---producing more for less---seems to look so bleak. On the other hand, it looks pretty scary.

Hopefully by bringing together producers, processors and retailers who have expressed an interest in exploring such value chains, we can get a little clearer picture about what our real options are.

In conclusion, I want to leave you with three thoughts. First, if we allow ourselves to become immobilized by fear in the face of food industry consolidation, or by the many other economic forces that may be at work in the current global economy, then we are not likely achieve market success. Trends always look most foreboding while they are in place. But the thing about trends is that they always change. Most market-driven successes have hinged on an entrepreneur's intuitive capacity to anticipate new opportunities. Once a new market trend becomes well established, most of the opportunity to benefit from it will have vanished. So the time to take advantage of a trend is just before it becomes established. What we can do here at this conference is help develop our common intuitive capacity for determining the kind of niche marketing opportunities on the horizon.

Second, it is important to remember that no group of producers, no conglomeration of processors, and no network of distributors, will make niche marketing successful simply by developing powerful marketing strategies. In the last analysis, it is probably not boardroom schemes, but on-the-street observations and the development of intuitive capacity that will make niche marketing successful.

In his intriguing new book, *The Tipping Point*, Malcolm Gladwell, staff writer for *The New Yorker*, suggests that new markets, like most other significant social changes, arise through “contagious behavior” rather than organized activities. In other words, new markets take on their own life and develop as a result of circumstances that are largely beyond our control. New markets happen because someone somewhere starts to do something different that captures the imagination of others who happen to share the same interests and the public takes notice. And after a while the phenomenon reaches a “tipping point” and it becomes a trend. Gladwell likens it to an epidemic---it begins with the infection of a few people, it spreads, and after a while it reaches a “tipping point” and we have an epidemic on our hands.

At the beginning of his book Gladwell uses the example of the comeback of Hush Puppies in 1994-95 to illustrate his theory. The Wolverine Company that manufactured the shoes was about to phase them out because of sluggish sales. Then demand suddenly exploded. Yet no one had taken out a single advertisement to tell people that they should start buying Hush Puppies again because it was cool. It seems that a group of kids in the East Village simply started wearing them---the time and place was right---it caught on—and soon everyone wanted to wear them.[16]

If we delude ourselves into thinking that it is all up to us, that if we just develop clever alpha-male strategies we will be successful---we will probably fail. We need to listen, observe, anticipate serendipitous events, pay attention to context, be modest.

Third, we need to pay attention to core values. Everything about niche markets in food products in the current market climate, suggests that the whole enterprise has to have integrity. The food story that has the potential to bring success to a niche marketing venture has to be authentic.

- It has to provide actual rewards for farmers who are part of the story.
- It has to practice good environmental stewardship.
- It has to treat laborers fairly and animals humanely.
- It has to feature real people who really care that good, healthy, delicious food gets onto the table of the customer.

[16] Malcolm Gladwell. 2000. *The Tipping Point: How Little Things Can Make a Big Difference* . Little, Brown and Company, Boston, MA

"Spin" was a part of the broadcast era. It will not serve us well in the conversation era. Remember that our niche market customers will be having conversations about us with whomever they choose, whenever they wish.[17]

This doesn't mean that only small and midsize companies can play. The Sysco Corporation has decided to develop niche marketing value chains that will connect producers of unique food products with restaurant chefs that will enable the restaurants to serve food with unique stories to their customers. Organic Valley Foods, owned by farmers, has now grown into a $100-million business and is selling its unique dairy products in mainstream supermarkets. Niman Ranch sells its products in some of the most upscale restaurants in the country. Size is ultimately not the determining factor---what matters is preserving authenticity, listening to the customer, keeping the conversation alive, building trust.

Numerous technologies may be available to tell our food stories more effectively and more authentically. Danish supermarkets put computer scanners into supermarkets so that customers, by virtue of bar code technologies that go back to each animal on the farm, could bring up the entire food story of a product on the computer screen right there in the store. Some market analysts don't believe that American shoppers are willing to spend the time in the store to access food stories in this manner. But remember, while today's shoppers are sometimes rushed and want to get there products fast and conveniently, at other times they want to indulge themselves and have experiences that are sensually rich and personally meaningful. In Denmark, consumers initially scanned their products in the stores enthusiastically. Then interest dropped off and the stores took them out. But consumers demanded that they be returned because they wanted the *option* to scan them even though they didn't want to do it all the time.

Another alternative may be to put the computer scanner into the processing plant. There bar codes could identify each animal as it comes through the packing process and put a label on each product with the producer's family picture and a four-digit code that would enable the customer to log onto the Internet at home and access the full story there.

In the not-too-distant future we may have other possibilities for telling our food stories with full transparency to our customers. In a recent issue of *Whole Earth* magazine, Reid Harward, who runs the Mud Lab which specializes in imaginary products, envisions a time when customers will enter their shopping malls with handheld Viridian Product Scanners that will tell them, at a glance, the entire food history of each product they contemplate buying. Did the company use questionable labor practices in producing the product? The scanner can tell them. Was the energy stream used to produce the product exceptionally polluting? The scanner will tell them. Were the animals raised in conditions that allowed them to freely perform all their normal functions? The scanner will tell them.[18]

[17] For a great example of a set of core values designed for niche markets, see the "business principles" adopted by America Fresh, Inc., a California-based company that has developed a niche market value chain linking vegetable growers and restaurants through a web-based farmer's market. See Appendix III.
[18] Reid Harward. 2001. "The Viridian Product Scanner." *Whole Earth*. Summer. p. 71.

Science fiction? Perhaps. But in our culture we seem to have managed to develop most of the technologies we have been able to imagine. So fasten your seatbelts. In a few short years the food market may look a lot different than it does today. And we may be much more closely connected to our customers than we can imagine today---even if we don't manage a CSA or sell in a farmer's market.

Finally, let me publicly commit the Leopold Center to do its part to promote these new markets. During the past year we have reevaluated the Center's programs and determined new directions for the next decade. Based on all the feedback we have been able to obtain---from colleagues, outside professionals, and the citizens of Iowa---it seems clear to us that the Center can best fulfill its mission by serving as a catalyst to bring the necessary parties together to meet common goals. We will promote research that can lead to

- alternative markets that will enable farmers to capture more value,
- alternative production systems that are less costly and more environmentally benign, and
- alternative public policies that better serve farmers and the communities in which they farm.

In the weeks ahead, we will be making public announcements that will more fully illustrate how we can work together on that ambitious agenda.

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Acknowledgement:

Mary Adams, editor at the Leopold Center for Sustainable Agriculture, assisted with the research and the revision of this paper.