

ABSTRACT

STIVER, MARK ELLIOTT. Niche Market Research Strategies Focusing on the Identification of Latent Demand Opportunities. (Under the direction of Dr. Nancy Cassill and Dr. William Oxenham).

The United States textile and apparel industry is currently facing considerable challenges due to increasing trade liberalization, which has led to a dramatic increase in lower priced imports. For firms in this sector to remain competitive, they need to find ways to differentiate themselves. One way of doing this is through niche marketing. However, many companies do not know where or how to start identifying potential markets that would match their core competencies. This becomes even more complicated when the potential market is based on latent demand, meaning the consumers have not voiced a need for a particular product.

The purpose of this research is to examine the research methodologies successful niche marketing companies use to identify potential niche markets and latent demand. This was completed through both quantitative surveys and interviews with firms that have a successful niche marketing strategy. The results of this research were used to develop a procedural model that the US textile and apparel firms can incorporate into their overall research and development process in order to identify niche markets and/or products directly related to their core competencies. The results provided ITT member companies with a framework that they can use to identify and evaluate new market opportunities, and therefore, be better positioned to compete in the increasingly competitive global marketplace.

Niche Market Research Strategies Focusing on the Identification of Latent Demand Opportunities

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CHAPTER 1

INTRODUCTION

United States (US) textile and apparel firms have traditionally competed on a cost basis due to the nature of the industry. However, because of the trade liberalization currently taking place in the global textile and apparel industry, these firms are now looking for ways to differentiate themselves from other low cost producers. One way in which they are doing this is by focusing on specialized markets, also known as *niche markets*.

With the present transient status of many countries' economies, it is generally acknowledged that the international textile and apparel industry currently faces considerable challenges (NCTO, n.d.). There are many uncertainties surrounding the global textile and apparel market, and this is exacerbated by the elimination of quotas in January 2005 (WTO, n.d.). Even with the reimplementation of temporary safeguard quotas, manufacturers still need to prepare themselves for the eventuality of "free" trade flows. There is no doubt that manufacturers who have created specialized, i.e. niche, markets will be better positioned to compete in the global marketplace and achieve higher margins for products while yielding greater profitability (Dalgic & Leeuw, 1994; Linneman & Stanton, 1991, Raynor, 1992). This will have significant implications for the US textile and apparel industry if the industry is not prepared to deal with the changing business dynamics (OTEXA, n.d.). The implementation of a specialized strategy continues to be the US textile and apparel industry's best chance at survival (Standard and Poor's, 2006).

In order to create a competitive advantage, US textile and apparel companies are starting

to focus on differentiated products that are more capital and technologically intensive versus those products that are historically labor intensive (Borneman, 2006; Textile Mills, 2006). Companies are also searching for products in which they could have a large and profitable market share, particularly those that are protected from competitors. One way in which US textile and apparel companies can utilize this idea of specialization is through the development of niche markets (Textile Mills, 2006). It has been proven that product focus, i.e. niche markets, is related to profitability (Porter, 1998). If US textile and apparel companies can capitalize on the prospect of niche markets, imports will not be nearly as much of a threat as they currently are. Based on this hypothesis, specialization and in turn, niche markets, could prove to be the “saving grace” of the US textile and apparel industry.

Latent demand exists when consumers have a need that is not satisfied by any product currently on the market (Kotler, 1993; Littler, 2005). This lack of product represents an opportunity for a firm to develop a product that when marketed properly, the market for that product is assured (Kotler, 1993). Through market research, the latent need must be recognized, then the right product must be developed, the right price chosen, the right channels of distribution put together, and persuasive product information marketed; however, many marketing research methodologies are not oriented toward uncovering latent demand (Kotler, 1993; Littler, 2005).

Latent demand is related to niche marketing by the fact that both markets are typically untapped and/or underserved. By uncovering latent demand, niche markets can be found which typically provide insulation from low cost competition (i.e. Asian producers) and command a higher price point. Currently, there are no research methodologies for ascertaining either latent demand and/or niche market possibilities. By creating a framework that US textile and apparel

firms can use to identify and evaluate new market possibilities, these firms will be better positioned to compete in the increasingly competitive marketplace.

Purpose of the Research

The purpose of this research is to examine the research methodologies successful niche marketing companies use to identify potential niche markets and latent demand. By researching the methodologies used by US textile and apparel firms with successful niche strategies in addition to methodologies for accessing latent demand, it will be possible to create a business strategy formulation that will provide US companies with the means to not only identify potential niche markets, but also to assess market potential. Identification of latent markets that competitors have not yet identified will provide US textile and apparel firms a means to compete through differentiation.

In order to answer the following research questions, the study will contain two components: The analysis of methodologies for discovering niche markets and products and the analysis of methodologies for uncovering latent demand.

1. How do firms know which potential niche markets match their core competencies?
2. What if demand for the market is latent, meaning they have not yet vocalized a need for a particular product?
 - How is consumer demand currently communicated?
 - How do companies determine consumers' reactions to product not yet developed?
 - How do companies identify a need of which a consumer may not be aware?

Research Objectives

The specific objectives of the research are:

Phase 1: Exploratory

RO1: Using previous research which has identified firms with successful niche markets (Allen, 2006, Parrish, 2003), examine the research methodologies those firms used when discovering them.

Phase 2: Inductive Research

RO2: Formulate comprehensive analysis methods for estimating existing and latent consumer demand.

Phase 3: Deductive Research

RO3: Test the new methodologies with industry in order to determine effectiveness.

Phase 4: Model Development

RO4: Develop a procedural model that US textile and apparel companies can incorporate into their overall research and development process to identify niche markets and/or products directly related to their core competencies.

Significance of Study

The goal of this research is to create a model that US textile and apparel firms can use to identify potentially successful niche markets and/or products based on their core competencies. This research will allow companies to identify products that are innovative, value-added, exclusive, and have high margins. It will also provide a framework for assessing latent demand in order to identify these potential niche markets/products. The goal of this model is to help US textile and apparel firms identify the needs of their customers before their competitors. This will allow US companies to earn above average return on investment because they will be on the “front end” of product innovation and adaptation.

Because of the lack of research on niche market strategy within the US textile and apparel industry, a study (Allen, 2006) was conducted on the concept of a specialization, i.e. niche strategy, using survey and case study methodologies with leading US fiber producers, mills, and apparel manufacturers. The goal of this previous study was to differentiate and define niche strategy, product and market. This research resulted in a strong industry definition of niche and the development of a niche strategy model (Allen, 2006).

The firms which participated in the previous research project were selected due to their current use of a successful niche strategy. However, these firms had a difficult time verbalizing the methodologies they used for the identification of potentially profitable niche markets and/or products. For example, if a company produces a successful product in one category (i.e. military uniforms), what other uses are available for that product in other markets (i.e. hunting apparel)? There is a need for a type of knowledge base that firms can use to identify specialized markets which complement their core competencies.

This study will explore into more depth those methodologies used to identify potentially profitable niche markets and/or products. Companies who have been identified with successful niche market penetration will be interviewed to define these methodologies. After the interviews, a roadmap will be developed for other companies to follow in order to help identify successful niche market opportunities that fit their core competencies.

Limitations of Study

1. The sample of companies used is limited to companies based on convenience within the ITT program, limited amount of companies outside of the ITT program, and few companies outside the textile industry.
2. A limited number of products will be examined. The products examined for this research study were limited to performance textiles, apparel, military, and medical textiles.
3. There has been little previous research on the topic of latent demand.

Nominal Definitions

Demand Forecasting: The activity of estimating the quantity of a product or service that consumers will purchase. Involves techniques including both informal methods, such as educated guesses, and quantitative methods, such as the use of historical sales data or current data from test markets (Perseus, 2003).

Differentiation: A marketing technique that promotes and emphasizes a product's difference from other products of a similar nature (Perseus, 2003).

Forecasting: Art of anticipating what buyers are likely to do under a given set of conditions (Kotler & Keller, 2006).

Latent Demand: Consumers may share a strong need that cannot be satisfied by an existing product (Kotler & Keller, 2006).

Latent Demand: A group of people who have been identified as potential consumers of a product that does not yet exist (Perseus, 2003).

Market Demand: The total volume that would be bought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program (Kotler & Keller, 2006).

Methodology: a set or system of methods, principles, and rules for regulating a given discipline, as in the arts or sciences (methodology, 2008)

Niche: A more narrowly defined group seeking a distinctive mix of benefits (Kotler, 2003).

Niche Markets: A very specific market segment within a broader segment. A niche market involves specialist goods or services with relatively few or no competitors (Perseus, 2003).

CHAPTER II

REVIEW OF LITERATURE

This literature review will consist of the conceptual framework, related literature on niche markets, latent demand, and industry issues. First, it is important to understand certain conceptual models that have been used to identify certain marketing strategies that companies have used and are using today. Then niche marketing needs to be defined and compared to similar marketing strategies to illustrate why it is different from those such as mass marketing and other competitive strategies. Next, the literature review needs to show how others have identified niche markets and opportunities. Also, what are the advantages of using the niche marketing strategy and what are other risks and disadvantages associated with this type of strategy. Companies within the textile industry need to be identified and used as examples to show how they have used the niche strategies and what strategies have been successful and which ones have not. Latent demand needs to be defined as to what it is and show the different types of latent demand recognized by industry. Lastly, the literature review needs to show how companies have identified latent demand opportunities.

I. Conceptual Model

According to Michael Porter (1985), two ways a firm can gain a competitive advantage is by low cost or differentiation. Using these two types of competitive advantage along with a broad or narrow scope will result in three generic strategies: cost leadership, differentiation, and focus [Figure 1]. Each strategy can provide a different route to obtaining a competitive advantage. A firm must look at its strengths and choose the type of competitive advantage they are looking for and what scope within that advantage they will attain (Porter, 1985).

	Low Cost	Product Uniqueness
Broad	Cost Leadership Strategy	Differentiation
Narrow	Focus (Low cost)	Focus (Differentiation)

Figure 1: Porter’s Three Generic Strategies

Source: Porter, M.E. (1985). *Competitive Advantage*. New York: Free Press.

Cost Leadership

In a cost leadership strategy, the firm is trying to become the low-cost producer in its industry. There are several ways that cost leadership can be attained, such as economies of scale, proprietary technology, and preferential access to raw materials. Porter (1985) says that a low-cost producer must find and exploit all sources of cost advantage. If the firm sells their product at the industry average, they can earn above average returns. Also, if they are to enter a price war, they will still be able to lower their price and still maintain a profit. According to Porter (1985), a cost leader should not ignore differentiation. If the product is not perceived comparable or acceptable, profits will decline significantly. In order to maintain above average returns, the cost leader must be the cost leader and not continuously battle others for the position. One major disadvantage to being a cost leader is that the development of new technology may allow a competitor to easily replace the company as the cost leader.

Differentiation

A differentiated product or service is considered unique by the consumer and is highly valued by the consumer in comparison to other available products (Porter, 1985). Companies are able to charge a premium price for differentiated products or services and consumers are willing to pay these premium prices. Companies must be aware of others trying to copy their products and sell them at a lower price. Companies must continue to differentiate itself from its competitors in order to expect a premium price. Once a company has a differentiated product, they are not always assured they can maintain this position.

Focus

In a focus strategy, the firm focuses on a narrow competitive scope within an industry. A company can compete on a cost focus strategy or differentiation focus strategy. This would involve competing at a cost advantage in a target segment or providing a differentiated product or service within a target segment. A company will focus to seek a competitive advantage in its individual *target* segment based on cost or differentiation even though they may not have an overall competitive advantage (Porter, 1985). By focusing on a narrow segment, customer loyalty can be achieved because customer needs can be better met. This can discourage others to attempt to compete directly within that segment. Most likely the segment will contain lower volumes of sales which decrease the amount of buyer power and will increase costs. In this situation, by focusing on a differentiated strategy the company should be able to receive higher returns because there are few or no substitute products. Some of the risks involved in a focus strategy include being easily imitated, changes in target segments, or companies carving out segments within your segment.

	Low Cost	Product Uniqueness
Broad	Cost Leadership Strategy	Differentiation
Narrow	Focus (Low cost)	Focus (Differentiation)

Figure 2: Porter's Three Generic Strategies with Stuck in the Middle

Source: Figure adapted from Porter, M.E. (1985). *Competitive Advantage*. New York: Free Press.

Stuck in the Middle

Porter also added an additional strategy, “Stuck in the Middle,” [Figure 2]. According to Porter (1985), this strategic position is destined for below-average performance. When a competing company is at this position they are at a disadvantage because the cost leader, differentiators, or focusers will be better positioned to compete in various segments. Porter (1985) feels that if a company is fortunate enough to find a profitable product at this position, competitors that have a sustainable competitive advantage will soon take it away. When a company competes at the “stuck in the middle” position it usually means that they are unwilling to make choices about how to compete. Their actions are inconsistent because they are trying to achieve a competitive advantage through all means and is usually achieving none. It is important for companies not to be tempted for changing their strategy only for growth’s sake because it is

easy for them to lose sight and focus of why they were successful in the first place. Porter (1985) says that it would be better for a company to find a new market where they can use their generic strategy again.

Table 1 summarizes the key risks associated with each of the Porter's (1985) generic strategies.

Table 1: Risks of the Generic Strategies

Risks of Cost Leadership	Risks of Differentiation	Risks of Focus
Cost leadership is not sustained	Differentiation is not sustained	The focus strategy is imitated
<ul style="list-style-type: none"> • Competitors imitate 	<ul style="list-style-type: none"> • Competitors imitate 	The target segment becomes structurally unattractive
<ul style="list-style-type: none"> • Technology changes 	<ul style="list-style-type: none"> • Bases for differentiation become less important to buyers 	<ul style="list-style-type: none"> • Structure erodes
<ul style="list-style-type: none"> • Other bases for cost leadership erode 		<ul style="list-style-type: none"> • Demand disappears
Proximity in differentiation is lost	Cost proximity is lost	Broadly-targeted competitors overwhelm the segment
		<ul style="list-style-type: none"> • The segment's differences from other segments narrow
		<ul style="list-style-type: none"> • The advantages of a broad line increase
Cost focusers achieve even lower cost in segments	Differentiation focusers achieve even greater differentiation in segments	New focusers sub-segment the industry

Source: Porter, M.E. (1985). *Competitive Advantage*. New York: Free Press

In Figure 3, Parrish (2003) tries to represent how companies will start with a specialization and narrow that down to a niche market.



Figure 3: Progression from Specialization to Niche Markets

Source: Parrish, E. (2003). *Niche Market Opportunities in the Global Marketplace*. Unpublished doctoral dissertation. North Carolina State University.

Figure 4 visually depicts Porter's five forces (1998). Porter says that these five forces collectively in strength determine the profit potential of companies (1998). The five forces show how far competition lies beyond the current competitors. Porter feels that "customers, suppliers, substitutes, and potential entrants are all competitors to firms in the industry and may be more or less prominent depending on the particular circumstances" (Porter, 1998, p. 6). This figure depicts how the forces of supplier power, threat of substitutes, buyer power, and barriers of entry all work together to give companies and an edge over their rivalry.

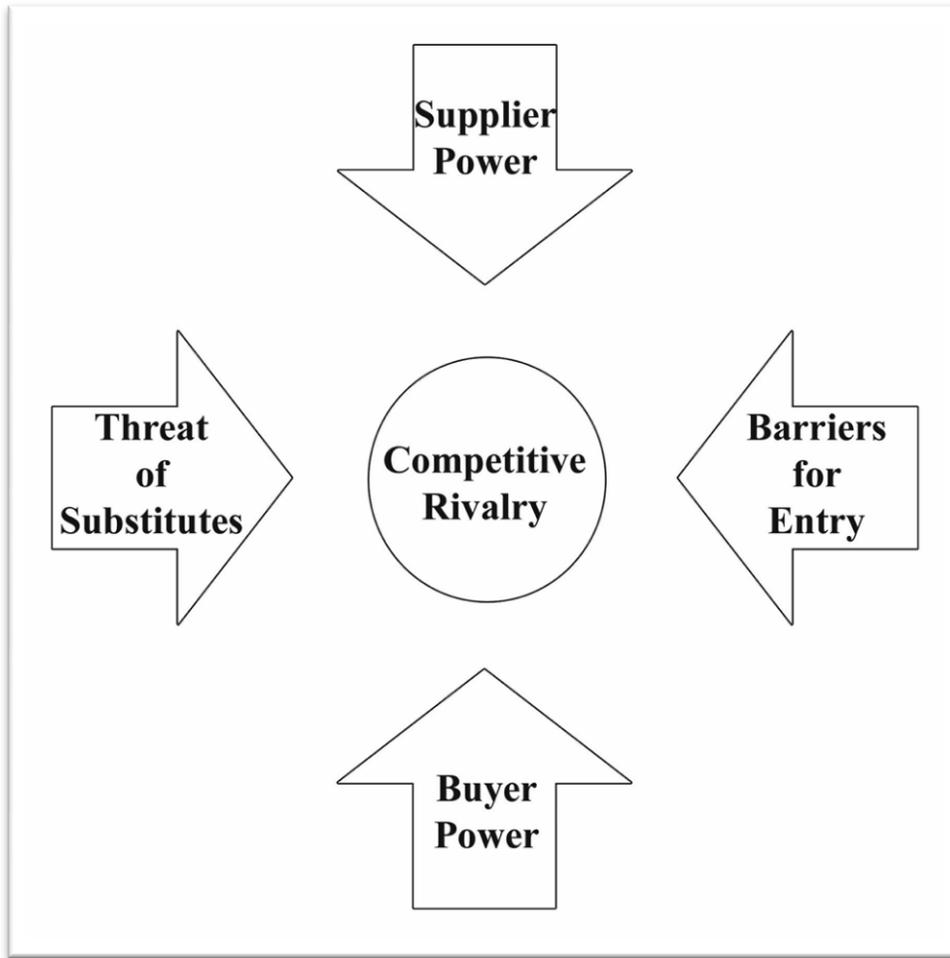


Figure 4: Porter's 5 Forces

Source: Adapted from Porter, M.E. (1998). *Competitive Strategy*. New York: The Free Press.

Figure 5 describes two different approaches to a niche strategy. The top-down approach demonstrates how companies diversify customer segments from mass markets to niche markets. According to Dalgic (2006), these companies are successful by becoming big in small markets. In the opposite approach, companies begin by focusing on the customer and then develop a niche strategy around them. These companies become big by being small in many small markets.

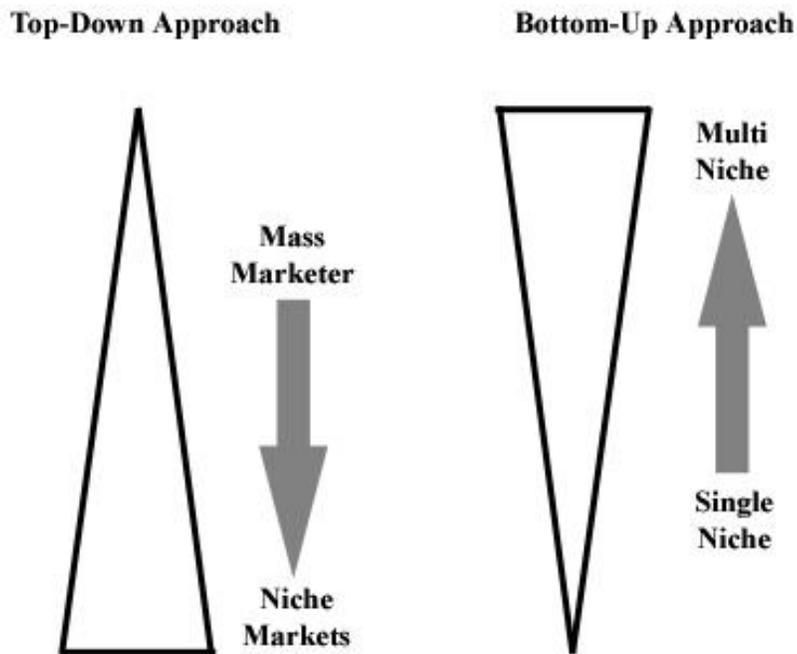


Figure 5: Niche Strategy Approaches

Source: Dalgic, T. (2006). *Handbook of niche marketing: principles and practice*. Binghamton, NY: The Haworth Press, Inc..

1. Evolution of Niche

There are several ways to define the word niche. It is necessary to first look at the different definitions to help establish the meaning of the word niche. Kotler (2006) considers a niche market to be “a more narrowly defined group seeking a distinctive mix of benefits” (p. 242). Dalgic and Leeuw (1994) consider a niche to be “a small market consisting of an individual customer or a small group of customers with similar characteristics or needs” (p. 40). According to Webster’s dictionary, niche is described as “a recessed space or hollow, specifically a recess in a wall for a statue or the like; any position specifically adapted to its occupant.” There is also an ecological approach to niche. As described by the Penguin

Dictionary of Biology, an ecological niche is a particular role or set of relationships of organisms in an ecosystem which may be filled by different species in different geographical areas (Crambie et. al, 1978). Both of these definitions involve adapting to their surroundings. Another definition for niche is described by Keegan et. al (1992) to be a small market that has very few competing products. All of these definitions seem to be different but they all relate to each other as being unique and adapting to their environment.

Niche Characteristics

There are several synonyms that can be used to describe niche marketing. Dalgic and Leeuw (1994) use the words target marketing, focused marketing, concentrated marketing, and micromarketing synonymously with niche marketing. They also mention several characteristics to describe how niche marketing can help companies survive:

- Sufficient size to be potentially profitable
- No real competitors, or markets which have been ignored by other companies
- Growth potential
- Sufficient purchasing ability
- A need for special treatment
- Customer goodwill
- Opportunities for an entrance company to exercise its superior competence

Kotler (2006) presents niche markets as having the following characteristics:

- The customers in the niche have a distinct set of needs
- The customers will play a premium price to the firm that best satisfies their needs
- The niche is not likely to attract other competitors
- The nicher gains certain economies through specialization; and
- The niche has size, profit, and growth potential.

Table 2 provides guidelines which were developed by Linneman and Stanton (1991) that help to develop and successfully implement a generic niche marketing strategy.

Table 2: Niche Market Guidelines

Step	Practical Guideline	Description
1	Know Yourself	Know your company's strengths and weaknesses, its uniqueness, competitive advantages, distinctive competencies, regional and traditional characteristics.
2	Know Your Customer	Gain economies of knowledge in contrast to economies of scale, know your customers and their business, know your competitor, know your environment, customize your product to suit the customer's business, and focus on the customer.
3	Know Your Competitors	Find out why customers do not use your products but use competitors' goods and find out how you can persuade them to purchase your products.
4	Develop a Continuous Information System	Use a database to record prospects and customer traits. These databases need to be linked to other marketing information systems and business intelligence systems.
5	Apply Differentiation	Determine what your customers' real values are and appeal to these values better than anyone else.
6	Do Not Compete in the Same Market Segments with Yourself	Avoid competing with your own products in the same market segments.
7	Create Your Safe Haven	Create high barriers of entry through building a close relationship with your customers, patents, copyrights, alliances, and relationship marketing.
8	Do Not Spread Too Thin	Do not exceed your limit by expending all your abilities and resources in too many niches.
9	Develop a Corporate Marketing Strategy	Link niche markets together to develop synergies and create efficiency. Linking Strategic Business Units (SBU's) within the company.
10	Be Alert; Be in Control	Watch constantly for shifts in the marketplace and respond to them.
11	Do Not Be Static; Look for New Pastures Continuously	Consider the possibility that creating new products/services for an old category may mean new solutions to old problems. Find out why customers are not using your products or your competitors' products.
12	Minimize Your Dependence on Any One Customer or Product	Try to increase your alternatives. Create more room to maneuver.

Source: Linneman, R.E. & Stanton, J.L. (1991). *Marketing Niche Marketing Work: How to Grow Bigger By Acting Smaller*. New York: McGraw-Hill, Inc.

Examples of Niche Markets

There are several markets which have led to the need for niche marketing. These are markets that have emerged and require special needs. A list of these markets has been identified by Linneman and Stanton (1991), McKenna (1998), and Rapp and Collins (1990):

- Single-parent households, families with double income and no children, yuppies
- Working women, overweight people, tall people
- Increasing minority markets
- Technological advances
- The evolution of consumer countervailing power
- Changing demographics and lifestyles
- The demands on personal time
- Overcrowding by too many products, services, and stores
- The weakening of the magic in network television advertising
- The decline in brand loyalty
- Advertising clutter, overkill, and waste
- Feeding the discount promotion monster

Table 3 takes into account the list of possible niche markets and is adapted by Allen (2006):

Table 3: Factors Causing Niche Markets

<p style="text-align: center;">Changes in Family Structure</p> <ul style="list-style-type: none"> • Single-parent households • Working women • Families with no children <li style="padding-left: 20px;">SINKs – single income no kids <li style="padding-left: 20px;">DINKs – double income no kids 	<p style="text-align: center;">Demographic/Psychographic Changes</p> <ul style="list-style-type: none"> • Overweight people • Tall people • Increases in minority markets • Changing lifestyles
<p style="text-align: center;">Changes in Retail Dynamics</p> <ul style="list-style-type: none"> • The evolution of consumer power • Overcrowding via products, services, and stores • The decline in brand loyalty 	<p style="text-align: center;">Changes in Promotional Power</p> <ul style="list-style-type: none"> • Decreasing power in network television advertising • Advertising clutter, overkill, and waste • Feeding discount promotions
<p style="text-align: center;">Other Changes</p> <ul style="list-style-type: none"> • Technological advances • The demands on personal time 	

Source: Adapted by R. Allen (2005) from Dalgic, T., & Leeuw, M. (1994). Niche marketing revisited; Concepts, applications, and some European cases. *European Journal of Marketing*, 28(4)

According to Dalgic and Leeuw (1994), today’s fragmented market has required companies to tailor our products and marketing mix to fulfill the needs of different customers. They describe niche marketing as the focus being on the customer and on profit. Instead of pursuing mass markets, niche marketers can specialize in serving niches.

Different Types of Niche Markets

Dalgic (2006) has developed five main groups of niche marketers [Figure 6].

Ultrafocused nichers have been described by Simon (1996) as being a group of companies

consisting of ultraspecialists that try to build strong positions in very small markets. Simon (1996) believes that ultraspecialists have no real competition. One example, is a company that manufactured air-cooled diesel engines. The company was going to give up manufacturing the air-cooled diesel engines because of environmental restrictions. The company learned that these engines were irreplaceable in extremely hot or cold environments or in deserts and out of the way places where maintenance was not easily available. This company was the only manufacturer that could produce the engines in substantial quantities.

The second type of niche described is *globally oriented nichers*. Oviatt and McDougall (1995) mention that some of the most important characteristics of a global start-up are being able to concentrate their business thinking to a single country and must be able to communicate a global vision to everyone involved. They found that having internationally experienced founders and top managers were extremely important for the success of global businesses. Many global start-ups are handicapped by experience and small size. Oviatt and McDougall (1995) say that the best way to overcome these disadvantages is to be the first to market a distinctively valuable product or service. Lastly, intangible assets such as knowledge and human capital were one of the most important factors in maintaining a competitive advantage.

The third type of niche described is strong *customer-oriented nichers*. This group places “a great importance on strong customer orientation and tailors their products to meet particular customer requirements. Also, this group competes on value, particularly in quality technology and product design. Cost competitiveness is important, but it is not the key determinant of their export success” (Dalgic, 2006, p. 56).

The fourth type of niche mentioned is the *ethnic nicher*. They primarily base their products on unique ethnic and national consumption patterns such as:

- Food
- Dress code
- Entertainment
- School organizations
- TV and radio stations

One example of an ethnic nicher is a New York based marketing company by the name of Intercultural Niche Strategies. This company uses data from the Immigration and Naturalization Service, a Multilanguage staff, and a network of ethnic media and retail outlets. Their goal is to work with major music labels to help drive U.S. sales for various world artists through targeted marketing, promotion, and/or distribution.

The last characteristic niche group is the *vocal local nicher*. They market themselves by organizing music, folk, dance, food, festivals, etc. Some examples of the vocal local nicher are:

- Cannes, France, as the host of the world famous film festivals
- Davos, Switzerland, as a conference city
- Geneva, Switzerland, as the European center of the UN
- New York, as the biggest city and metropolis on earth
- Rotterdam, the Netherlands, as the biggest port on earth
- Boston, Massachusetts, as the city of the marathon

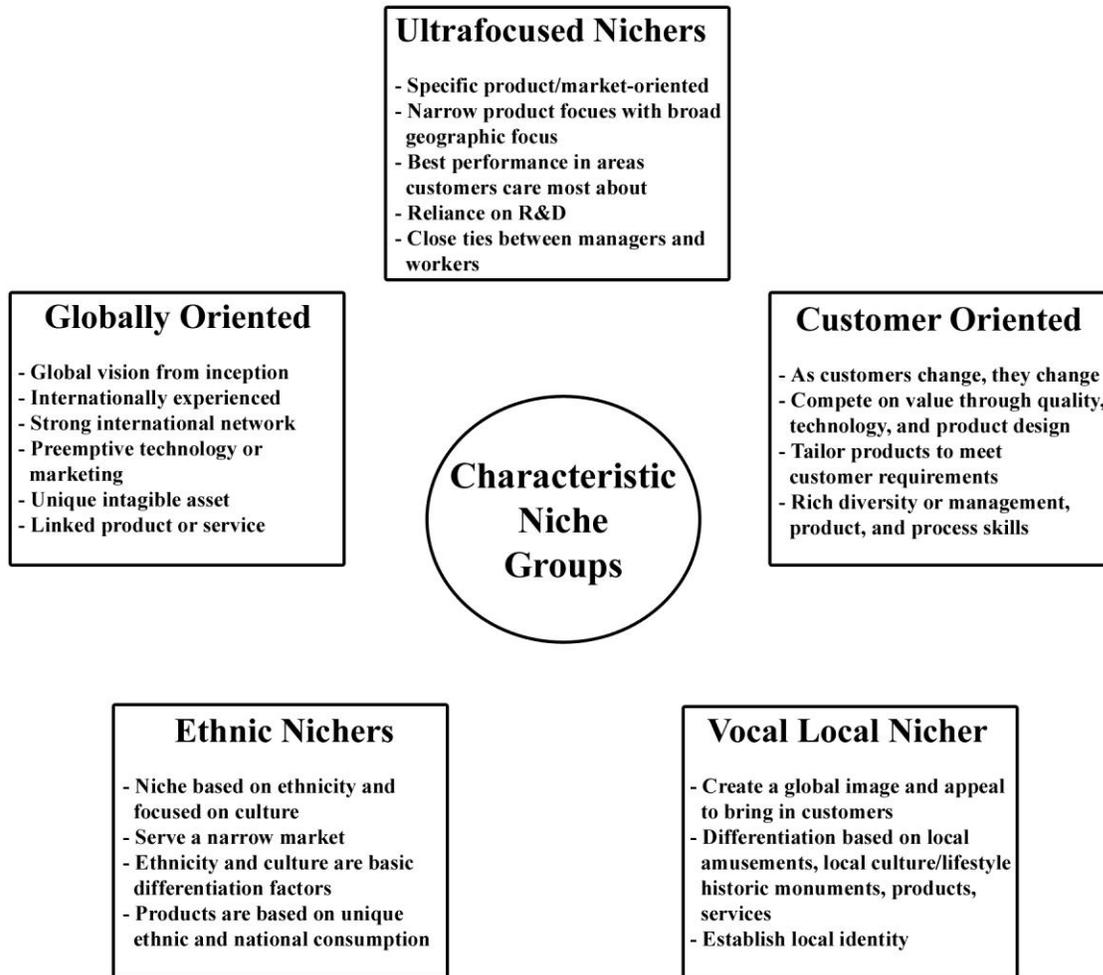


Figure 6: Characteristics of Niche Groups

Source: Adapted from Dalgic, T. (2006). *Handbook of niche marketing: principles and practice*. Binghamton, NY: The Haworth Press, Inc..

2. Niche vs. Segmentation

Dalgic and Leeuw (1994) mention that it is usually assumed that segmentation is a starting point in niche marketing. One view by Chalasani and Shani (1992) says that segmentation is a top-down approach where a large market is broken down into smaller markets. They feel that marketing is more of a bottom-up approach where the marketer starts from a smaller customer base and then gradually builds up to a larger customer base (1992).

The concept is shown in Figure 7.

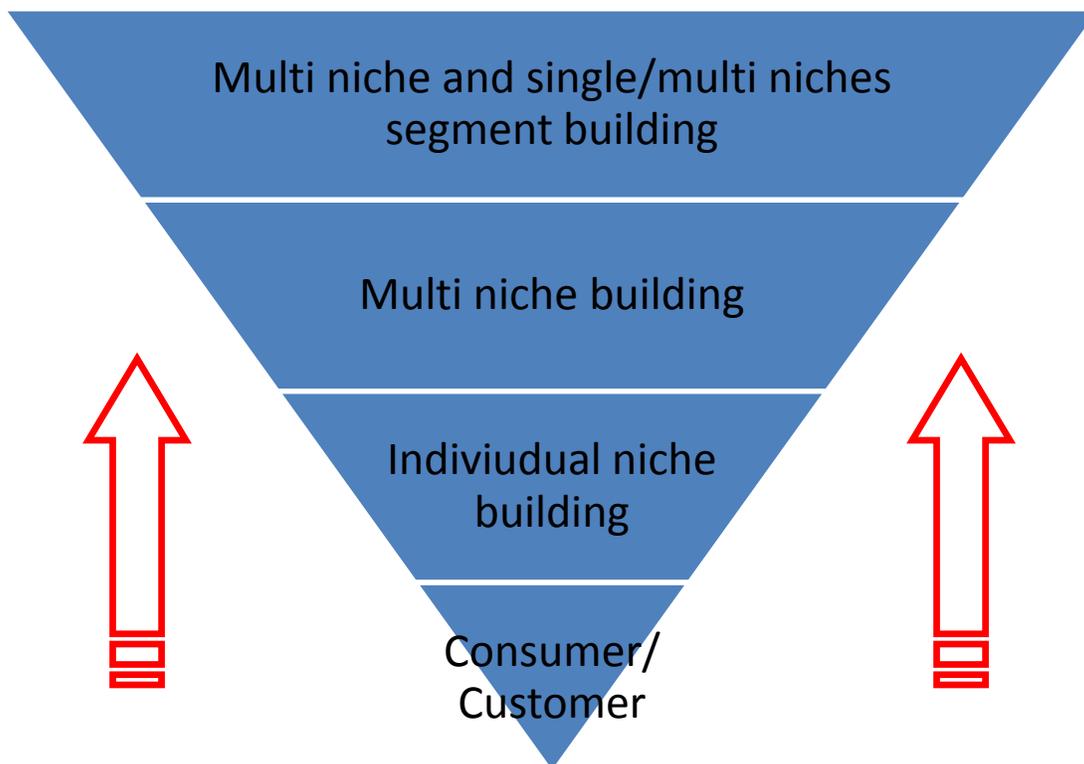


Figure 7: Niche Building Strategy – Bottom-Up Approach

Source: Dalgic, T. & Leeuw, M. (1994). Niche Marketing Revisited: Concepts, Applications, and Some European Cases. *European Journal of Marketing*, 28(4), 41.

Listed below are other differences mentioned by Dalgic and Leeuw (1994):

- A niche is usually smaller in size compared with the size of a segment
- A niche focuses on individuals—in a segment we focus on a so called homogeneous group
- A niche fulfills a specific need in contrast to a segment where the emphasis is on being a manageable part of the market.

Kotler (1991) suggests that the key to niche marketing is through specialization and these are some ways he suggests you can specialize:

- End-user specialization
- Vertical-level specialization
- Customer-size
- Geographic
- Product or product-line
- Product feature
- Job-shop
- Quality/price
- Service
- Channel

According to Pavitt (1990), innovating small firms are typically specialized in their technological strategies, concentrating on product innovation in specific produced goods such as machine tools, scientific instruments, specialized chemicals, and software. Their key strengths are in their ability to match technology with specific customer requirements. Dalgic and Leeuw (1994) conclude that niche marketing could be defined as positioning into small, profitable homogeneous market segments which have been ignored or neglected by others. This positioning is based on the integrated marketing concept and the distinctive competencies the company possesses.

3. Niche vs. Mass Marketing

Dalgic (2006) reminds us that in marketing management we have moved through

different stages from the production concept to the selling concept and from the selling concept to the marketing concept. The marketing concept shows “that the key to achieving organizational goals consists in determining the needs and wants of target marketing and delivering the desired satisfaction more effectively and efficiently than your competitors” (Kotler, 1991). Dalgic (2006) says that the marketing concept is better suited for niche marketing than mass marketing. Niche marketing has become a trend because of severe competition in mature markets and trying to sell the same products to the masses has become less profitable in mature markets (Dalgic, 2006).

There are benefits to mass marketing but it can be argued that niche marketing is more equipped to deal with the existing and rapid changing markets in today’s world (Dalgic, 2006). In mass marketing, a company is trying to reach consumers with one product and one marketing mix. There are three main advantages argued by Verhage et al (1989) in favor of mass marketing:

1. Economic advantages can be gained through economies of scale and experience curve effects.
2. Strategic price mechanism
3. Competitive – if the economies and strategic argument has been achieved, the company can be competitive, through offering the “best” product at the “best” possible price.

Differences in mass marketing and niche marketing can also be differentiated and characterized by differences within their organizations. According to Dalgic (2006), mass marketing companies can be characterized by inflexibility due to being centrally led and bureaucratic. “Niche marketing organizations can be characterized as being decentralized, with

several strategic business units if the company is large. If the company is small it can be characterized as being concentrated on one part of the market” (Dalgic, 2006, p. 14).

Economically, niche marketing can be argued to be better in favor of mass marketing as far as greater profits. Kotler (1991) suggests that the main reason niche marketing is more profitable is because the niche marketer ends up knowing the target customer so well that he meets their needs better than other firms that are casually selling to that niche. As a result, the nicher can charge a substantial markup over costs because of the added value. The nicher will attain high margins while the mass marketer will attain high volume (Kotler, 1991). This statement is reiterated with why niche marketing characteristics are successful by Hammermesh et al. (1978):

1. An ability to segment the market creatively, focusing activities only on areas where a company has particular strengths that are especially valued.
2. Efficient use of R&D resources, using them where they can be most effective.
3. Thinking small: “adopting a small is beautiful approach” (Dalgic and Leeuw, 1994).

Clifford and Kavanagh (1985) agree to the economical benefits by saying these firms are offering high value; charging a premium price; and creating new experience curves and shaping a strong corporate culture and vision (Clifford & Kavanagh, 1985).

Dalgic (2006) draws a parallel between mass marketing and niche marketing in that niche marketers often evolve to mass marketers and mass marketers return to be niche marketers. Dalgic (2006) feels that many companies start out as niche marketers and then evolve into mass marketers as their product life cycles tend to develop into maturity. When maturity is reached

innovation is necessary and former mass markets return back to niche markets. Figure 8 shows how this idea relates to the product life cycle developed by Levitt (1965).

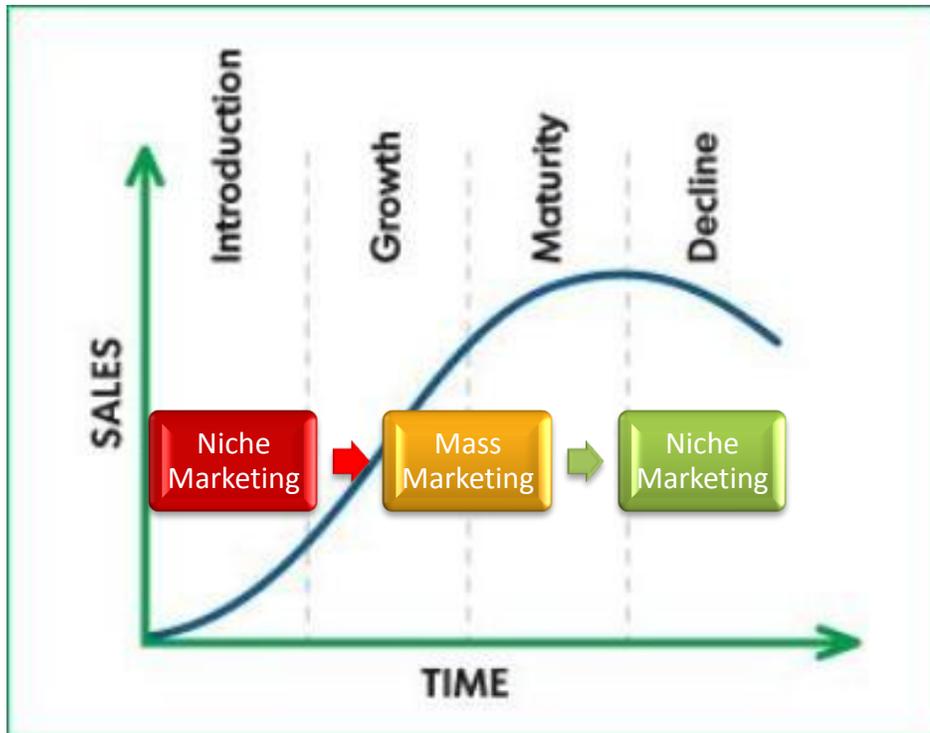


Figure 8: Product Life Cycle

Source: Adapted from Levitt, T. (1965). Exploit the Product Life Cycle. *Harvard Business Review*. Vol. 43, November-December, pp. 81-94. and Dalgic, T. (2006). *Handbook of niche marketing: principles and practice*. Binghamton, NY: The Haworth Press, Inc..

4. When to Choose a Niche Strategy

According to Leeflang (1990), a niche strategy should be selected under these conditions:

1. If the company concerned has the ability to approach a niche in a specific manner, better and different from others,
2. If the company is able to create a considerable amount of goodwill in a relatively short period, in order to deter potential competitors.

According to Jain (1985), a niche strategy should be approached for the following reasons:

1. To avoid competition/confrontation with larger competitors and to devote its energy to serving a unique market,
2. To enhance an opportunity,
3. Survival

Dalgic (2006) feels that a company can choose a niche marketing strategy as a competitive strategy used to penetrate large markets or existing segments. Leeflang (1990) adds onto this by suggesting the following points to be taken into account when identifying and selecting a niche strategy:

1. Realizing sustainable competitive advantages with products in specific markets,
2. Basing advantages on longer-term interests of customers,
3. Transforming long-term interests into long-lasting relationships with different interest groups,
4. Taking initiatives to sustain relationships.

Parrish (2003) researched niche market strategies used within the textile industry. The model developed by Parrish [Figure 9] represents the research results that each sector of the industry uses both a pull and push marketing approach. A pull marketing approach is demonstrated using a dashed line, and a push marketing approach is demonstrated using a solid line. Parrish (2003) mentions that the importance of a company's knowledge of the consumer is an important factor leading to the success of a niche strategy.

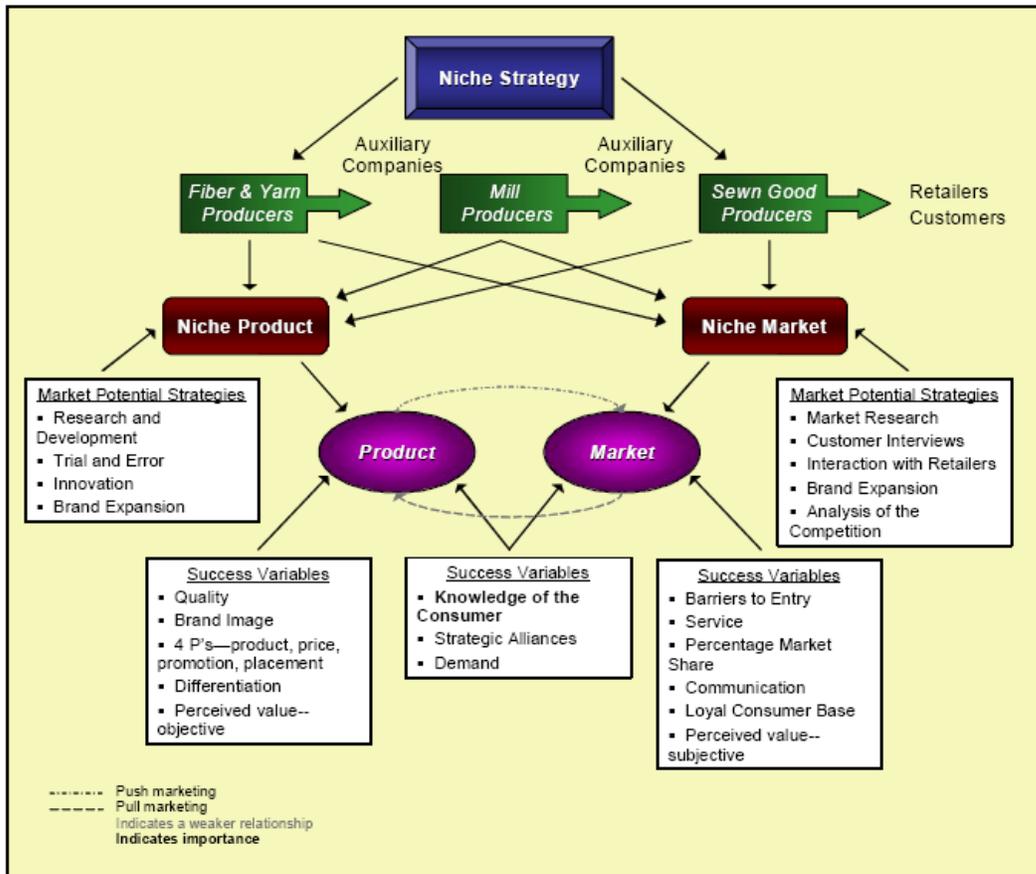


Figure 9: Model for the Identification and Implementation of Niche Markets

Source: Parrish, E. D. (2003). *Niche market opportunities in the global marketplace*. Doctoral dissertation. North Carolina State University, Raleigh, NC.

The following [Figure 10] shows the revisions that were made to the Parrish Niche Strategy Model (2003). These figures provide rankings for the Market Potential Strategies and Success Variables that were determined by Parrish. These figures also give a breakdown of strategies used by each sector of the textile and apparel supply chains. The models have been expanded to include development factors and implementation issues.

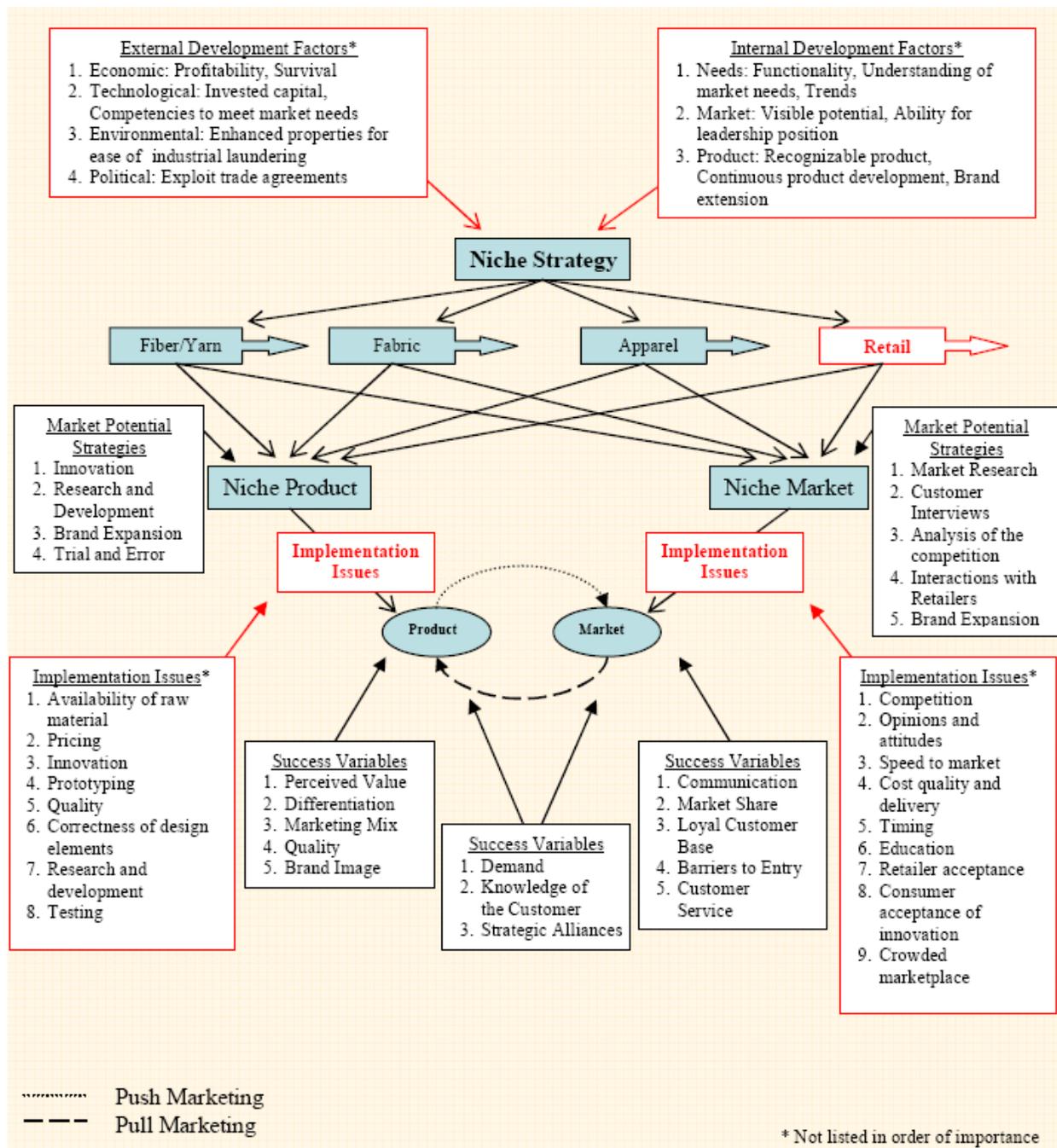


Figure 10: Parrish Allen Niche Strategy Model

Source: Adapted by R. Allen (2006) from Parrish, E. D. (2003). *Niche market opportunities in the global marketplace*. Doctoral dissertation. North Carolina State University, Raleigh, NC, p (130).

5. Market Demand

According to Kotler and Keller (2006), there are as many as 90 different types of demand estimates for companies to prepare [Figure 11]. Each demand measure serves a specific purpose. Kotler and Keller (2006) say that a company might forecast short-run demand for a particular product for the purpose of ordering raw materials, planning production, and borrowing cash. It might forecast regional demand for its major product line to decide whether to set up regional distribution. Demand can be measured for six different product levels, five different space levels, and three different time levels.

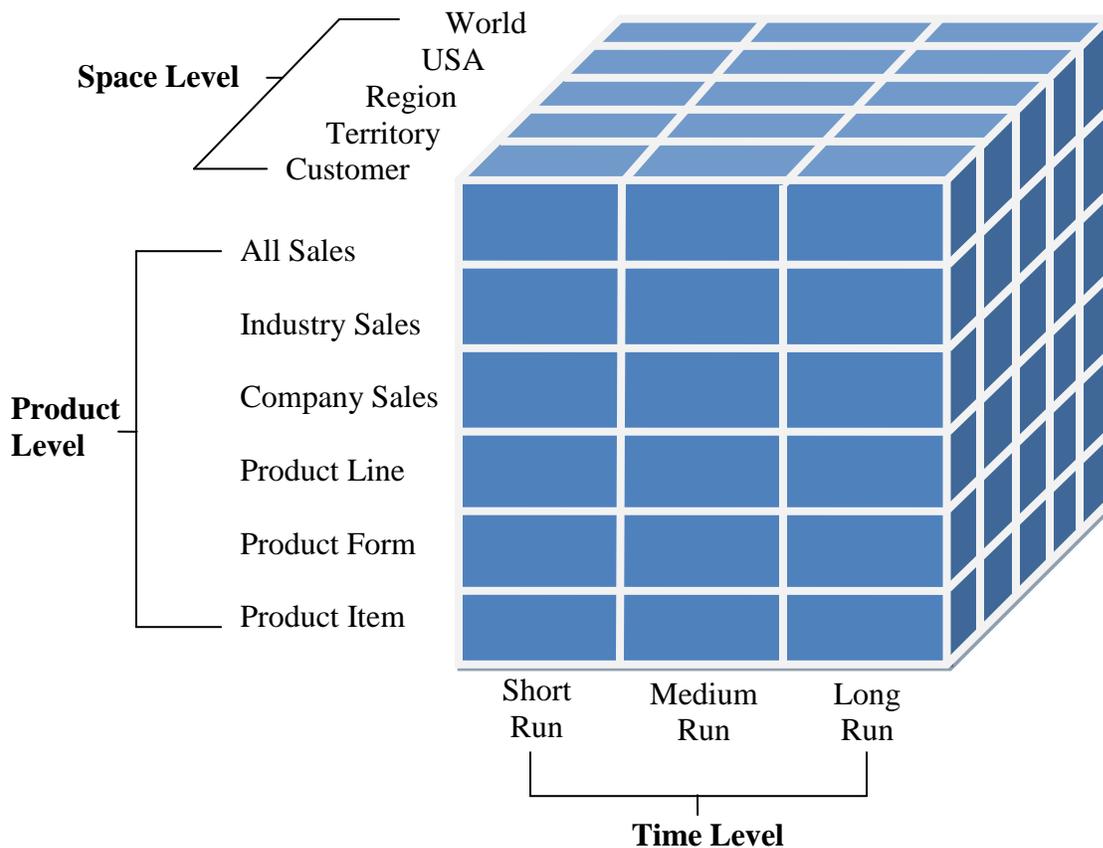


Figure 11: Ninety Types of Demand Measurement

Source: Kotler, P., & Keller, K. L. (2006). *Marketing Management*. Upper Saddle River, NJ: Prentice Hall, p. (127).

There are several different types of markets and in order to make a good forecast, you need to understand the type of market being considered.

Potential Market: is the set of consumers who profess a sufficient level of interest in a market offer. Potential consumers must have enough income and must have access to the product offer (Kotler & Keller, 2006).

Available Market: is the set of consumers who have interest, income, and access to a particular offer (Kotler & Keller, 2006).

Target Market: the part of the qualified available market the company decides to pursue (Kotler & Keller, 2006).

Penetrated Market: is the set of consumers who are buying the company's product (Kotler & Keller, 2006).

According to Kotler and Keller (2006), the first step to evaluating marketing opportunities is to estimate the total market demand. *Market demand* is the total volume that would be bought by a defined customer group in a defined geographical area in a defined time period in a defined marketing environment under a defined marketing program (Kotler & Keller, 2006). There are a few penetration methods that Kotler and Keller mention that are good indicators of measuring market demand potential. The first is the *market penetration index*. It compares the current level of market demand to the potential demand level. A low market penetration index indicates substantial growth potential for all the firms. A high market penetration index indicates that there will be increased costs in attracting the few remaining prospects (Kotler & Keller, 2006). The second is the *share penetration index* which compares the company's current market share to its potential market share. A low share penetration means that the company can greatly expand its share. Some of the underlying factors that can be

affecting this are low brand awareness, low brand availability, benefit deficiencies, or too high of a price (Kotler & Keller, 2006). The third form of measuring market potential is the *product penetration percentage*. It shows the percentage of ownership or use of a product or service in a population. For example, in the United States, 98% of citizens own a television, 84% have health insurance, 54% own a PC, and 12% own a fax machine. Kotler and Keller mention that companies assume the lower the product penetration percentage, the higher the market potential (Kotler & Keller, 2006).

Existing Demand

The first step to measuring existing demand is to understand the total market potential for a particular market. *Total market potential* is the “maximum amount of sales that might be available to all the firms in an industry during a given period, under a given level of industry marketing effort and environmental conditions” (Kotler & Keller, 2006, p. 130). One common method to do this is to estimate the potential number of buyers multiplied times the average quantity purchased by a buyer multiplied by the price.

$$(\text{Potential number of buyers}) \times (\text{Average quantity purchased by buyer}) \times (\text{Price})$$

Companies can also break down the market potential to find the best territories to target. *Area market potential* helps to find the optimum cities, states, and nations to target (Kotler & Keller, 2006).

There are a couple methods that are introduced by Kotler and Keller (2006) to help identify market potential for optimum territories. The first is the *market-buildup method* which identifies all the potential buyers in each market and estimate their potential purchases. The example that Kotler and Keller use considers a machine tool company that wants to estimate the

area market potential for its wood lathe in the Boston area. They would first identify all the potential buyers of wood lathes in the area. They would compile a list of all manufacturing establishments in the Boston area. They could estimate the number of lathes each industry might need according to the number of lathes per thousand employees or per \$1 million of sales in that industry. An efficient method used to estimate the area market potentials is to use the North American Industry Classification System (NAICS) (Kotler & Keller, 2006). By using these steps, a company could compute the market potential for particular area.

The second method mentioned by Kotler and Keller (2006) is the *brand development index*. This is an index of brand sales to category sales. If the BDI is high, then the brand is more developed. If the BDI is low then the brand is underdeveloped. Some say the lower the BDI then the great the market opportunity but others say investments should go where the brand has its strongest markets. The BDI is calculated by taking the percentage brand sales in a certain area and dividing it by the percentage of category sales in that area (Kotler & Keller, 2006).

$$(\% \text{ Brand sales in a certain area}) \div (\% \text{ Category sales in a certain area})$$

The use of market research reports and industry trade data are also ways of identifying existing demand.

Future Demand

According to Kotler and Keller (2006), there are very few products or services that have easy forecasting, most products and services do not involve a product where an absolute level or trend is fairly constant and where competition is nonexistent except for public utilities or pure oligopolies. Therefore being able to make an accurate forecast is a key factor in the success of a company. Companies commonly use a three-stage procedure to prepare a sales forecast (Kotler

& Keller, 2006). The three-stage procedure involves first preparing a macroeconomic forecast, then an industry forecast, and lastly a company sales forecast. A macroeconomic forecast usually involves projecting inflation, unemployment, interest rates, consumer spending, business investment, government expenditures, net exports, and several other factors. This will give you a forecast of the gross national product which can then be used with other environmental factors to forecast the industry sales. Lastly, a company is able to forecast their own sales by assuming what market share they will win (Kotler & Keller, 2006).

Forecasting is the art of anticipating what buyers are likely to do under a given set of conditions (Kotler & Keller, 2006). There are several ways in which companies can forecast demand for their industry. One way is called the *purchase probability scale*. This scale inquires into what consumers' present and future personal finances are and what their expectations are about the economy. An example of this is the *buyer intention survey* which estimates demand for industrial products, consumer durables, product purchases, and new products. These estimates usually fall within 10 percent error of the actual outcomes (Kotler & Keller, 2006).

Another example of forecasting within a company is by using the opinions of the sales force. Sales representatives are asked to estimate how much each current and prospective customer will buy of each of the company's products. However, due to subjectivity in these opinions adjustments will usually be made to compensate for this (Kotler & Keller, 2006).

Other examples of forecasting include using the opinions of experts. The opinions can come from a number of different directions including dealers, distributors, suppliers, marketing consultants, trade associations, and marketing research firms. Lastly, forecasts can also be calculated by analyzing past-sales data or also performing market-tests to forecast the performance of a new product or existing product in a new marketing channel or territory.

Latent Demand

Mainstream economists often refer to the term latent demand to represent the demand underlying a discrete choice. Economists have so far given little thought to the question of how decision-makers end up giving their attention to one thing rather another at any given moment (Earl & Potts, 2000). Latent demand looks into explaining browsing-based decisions that do not have a discrete dimension as well as those that do (Earl & Potts, 2000).

There are three types of latent demand which have been identified. The first type is due to a *lack of alertness on the part of product developers*. Earl and Potts (2000) explain that if only manufacturers would supply a particular type of product, they would discover that there is a market out there that was previously unsatisfied. When this happens, sectors of consumers are frustrated because they have “well-defined preferences for products that are not yet offered and which they are unable to produce themselves” (Earl & Potts, 2000, p. 113-114). This type of latent demand presents an opportunity to the US textile and apparel industry in terms of their proximity to and awareness of the US consumer market. Market research techniques that would be used to uncover this type of latent demand would consist of both push and pull marketing techniques, focusing mainly on pull.

The second type of latent demand occurs when there is a possible combination of product characteristics that *consumers may not have envisaged, but are receptive to the product once it is introduced* (Earl & Potts, 2000). Latent demand that occurs when current products currently exist on the market, but have the potential to be combined for value-added to the consumer segment also presents opportunities to the US textile and apparel industry. An example of a product that would satisfy this type of demand is bamboo athletic socks which combine wicking and anti-microbial properties, meeting the demands of the environmental, athletic, and health

market. Market research techniques that would be used to uncover this type of latent demand would equally consist of both push and pull marketing techniques.

The third type of latent demand exists when a *product begins to run out or wear out*. At this stage, replacement or replenishment of the consumer's product is highly discretionary; however, the consumer is now receptive to purchasing a new product (Earl & Potts, 2000). Latent demand of this type is highly related to discretionary spending and advertising (Earl & Potts, 2000). This type presents opportunities for the US textile and apparel industry in terms of product branding to create consumer demand and higher price points. Market research techniques that would be used to uncover this type of latent demand would consist of both push and pull marketing techniques, but focusing mainly on push.

II. Related Literature

Parrish (2003) made conclusions to the following objectives through research: Compared academic definitions with industry definitions, related the theory of specialization predicted by trade economists to the definitions of niche markets today, determined how niche markets are identified and what variables need to be in place for them to be successful, determined what role niche markets play in the globalization of the US textile and apparel industry, including strategic benefits, and developed a model for the identification and implementation of niche markets as a global competitive strategy that can be used for both industry and academic research.

Reece (2006) developed the following conclusion through research: The Parrish Niche Strategy Model (2003) was useful for guiding the development of niche strategies, in terms of both product and market. In addition, the model was useful in assessing variables that are important to the success of a niche strategy, in terms of both product and market. The Parrish

Niche Strategy Model (2003) provided a framework for the study in order to study how a company uses a niche strategy to increase economic competitiveness. The research added to the previous findings of Parrish (2003) by identifying factors that influence the development of niche strategies and issues that arise during the implementation of niche strategies.

Companies are competing in the bottomweights market with a wide variety of niche products that serve the needs of a wide variety of niche markets. Trends play an important role in serving niche markets, although companies should not become trend dependent. Off-trend products can be sold if they are marketed correctly. Lifestyle branding is important for downstream customers in order to quickly and easily communicate the value of niche products. Companies competing in the bottomweights market are vertically or virtually integrating both forwards and backwards. Downstream companies have higher growth rates than upstream companies while upstream customers are increasingly sourcing from Asia because of speed (from design and development to production and delivery), low minimums, and low cost. There is a trend to full-package sourcing, which domestic manufacturers are attempting to provide through partnerships with downstream companies. The success of the study was due to the strength of the sample. What made the sample strong was: The methodology used to select and validate the sample, the sample represented leading companies in various sectors and niches, the openness of the respondents to share information, and the array of areas of expertise of the respondents.

Companies need to be innovative not only in terms of technology, but also in terms of style, design, and marketing. Changes in manufacturing and retailing require new thinking to increase economic competitiveness, in terms of product, market, and overall strategy. In

addition, simply benchmarking against innovative companies will not ensure success – companies should think of new ways of doing business.

III. Industry Issues

Over the past few years, the United States textile and apparel industry has become less competitive in the global marketplace. There are many reasons for this, including overcapacity and low profitability; however, the dramatic increase in imports from low cost producing countries, particularly China, has potentially had the greatest negative impact on the domestic industry (Johnson, 2004). With the elimination of quotas in January of 2005, the international textile and apparel industry is facing many challenges. Some of these challenges include the increasing number of skilled producing nations, an overcapacity of goods, and a deflation of world market prices. China's ability to produce quality products efficiently at lower costs compared to other countries are threatening to countries that are not able to compete on cost. Companies in these countries who can not compete on cost are looking for new ways to compete. One strategy companies are looking at is a niche marketing strategy because of the increasing levels of imports from China [Table 4] (Parrish, Cassill, & Oxenham, 2006).

Table 4: Increase in Imports from January-July 2004 to January-July 2005 into the US Marketplace from China for Select Categories

Category	% Increase
Yarn	57.88
Fabric	38.85
Nonwovens	225.74
Apparel	75.15
Home Furnishings	179.51

Source: www.otexa.ita.doc.gov

Linneman and Stanton (1991) agree by stating that if textile and apparel firms can capitalize on the prospect of niche markets, imports will not be nearly as much of a threat as they currently are. They also say that manufacturers who have created specialized, i.e. niche, markets will better positioned to compete in the global marketplace and achieve higher margins (Linneman & Stanton, 1991). Parrish, Cassill, and Oxenham (2004) produced Figure 12 to show how the textile industry is moving away from the traditional commodity and mass markets and specializing on more focused niche markets.

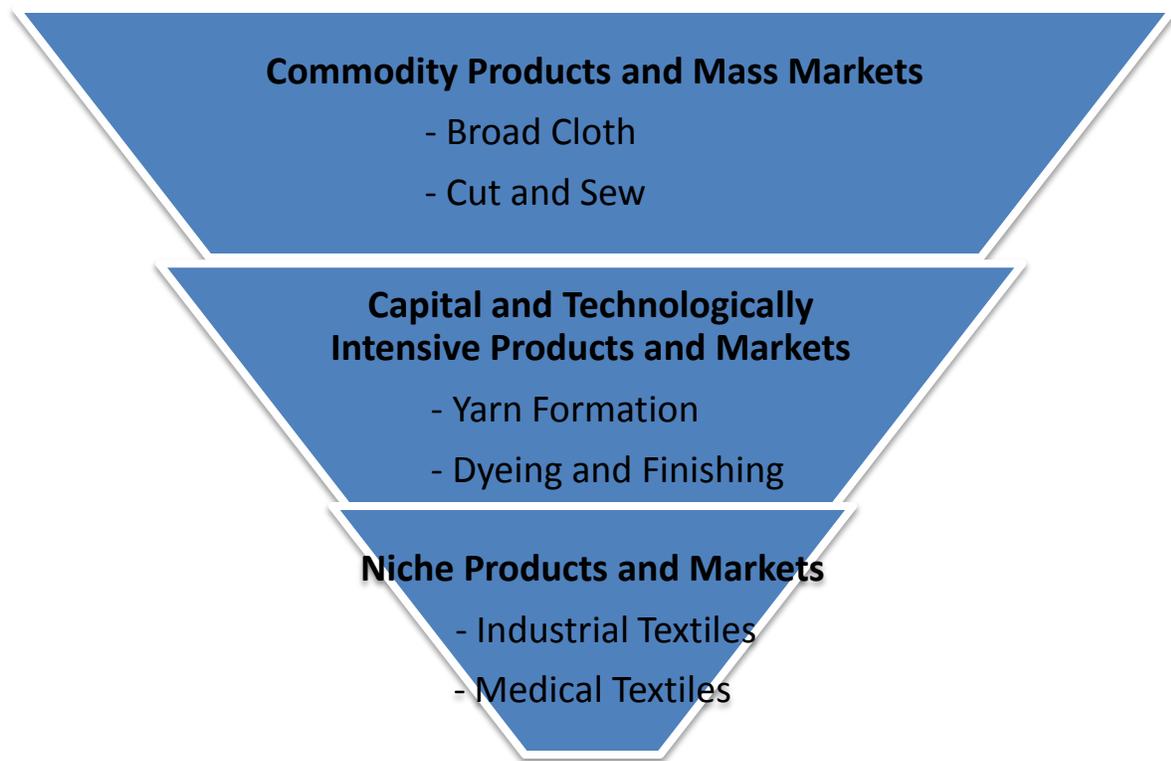


Figure 12: Progression from Commodity Markets to Niche Markets for the US Textile and Apparel Industry

Source: Parrish, E., Cassill, N., & Oxenham, W. (2004). Opportunities in the International Textile and Apparel Marketplace for Niche Markets. *Journal of Fashion Marketing and Management*, 8(1), p. (52).

During 2006, the U.S. manufactured \$43.2 billion in fabrics, \$16.3 billion in apparel and \$14 billion in carpets and rugs. During the same year, the U.S. imported \$93.3 billion in apparel and textiles and only exported \$16.7 billion (Plunkett Research Ltd., 2008). Not only has U.S. textile manufacturing decreased, but hundreds of thousands of U.S. manufacturing jobs have been lost according to Plunkett Research Ltd. (2008). “Since 1997, 367 U.S. textile plants have closed, and hundreds of thousands of jobs were permanently lost” (Plunkett Research Ltd., 2007, p. 1). Standards and Poor’s reiterates this by stating, “according to the US Department of Labor, domestic apparel employment has fallen by 79% from the mid 1990s to 181,300 in February

2007, from 853,800 in December 1994” (Driscoll & Kwon, 2008, p. 9). Figure 13 shows how employment in the U.S. apparel industry has changed since 1959. Driscoll and Kwon (2008) mention this is due to increased quotas, reduced tariffs, and a string of free-traded and preferential trade agreements. These have caused the flow of manufacturing jobs out of the U.S. and into low cost countries such as Asia, Latin America, Africa, and the Caribbean.

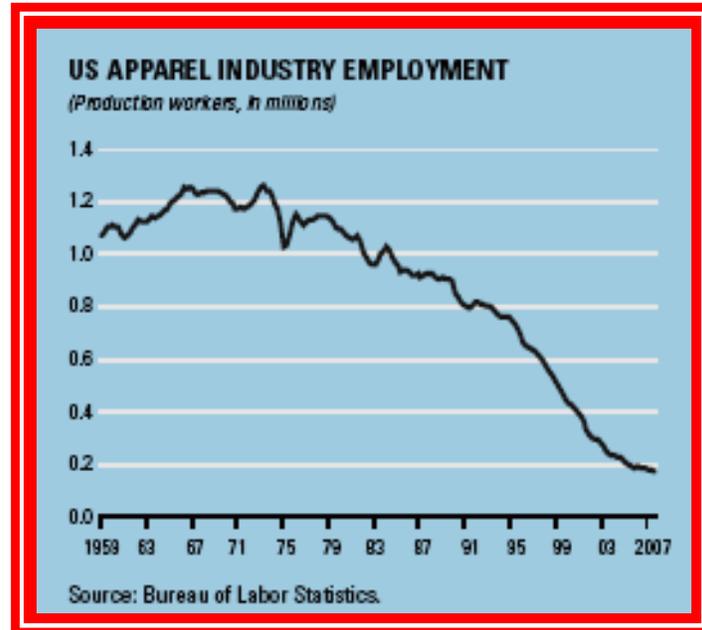


Figure 13: U.S. Apparel Industry Employment

Source: Driscoll, M., & Kwon, E. (2007). *Industry Surveys Apparel & Footwear (includes Specialty Apparel Retailing)*. Standard & Poor's, p. (9).

Table 5: Market Trend Comparison between Plunkett Research Ltd. and Standard & Poor's

Plunkett Research Ltd.	Standard and Poor's
Western Apparel Firms Enter the Chinese Market	Evolution of a Lifestyle Brand
High-Tech, Nanotech and Smart Fabrics Proliferate	Stores Move into Overseas Markets
Exercise Apparel Sales Boom	Teens Entering Adulthood
3PL Supply Chain Management Evolves to Serve the Global Market	Children's Clothing Sales Rise
U.S. Linens Sales Dominated by Big Box Retailers and Discount Department Stores	Young Men Dressing Up
Vast Majority of Shoes Sold in The U.S. are Now Made in China	Sporting Apparel Goes High-Tech
Bricks, Clicks, Catalogs and Living Rooms	Luxury and Value Goods Both Do Well
Alternative Sizing is Big	Enhancing Customer Loyalty
Baby Boomers Dominate the Apparel Market	Vital Role of Technology
Discount Clothing Retailers See Promise in Designer Lines	Maturing Bridge and Specialty Retail Concepts Target the 35+ Woman
Luxury Goes Online	Apparel Brands Losing Bargaining Power
Online Apparel Buying Looks for Better Fit	
Mass Designers and Retailers Speed Up for Fast Fashion	
Athletic Footwear Draws Big Names from Athletes to Designers	
Some Apparel Manufacturers Still Resist Outsourcing	
Apparel Goes Green	

Source: Driscoll, M., & Kwon, E. (2007). *Industry Surveys Apparel & Footwear (includes Specialty Apparel Retailing)*. Standard & Poor's, p. (1-48). & Plunkett Research Ltd. (2008). *Apparel, Textiles and Fashions Market Research and Trends*. Plunkett Research Ltd, p. (1-19).

CHAPTER III

METHODOLOGY

Purpose of the Research

The purpose of this research was to examine the research methodologies successful niche marketing companies use to identify potential niche markets and latent demand. By researching the methodologies used by US textile and apparel firms with successful niche strategies in addition to methodologies for accessing latent demand, it was possible to create a business strategy formulation that will provide US companies with the means to not only identify potential niche markets, but also to assess market potential. Identification of latent markets that competitors have not yet identified will provide US textile and apparel firms a means to compete through differentiation.

In order to answer the following research questions, the study contained two components: The analysis of methodologies for discovering niche markets and/or products and the analysis of methodologies for uncovering latent demand.

1. How do firms know which potential niche markets match their core competencies?
2. What if demand for the market is latent, meaning they have not yet vocalized a need for a particular product?
 - How is consumer demand currently communicated?
 - How do companies determine consumers' reactions to product not yet developed?
 - How do companies identify a need of which a consumer may not be aware?

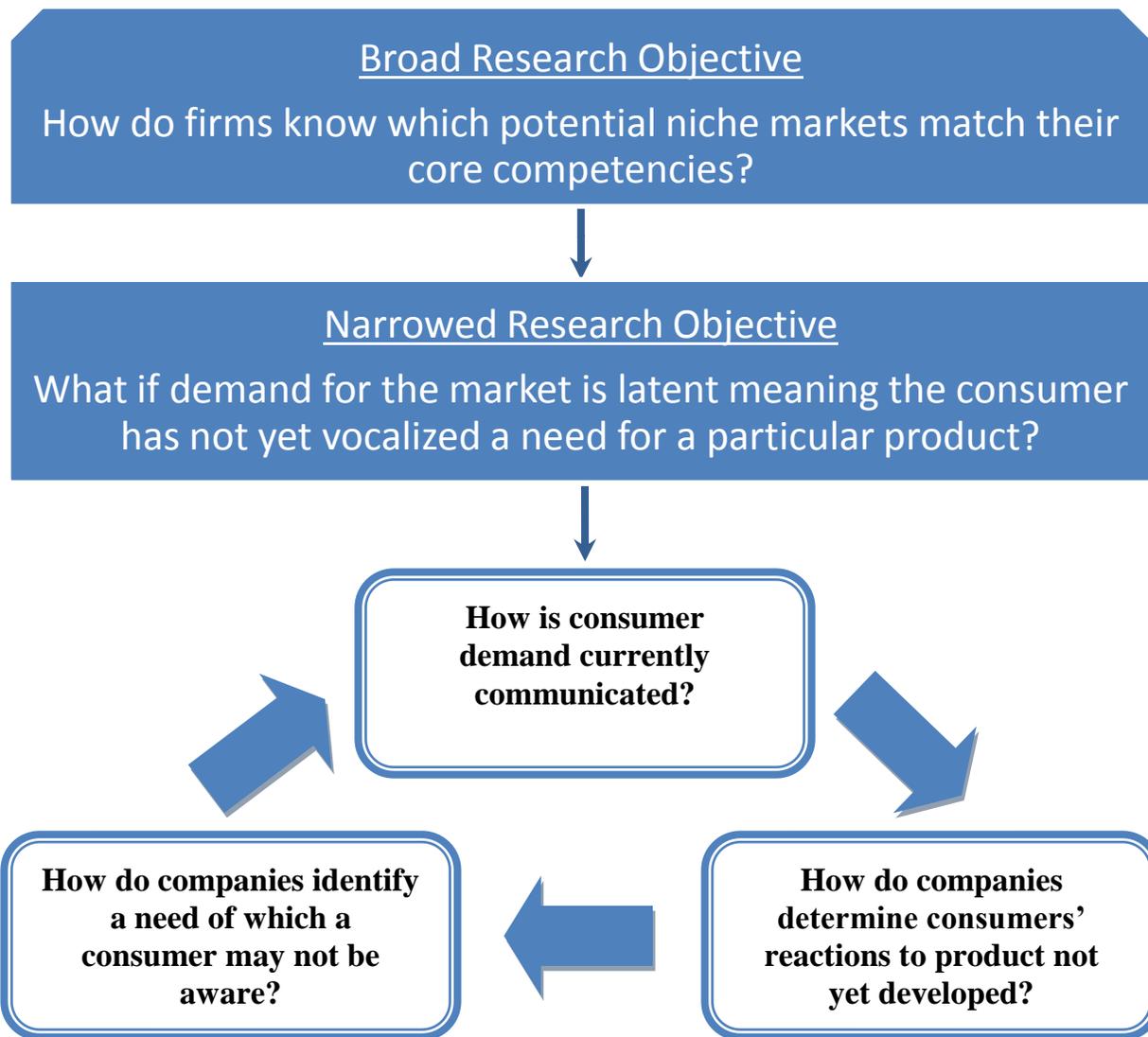


Figure 14: Visual Depiction of Research Question

Research Objectives

The specific objectives of the research were:

Phase 1: Exploratory

RO1: Using previous research which has identified firms with successful niche markets (Allen, 2006; Parrish, 2003), examine the research methodologies those firms used when discovering them.

Phase 2: Inductive Research

RO2: Formulate comprehensive analysis methods for estimating existing and latent consumer demand.

Phase 3: Deductive Research

RO3: Test the new methodologies with industry in order to determine effectiveness.

Phase 4: Model Development

RO4: Develop a procedural model that US textile and apparel companies can incorporate into their overall research and development process to identify niche markets and/or products directly related to their core competencies.

Research Design

The research design for this study consisted of a mixed-methods approach. Both qualitative and quantitative data were collected in order to obtain the best results possible. In addition, both primary and secondary data were used. The concept of mixing quantitative and qualitative methods originated in 1959 by Campbell and Fiske (Creswell, 2003).

The mixed methods approach helps to offset or cancel biases associated with either quantitative or qualitative methods alone (Creswell, 2003). “Another advantage of the mixed

methods approach is that findings from one method can influence the other method. Mixed methods allow research to be conducted using both open- and closed-ended questions. Also, multiple forms of data are collected and statistical and text analyses can be performed. By combining these methods, the researcher can provide a comprehensive analysis of the research problem” (Allen, 2006, p. 51). By using a mixed-methods approach, there is a need for extensive data collection. It is time-intensive in nature to analyze both text and numeric data and a requirement for the researcher to be familiar with both quantitative and qualitative forms of research (Creswell, 2003).

Table 6: Decision Choices for Determining a Mixed Methods Strategy of Inquiry

<i>Implementation</i>	<i>Priority</i>	<i>Integration</i>
No Sequence Concurrent	Equal	At Data Collection
Sequential–Qualitative first	Qualitative	At Data Analysis
		At Data Interpretation
Sequential–Qualitative first	Quantitative	With Some Combination

Source: Creswell, J. (2003). *Research design: Quantitative, qualitative, and mixed methods approaches*. Thousand Oaks, CA: Sage Publications.

The criteria for selecting the mixed methods approach used in this study are shown in Table 6. The implementation of this research contained qualitative and quantitative data collected at the same time (concurrent). When data is collected concurrently, the implementation

is simultaneous (Creswell, 2003). A priority for one type of data or the other depends on the interests of the researcher, the audience for the study, and what the investigator wants to emphasize in the research (Creswell, 2003). The priority for collection of qualitative and quantitative data is equal in this study, the data was integrated as both primary and secondary data are collected. Integration at data collection involves combining open-ended questions on a survey with closed-ended questions on the survey (Creswell, 2003). A mixed-methods approach is important for studying niche markets because the use of quantitative data is important to understanding certain market factors such as size, sales, and growth opportunity. A qualitative data is important also in understanding the perspective of members working within the industry. The researcher is then able to compare the quantitative and qualitative data to see if they support each other.

Methods and Procedures

This research consisted of four phases. The first phase (Phase I) was exploratory in nature. This phase involved looking at previous research which has identified firms with successful niche markets and examining the research methodologies those firms used when discovering them.

The second phase (Phase II) of this study used a concurrent triangulation strategy. This strategy shown in Figure 15, involves collecting quantitative (QUAN) and qualitative (QUAL) data simultaneously and comparing results from analysis of each type of data. This strategy was selected because it offers the ability to confirm, cross-validate, or corroborate findings within a single study (Creswell, 2003). The use of a concurrent triangulation strategy can result in well-validated and substantiated findings (Creswell, 2003). The concurrent triangulation strategy

works hand-in-hand with a mixed-methods approach because the use of quantitative and qualitative data simultaneously together is extremely important when analyzing niche markets for the importance of analyzing data and cross-checking the data with interviews from members of industry. Phase II addressed RO2 by formulating comprehensive analysis methods for estimating existing and latent consumer demand.

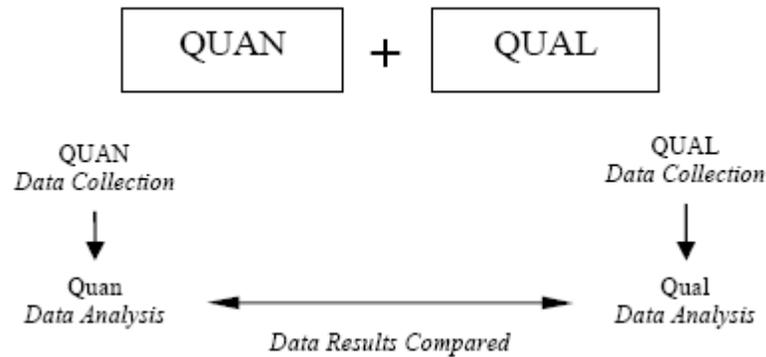


Figure 15: Concurrent Triangulation Strategy

Source: Creswell, J. (2003). *Research design: Quantitative, qualitative, and mixed methods approaches*. Thousand Oaks, CA: Sage Publications.

Phase II also consisted of an inductive model of thinking to collect qualitative data. The inductive approach [Figure 16] shows that “the researcher begins by gathering detailed information from participants and forms this information into categories or themes” (Creswell, 2003, p. 133). These themes or categories are then developed into broad patterns, theories, or generalizations that can be compared with personal experiences or with existing literature on the topic (Creswell, 2003). Creswell (2003) states that “these pattern theories or generalizations represent interconnected thoughts or parts linked to a whole” (Creswell, 2003, p. 133).

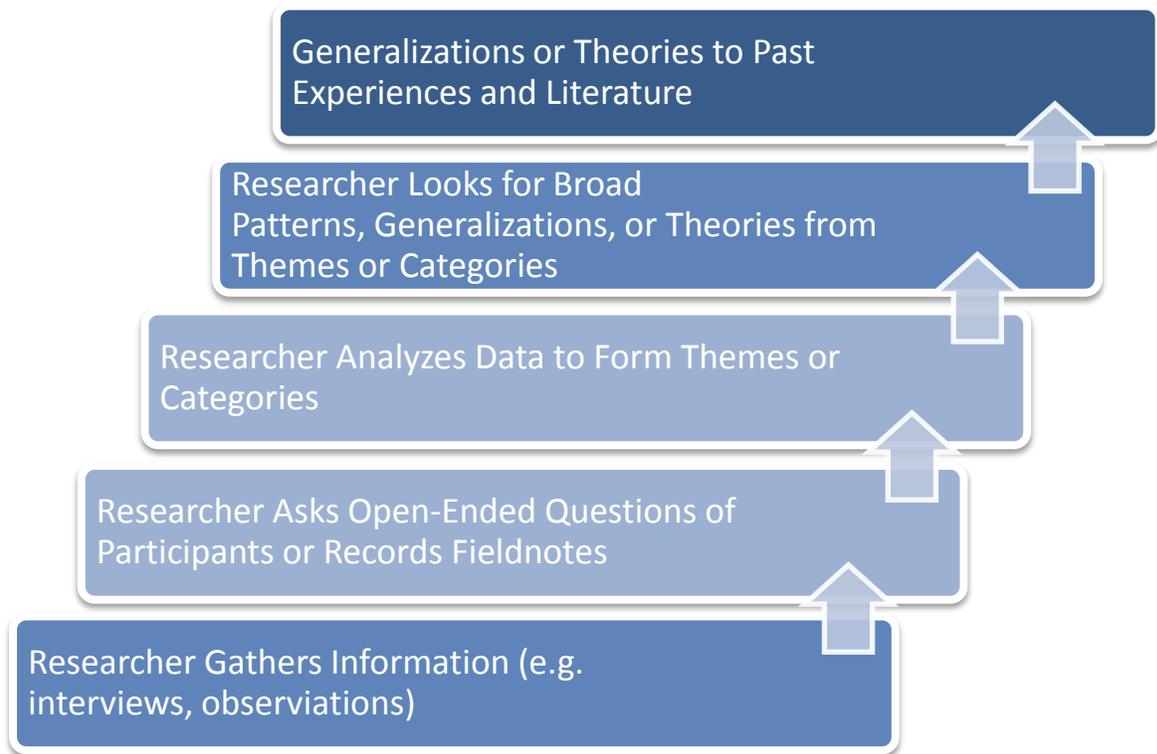


Figure 16: Inductive Model of Research

Source: Creswell, J. (2003). *Research design: Quantitative, qualitative, and mixed methods approaches*. Thousand Oaks, CA: Sage Publications.

The third phase (Phase III) consisted of a deductive model of thinking used to collect quantitative data. The objective of using a deductive model of thinking [Figure 17] is to test or verify a theory rather than developing it. The research is able to advance a theory, collect data to test it, and reflect on the confirmation or disconfirmation of the theory by the results (Creswell, 2003). The use of a deductive model of thinking helped answer RO3 by testing the new methodologies with industry in order to determine the effectiveness.

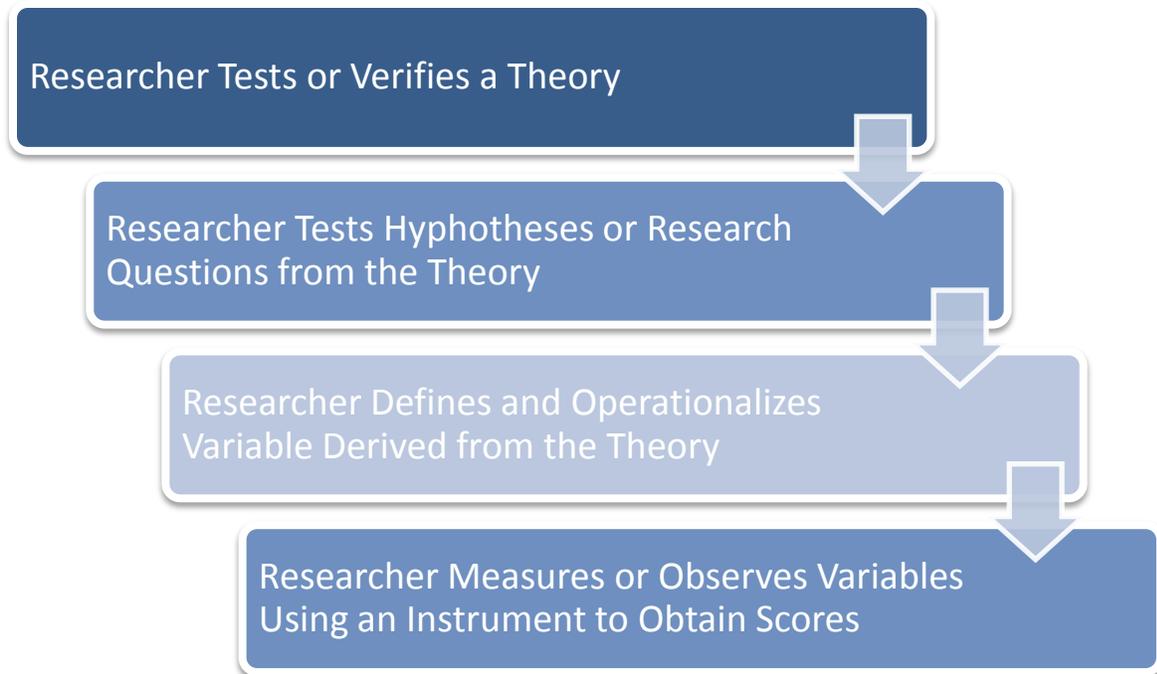


Figure 17: Deductive Model of Research

Source: Creswell, J. (2003). *Research design: Quantitative, qualitative, and mixed methods approaches*. Thousand Oaks, CA: Sage Publications.

The fourth phase (Phase IV) involved using all the data collected from Phase I, Phase II, and Phase III to satisfy RO4. RO4 was to develop a procedural model that US textile and apparel companies can incorporate into their overall research and development process to identify niche markets and/or products directly related to their core competencies.

Table 7: Research Objectives with Contributing Information

Phase	Research Objective	Instrument Used	Information Contributing to Research Objective
1	RO1	Exploratory Research	Secondary Data <ul style="list-style-type: none"> • Trade Journals • Trade Shows • Previous Research • Industry Personnel
2	RO2	Concurrent Triangulation <ul style="list-style-type: none"> • Questionnaire (Appendix A) • Interviews 	Industry Personnel
3	RO3	Deductive/Inductive Models of Research	Results from Questionnaire and Interviews along with the Parrish/Allen Niche Model
4	RO4	Adaption of Parrish/Allen Niche Model	<ul style="list-style-type: none"> • RO1 • RO2 • RO3

Phase 1: Exploratory

The objective of Phase 1 was to use previous research to identify firms which have had successful niche markets and examine the research methodologies those firms used when discovering them.

Data Collection: Phase 1

Sample Selection

Through the use of secondary data including trade journals, trade shows, previous research, and interviews with industry personnel successful niche companies were identified. Successful niche companies were identified and then narrowed into companies that fell into four major markets. The four major markets were companies that offered niche products in technical, performance, military, and medical markets. The four markets were chosen based on new

market trends identified by Plunkett Research and Standard and Poor's in Table 5. In the trade journal, Future Materials, the editor compiled a list of the top 100 product innovations for the year 2007. Table 8 lists each of the 100 companies along with the name of their product innovation. Table 9 shows the companies that were selected from the list of 100 that fell into one of the four major markets. Also, the trade journal, Textile World recognized Glen Raven, Inc. with their innovation award for 2005.

1) Secondary Data

Trade Journal	Description	Niche Markets Identified
Future Materials	Features the latest news on new materials and fabrics, R&D and product innovations within the textile industry.	Top 100 Textile Product Innovations for 2007
Textile World	Leading resource for worldwide textile news and information.	Glen Raven Niche Marketing

Table 8: Future Materials Top 100 Innovations for 2007

Company	Product
3M	Confirm
3M/Bayer	Self-Luminous Licence Plate
Adidas	Teamgeist
Ahlstrom	EasyLife
Ahlstrom	Disruptor
Alltracell	M Doc Woundcare Technology
Australian Wool Innovation	Klimeo
BAE Systems	Synthetic Gecko
Bagir	iPod Business Suit
BASF	Micronal
Catomance	Mystox CTB
Ciba	Irgaguard B7000
Colbond	Enkasonic E Sound
Concordia Fibres	Biofelt
Conphorm	UM Bags
Creavis(Degussa)	CCFlex
CuteCircuit	Hug Shirt
Darway International	Numacs
Delphi International	Adjustable Airbag
Dept. of Aerospace Engineering at University of Bristol, UK	Self-Healing Composites
Diamatix	DMP System
Diolen	Diofort
Dogi International Fabrics	Aloe Vera Nanofabrics
Dow	XLA HTT
Dow Corning	Active Protection System
DuPont	Hybrid Membrane Technology
DuPont	Devlar and Elastomer
Eeonyx C	Conductive Coatings
Elmarco	Nanospider
Elmarco	AcousticWeb
Erfurt	Variovlies
EXO ²	Stromrider
EXO ²	Fabroc
Faurecia	Happy Attitude Car Trim
Fibretronic	PTT Technology
Fibretronic	Levi's Redwire DLX Jeans Controller
Fraunhofer Institutes	Paper Nanotubes

Table 8: Continued

Fraunhofer Institute/Tecnaro	Arboform
Freudenberg	Novolon
GE Plastics	Ultem
GKD	Debondo
Glen Raven	GlenGuard
Goodyear	Responsedge
Gore Tex	Comfort Mapping
Greeyarn	Ecofabric
Hexcel	Hexweb HRH-36 Flexcore
Honda	Plant-Based Fabrics
Honeywell/Comfort Product	Spectracarb
Huntsman	Flovan CWF
Industrial Nanotech	Nansulate
Inotis	Licial Nonwovens
Interactive Wear AG Germany	Know Where Jacket
Japan Vilene	Ecoalpha Filters
Johnson Controls	Craftec
Joy in Motion	Joy in Motion
Konarka	Power Plastic
Kuchofuku Inc.	Aircon Clothing
Kuraray	Parcassio Man Made Leather
Kuraray	Flextar
Lenzing	Star-Shaped Tencel
Lyttron	El Films
Milliken	180 Walls
MIT	New Optical Textiles
Molnlycke	Mesitran
M-pore	Metal Foams
Mutoh America	Mutohbio Ink
Nanofilm	Clarity Fog Eliminator
NanoSonic	Metal Rubber
NanoStatics	EHS System
Nanoval	Nanovlitz
NaturalNano	Halloysite Nanotubes
NEC Corporation and Unitika	Kenaf Bioplastic
Omishenki	Papolis
Outlast Europe and Sedo Chemicals	Neopren

Table 8: Continued

Outlast Technologies	Phase Change Viscose
Owens Corning	Windstrand
Peer Inc.	Poal
Philips	Lumalive Photonic Textiles
Profil FR	SSM Industries
Saint-Gogain	Uniconform
SauQuoit Industries	Circuitex
Schoeller Textiles	C_Change Technology
Specialty Group	Energlo
Sumitomo Chelicals	LLIN Nets
Sympatex	Reflexion
Teijin	Morphotex
Teijin	Bartlett
Teijin/Musashino	Heat-Resistant Bioplastic
Texon International	Texon Aloe
Textile Testing and Innovation	Automotive PCMS
Textronics	Textro Interconnect
Textronics	Numetrex
Toray Textiles	See-It-Safe
Unifi	AIO Yarns
US Cornell University Dept. of Textiles and Apparel	Nanoscale Resonators
Weisbrod-Zurrer	Cocoontec
William Lee Innovation Centre	Scan2Knit
Zegna iJacket	Zegna
Zimmerman	E-Blocker Cloth
Zyvex	Nanosolve

Source: Wilson, A. (2006). 100 Textile-Related Innovations for 2007. *Future Materials* , Issue 6, pp. 1-40.

Table 9: Future Materials Top Innovations Related to Research

Niche Products Related to Research from Future Materials			
	Apparel	Solar	Wall Coverings
E-Textiles	Philips	Konarka	Millken
E-Textiles	CuteCircuit	Plastic Substitutes	Erfurt
E-Textiles	Interactive Wear AG	Teijin/Musashino	Ahlstrom
E-Textiles	Bagir	NEC Corp	Creavis
E-Textiles	Sauquoit Industries	Fraunhofer Institute/Tecnaro	BASF
E-Textiles	Fibretronic	Johnson Controls	Sound Absorption
E-Textiles	Zegna	GE Plastics	Nanospider
E-Textiles	Specialty Group	LED	Peer Inc.
E-Textiles	Kuchofuku Inc.	3M/Bayer	Colbond
E-Textiles	Textronics	Lyttron(Bayer)	Automotive
E-Textiles	Nanosonic	Security	Honda
E-Textiles	EXO ²	3M	Delphi International
E-Textiles	Solicore	SDC Enterprises	Goodyear
Protective	DOW Corning	FujiFilm	EXO2
Protective	Pro-Fil	Medical	Faurecia
Protective	Glen Raven	Concordia	Textile Testing and Innovation
Protective	Huntsman	William Lee Innovation	Dupont
Protective	Eeonyx Corp.	Honeyweel/Comfort Products	Filters
Protective	Kuraray	Inotis	Japan Vilene
Performance	Fibretronic	Alltracel	Dupont
Performance	Schoeller Textil AG	Texon	Ahlstrom
Performance	Gore Tex	Omishenki	Spinning/Fiber
Performance	Joy in Motion	Lenzing	El Marco
Performance	Sympatex	Catomance	Nanostatics
Performance	Outlast/Kelheim Fibres	Molnlycke	DOW
Performance	Textronics	Darvey International	Nanoval
Performance	Unifi	CIBA Specialty Chemicals	Deolen
Performance	Mountain Hardware	Greenyarn	Industrial Nanotech
Fashion	Teijin	Unifi	
Fashion	Weisbrod Zurrer	Dogi International	
Fashion	Teijin	Toray Textiles	

Source: Adapted from Wilson, A. (2006). 100 Textile-Related Innovations for 2007. *Future Materials*, Issue 6, pp. 1-40.

Through the attendance of several trade shows, niche product companies were identified. The trade shows combined together with over 3,000 exhibitors provided great opportunities to find companies that offered niche products. From these trade shows, companies were chosen that sold niche products in performance, technical, medical, and military markets. The trade shows also offered seminars that focused on the future of the textile industry and focused on topics related to finding new trends in the industry.

2) Trade Shows

Trade Show	Description
ITMA 2007 - Munich, Germany	About 1,450 exhibitors displayed machinery products ranging from spinning preparation to dyeing and finishing to data management systems.
IFAI 2007 - Las Vegas, Nevada	450 exhibitors displayed new textile product ideas and smart fabrics.
Outdoor Retail Show Winter Market 2008 - Salt Lake City, Utah	Over 900 exhibitors displayed their products for the outdoor retail industry.
Vision 2008 - Ft. Worth, Texas	6 most innovative nonwoven products displayed. Networking opportunities with 200 executives in the industry.
Techtextil 2008 - Atlanta, Georgia	A leading international show for technical textiles and nonwovens with over 300 exhibitors.

Through the previous research of Allen (2006) and Parrish (2003), each one recognized several companies offering niche products. Table 10 below shows which companies were identified as offering niche products and then the list was narrowed down to select which companies that offered niche products in any of the four performance, technical, medical, and/or military markets.

- 3) Previous Research
Literature Review

Author	Description
Reece Allen (2006)	Increasing the Economic Competitiveness of the U.S. Textile Industry: An Investigation of Niche Market Strategies
Erin Parrish (2003)	Niche Market Opportunities in the Global Marketplace

Table 10: Companies Recognized in Previous Research Offering Niche Products

Land's End	Burlington Industries	Tommy Bahama
Swiffer Wipes	Parkdale	Avondale
Galey and Lord	Mount Vernon Mills	RL Stowe
Swift Spinning	Frontier Spinning	Unifi
Invista	Wellman	ITG
VCO	Denim North America	Inman Mills
Arvind Mills	Isko	Seven for all Mankind
Liz Claiborne	Jones Apparel Group	Levi Strauss
Gap, Inc.	VF Corp.	Oxford Industries
Cintas	Kellwood	Dualstar
Williamson-Dickie	Columbia Sportswear	Nordstrom
Kohl's	JC Penny	Pacific Sunwear
Cabela's	Charming Shoppes	WalMart
Abercrombie & Fitch	American Eagle	Limited Brands

- 4) Primary Data

Interviews with Industry Personnel

- 1) Company representatives at trade shows
- 2) NATICK

Through trade journals, trade shows, previous research, and industry personnel a sample group was compiled that is shown in Table 12. For each company in the sample, it is noted which markets that each company sells niche products.

Phase 2

Secondary resources, questionnaire, interviews with marketing executives from various fields were conducted in order to compile the following:

- 1) An investigation of how consumer demand is currently communicated.
 - What product categories do you sell niche products in?
 - What are the most important factors in why consumers purchase your niche products?
 - About what percentage of your resources do you allocate into Research and Development and new ideas?
 - How does your company recognize *existing* demand?
 - Please rank the three most important from 1 to 3 with 1= most important.
 - When looking at Figure 1 below, please list which niche products within your company fall into which group of niche marketers?
 - Please put a star beside which niche group your most successful niche products fall into.
- 2) How companies determine consumers' reactions to products not yet developed.
 - How did you determine what the consumer's reaction would be to a niche product?
 - Which method from the previous question was the most successful?
- 3) How companies identify a need of which a consumer may not be aware of.
 - How does your company discover niche market ideas?
 - Which one of the methods has provided the most successful niche ideas?

- Pick two products within your company. How did you discover the opportunity for each of these? What are some similarities and differences between the developments of each one?
- How did you add value to these two products?
- How does your company recognize *latent* demand?
- Please rank the three most important from 1 to 3 with 1= most important.
- From the two products you picked earlier, was the demand existing or latent for each product?

The information was used to formulate comprehensive analysis methods estimating existing and latent demand.

Instrument Development

The instrument used for this study [Appendix A] was developed to collect data from the sample chosen in Table 12. The instrument contains a combination of open-ended and closed-ended questions to obtain the best results and helps to offset or cancel biases associated with either quantitative or qualitative methods alone (Creswell, 2003). The questionnaire used a variety of measurement scales including nominal, ordinal, interval-scaled, and ratio scales.

The questionnaire used for collecting data was broken up into three main sections to answer the research objectives involved in this study. The three main sections were Niche Marketing, Existing Demand, and Latent Demand. The Niche Marketing section is used to answer RO2 by identifying how important niche marketing is to companies, what factors are important to establishing niche markets for companies, and how important are these factors. Questions 1-11 used a Likert scale to test the importance of certain factors and the effects of

niche marketing on companies. Question 12 used a nominal response to identify where niche market ideas are coming from and question 13 used an ordinal response to identify which of these is the most important. Question 14 was designed to see what percentage of resources is allocated into finding new product ideas. These questions help to identify how companies are matching niche markets with their core competencies.

The second section, Existing Demand, is used to answer RO2 by discovering how demand is currently communicated within the company. Question 15 answers the question of what markets each company offers niche products in. Question 16 looks at certain factors to see how important they are to why consumers purchase niche products. The next two questions recognize which analysis methods are being used to identify consumer's reactions to a new product and which method has been the most accurate. Question 19 uses rank-order to see which of these important factors are in fact the most important in maintaining the success of niche products. Question 20 and 21 ask the respondent to describe two niche products and talk about how they discovered the need for two products and how they added value to them. Also, the purpose of Questions 22 and 23 is to discover the most important analysis methods for identifying existing demand.

The third section, Latent Demand, is used to help answer the questions of how companies determine consumers' reactions to products not yet developed and how do these companies identify a need of which a consumer may not be aware of. Questions 24 and 25 were designed to use a nominal and rank order approach by identifying which analysis methods are used to identify latent demand opportunities and to rank which of these are the three most important.

The last two questions, 27 and 28, ask the respondent to look at the characteristics of different niche groups and list which product categories in their company fit into which group.

They also ask the respondent to identify which niche group has provided the most successful niche products.

Table 11: Summary of the Three Main Sections of Questionnaire

Research Objective	Purpose	Instrument Questions
RO2	Niche Marketing	Questions: 1-14
RO2	Existing Demand	Questions: 15-23
RO2	Latent Demand	Questions: 24-25

The initial contact letter [Appendix B] and questionnaire [Appendix A] had to be approved by the Institutional Review Board for the Use of Human Subjects in Research. A submission form [Appendix C] was sent to them explaining the need to speak with members of industry for this research. Also, a consent form [Appendix D] was approved for participating members of the research could sign representing their consent to participate and that any information given would be kept in confidentiality. A letter [Appendix E] was received showing the consent to use human subjects in this research study.

Data Collection Phase II

The sample chose for this study was selected based on the data collected in Phase 1. The sample consists of companies that were identified as offering innovative and niche products or services either through trade journals, trade shows, previous research, or by experienced industry personnel. A total of 44 companies were contacted either through trade show attendance, email, or telephone. Participants responded to the questionnaire or interview either through phone contact, face-to-face, or online depending on the respondents' preference. The respondents who preferred online response were able to fill out the questionnaire using an online survey program

called Survey Monkey. A total of 35 industry personnel responded either to an interview, questionnaire, or both. A total of 28 of these filled out the questionnaire. The remaining seven responded through personal contact either through a phone or face-to-face interview.

$$[36 \text{ Total Respondents} \div 44 \text{ Companies Contacted}] = 81.8\% \text{ Response Rate}$$

$$[30 \text{ Companies Responded} \div 44 \text{ Companies Contacted}]$$

$$= 68.2\% \text{ Company Response Rate}$$

Date Analysis Phase II

First, quantitative data was transcribed and coded. Next, the data was grouped into three main groups as mentioned in the Instrument Development section according to Niche Marketing, Existing Demand, or Latent Demand. A summary of the results were calculated for the quantitative data. The mean was calculated for ordinal, interval-scaled and ratio-scale responses in order to determine the most influential factors and most common responses for these questions.

Open-ended responses were analyzed in order to identify the methodologies used to answer RO2 and quantitative data from the questionnaire was used to identify the most important factors within these methodologies. Results from interviews with industry personnel were used to identify methods used for estimating existing and latent demand in RO2. Quantitative data from the questionnaire was also used to identify the most important factors in estimating existing and latent demand.

Phase 3

A select list of companies from Phase I were interviewed to assess the effectiveness of

market research methodologies identified from Phase I and II results. The methodologies were then refined based on industry input and the empirical results. The results were compared between identified companies and conclusions were made on how companies identify niche and latent opportunities.

Sample Selection Phase III

A convenience sample was selected from those companies identified in Phase I that have proven successful niche markets.

Results Testing Phase III

Representatives from the convenience sample were asked to look at the methodologies and evaluated the success of them. They were asked to evaluate the effectiveness of identifying existing and latent demand opportunities within industry.

Data Analysis Phase III

The results from speaking with company representatives were evaluated and modifications were made to develop the procedural model in Phase IV to help identify niche markets and/or products directly related to their core competencies.

Phase 4: Model Development

The procedural model was developed using the data collected from Phase II and III. These two phases identified successful methodologies used by the sample in both phases. The sample from Phase III provided feedback in order to construct a procedural model to successfully help identify niche and/or products directly related to their core competencies.

Operational Definitions

Those noted with a “” were used in the questionnaire.

***Analysis of the Competition:** Performing research to understand the competitive position of firms who are competing with similar products in similar markets (Allen, 2006).

***Area Market Potential:** Potential of sales in cities, states, and nations (Kotler, 2003).

***Barriers to Entry:** Difficulty of competitors to enter a particular market (Parrish, 2003).

***Brand Development Index:** Index of brand sales to category sales, High BDI= more developed brand, Low BDI= less developed brand (Kotler, 2003).

***Brand Image:** The psychological associations that the brand name brings to the minds of the customer (Kotler, 2003, as cited in Parrish, 2003).

***Consumer Testing:** Giving products to consumers to try out and report results (Kotler, 2003).

***Controlled Test Marketing:** A research firm manages a panel of stores that will carry new products for a fee (Kotler, 2003).

***Customer Interviews:** The process of asking open-ended questions to consumers to determine problems, needs, and wants (Reece, 2006).

***Customer-Oriented Nichers:** This group places a great importance on strong customer orientation and tailors their products to meet particular customer requirements (Dalgic, 2006).

***Demand:** A willingness and ability to purchase a product (www.m-w.com, 2005, as cited in Allen, 2006)

***Ethnic Nicher:** They primarily base their products on unique ethnic and national consumption patterns (Dalgic, 2006).

***Globally Oriented Nichers:** Global start-ups being able to concentrate their business thinking to a single country and must be able to communicate a global vision to everyone involved (Oviatt and McDougall, 1995).

***Innovation:** A new idea, method, or product (www.m-w.com, 2005, as cited in Allen, 2006).

***Interaction with Retailers:** Communications with sellers of products that determine the needs of those sellers (Allen, 2006).

***Latent Demand:** When consumers have a need that is not satisfied by any product currently on the market (Perseus, 2003).

***Market Buildup Method:** Identifying all potential buyers in each market and estimating potential purchases (Kotler, 2003).

***Marketing Mix:** Product, price, promotion, and placement (Parrish, 2003).

***Market Research:** The process of identifying, gathering, and analyzing data related to the consumer, including demographics, psychographics, customer behavior, and need identification (Allen, 2006).

***Market Share:** Percentage of market held by a company (Parrish, 2003).

***Niche Marketing:** Involves value added specialist goods or services with relatively few or no competitors.

***Perceived Value:** Desired worth or usefulness consumers believe products to provide in relation to price paid for the products (Allen, 2006).

***Performance Fabrics:** Fabrics developed for active wear which provide functional qualities, such as moisture management, UV protection, anti-microbial, thermo-regulation, and wind/water resistance.

***Product Penetration Percentage:** Percentage of ownership or use of a product/service in a population (Kotler, 2003).

***Purchase Probability Scale:** Inquire into consumers' present and future personal finances and their expectations about the economy, estimate demand for certain purchases (Kotler, 2003).

***Quality:** The "totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs" (Kotler, 2003, as cited in Parrish, 2003).

***Research and Development:** The process of investigating new products and processes and applying new ideas in the development of new products and process (Allen, 2006).

***Simulated Test Marketing:** Questioning 30-40 shoppers about brand familiarity and preferences in a specific product category (Kotler, 2003).

***Strategic Alliances:** Partnerships between companies, either nationally or globally, that complement or leverage their capabilities and resources (Kotler, 2003, as cited in Parrish, 2003).

***Technical Fabrics:** Textile materials and products manufactured primarily for their technical performance and functional properties rather than their aesthetic or decorative characteristics. Some of the end-uses include, aerospace, industrial, marine, safety, transport textiles and geo textiles.

***Test Markets:** Choose a few select cities to test out your product (Kotler, 2003).

***Total Market Potential:** Max amount of sales available in an industry (Kotler, 2003).

***Ultrafocused Nichers:** A group of companies consisting of ultraspecialists that try to build strong positions in very small markets (Simon, 1996).

***Vocal local Nicher:** Market themselves by organizing music, folk, dance, food, festivals, etc. (Dalgic, 2006).

CHAPTER IV

RESULTS

The results of Phase I data collection were analyzed according to the procedure outlines in Chapter III. The following results begin with by identifying key findings through trade journals, trade shows, previous research and overall industry experience. This data was collected and a sample was formed to analyze the objectives of this research.

RO1 Results: Using previous research which has identified firms with successful niche markets (Allen, 2006, Parrish, 2003), examine the research methodologies those firms used when discovering them.

Phase 1

Key Findings:

- Major trends include products that are sustainable and environmentally friendly.
- Other trends include the use of technology with smart fabrics and e-textile products.
- Another trend includes the need for performance fabrics advancements as far as moisture wicking, anti-odor, anti-microbial, and body temperature control.
- Importance of creating value.
- Research identified that textile companies are competing using Porter's Generic Strategies.
- Research identified that textile companies can compete using a Top Down or Bottom Up Niche Approach.
- Research identified that textile companies were using a combination of several or almost all of the 12 Niche Marketing Guidelines.
- Companies have opportunities to compete using all 3 Types of Latent Demand.

Trade Shows

ITMA 2007

The ITMA 2007 show took place in Munich, Germany. It featured 1450 exhibitors displaying advancements in machinery products ranging from preparation to spinning to dyeing and finishing to data management systems.

The overall trend seemed to be the increase in output while being able to *sustain* or improve quality. Also, many companies focused on environmental concerns with the conservation of energy and water. In addition, the ability to create yarns that are *environmentally friendly*. Advancements were shown in knitting and weaving that could attribute to improved aesthetics and *performance* properties of fabrics.

IFAI 2007

The IFAI 2007 show took place in Las Vegas, Nevada. It featured 450 exhibitors displaying new product ideas and upcoming trends in *smart fabrics*, *e-textiles*, *performance fabric* innovations, and *green solutions*. The show included seminars discussing the process of developing these new products and how to market them in a constantly changing landscape.

In the E-Textiles symposium several speakers talked about the process of developing new smart fabrics and how they brought them to the market. The products represented by the presenters included electroluminescent lighting, built-in heart monitoring systems, and flexible batteries. These speakers discussed the changing environment in working with new suppliers and buyers from highly technical industries to create new *high-tech fabrics*. They expressed the difficulties in bridging the gap between the electronic and textile industries.

The Sports Gear Innovation symposium included speakers who talked about emerging trends and new capabilities created by new fabric constructions such as 3D warp knitting, spacer

fabrics, fabric welding, spun-laced materials, and composite fabrics. These new fabric constructions have helped to improve the *performance* and *technical* properties of certain applications in order to provide aesthetically pleasing properties along with the necessary protection.

The Battlefield Textiles symposium featured new innovation necessary to protect and accommodate the military. The military are the forefront on new textile applications as they require the need to perform in almost any climate at anytime. Many of the performance requirements needed by the military include anti-microbial, anti-odor, moisture wicking, flame resistant, anti-static, and body temperature control. Some examples of product needs in the military that were discussed are wearable and washable antennas and computers, built-in GPS systems, body monitoring, along with fabrics to control body temperature. One of the speakers talked about the different applications of electroluminescent lighting. Another spoke about the importance of improving the adaptability for camouflage in changing environments and what ways they are improving them.

Outdoor Retailer 2008

The Outdoor Retailer Winter Market 2008 took place in Salt Lake City, Utah. It featured 900 exhibitors displaying new product development ideas from socks, shoes, pants, jackets, skis, boots, helmets, and other outdoor accessories.

An emerging trend at the show was the use of technology to provide many different applications to existing products. Some of these advancements included heating jackets and gloves, speakers built-in to clothing applications, and Bluetooth enabled ski helmets. The show also showcased improvements in the *performance* and *technical* aspects of outdoor fabrics with advancements in waterproof, windproof, breathability, and weight of materials. Also, many

companies were adapting to the need for anti-microbial and moisture wicking properties in products. Some of the other trends at the show included the importance of sustainability and being green along with the return of wool to be used in diverse applications.

Vision 2008

The Vision 2008 show took place in Ft. Worth, Texas. It featured the award presentation for the 2008 visionary award where the six finalists showcased their innovative products. The show also brought together almost 300 executives from consumer fabrics and engineered fabrics.

The show included several speakers who addressed topics ranging from *creating value*, *coolhunting*, and *sustainability*. John Brandt, CEO of MPI Group, provided his perspective on creating value for the customer. He mentioned that the keys to success rely on being innovative in the areas of product, process, and creating value. Also, how important value chain management is at the supplier, logistics, and delivery aspects. Brandt introduced the following four questions for executives to consider:

1. What do customers want?
2. What do you do well?
3. Where can you improve?
4. What should you outsource?

Brandt talked about the importance of creating value in the statement that value is now fundamentally determined at the point of the end-user (Brandt, 2008). From the customer point of view, value now includes aspects such as total cost of ownership, data and information, value or solution bundles, business expertise, brand experience, and delivery. Companies need to understand which of these aspects their customers want. Brandt stressed the importance of [Figure 17] by saying companies need to look at these areas of their company and point out

where they are currently creating value and earning profits and look within these to identify new opportunities to excel (Brandt, 2008).

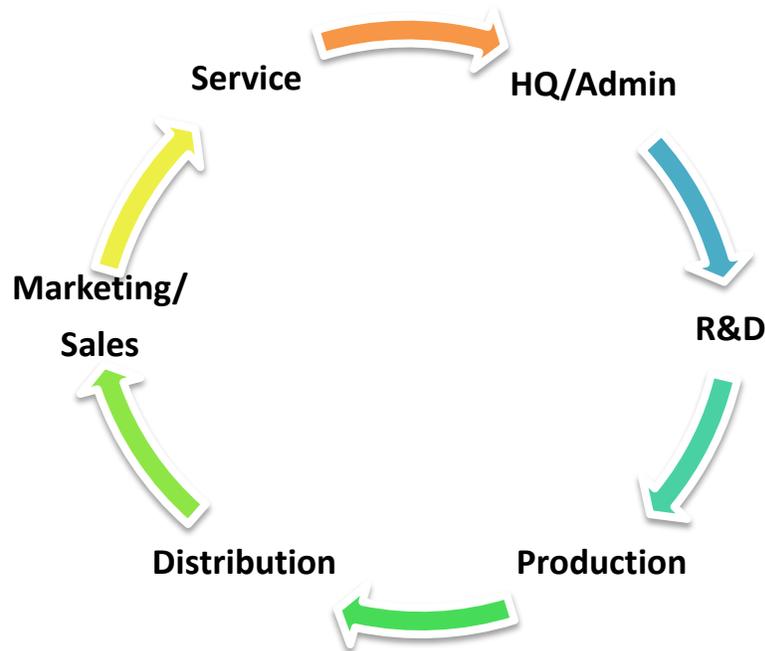


Figure 16: Major Areas of Creating Value

Source: Brandt, J. (2008). Creating Value. *Vision Consumer Products Conference*. Ft. Worth, Texas.

Another speaker at the show, Peter Gloor from MIT Sloan School of Management, discussed the buzzword “coolhunting.” Peter has written two books titled “Swarm Creativity” and “Coolhunting.” He says that coolhunting involves zeroing in on the fresh idea that will become the new trend (Gloor, 2008). It is necessary to identify who the *trendsetters* are, so you can anticipate what the next big trend will be before it takes off (Gloor, 2008). The following Figure 18 shows how to identify those who are considered *trendsetters*. These people are highly involved in social networks with other people who are highly involved also. The *trendsetters* are those shown in blue who have a high degree of connectivity, high degree of interactivity, and a high degree of sharing.

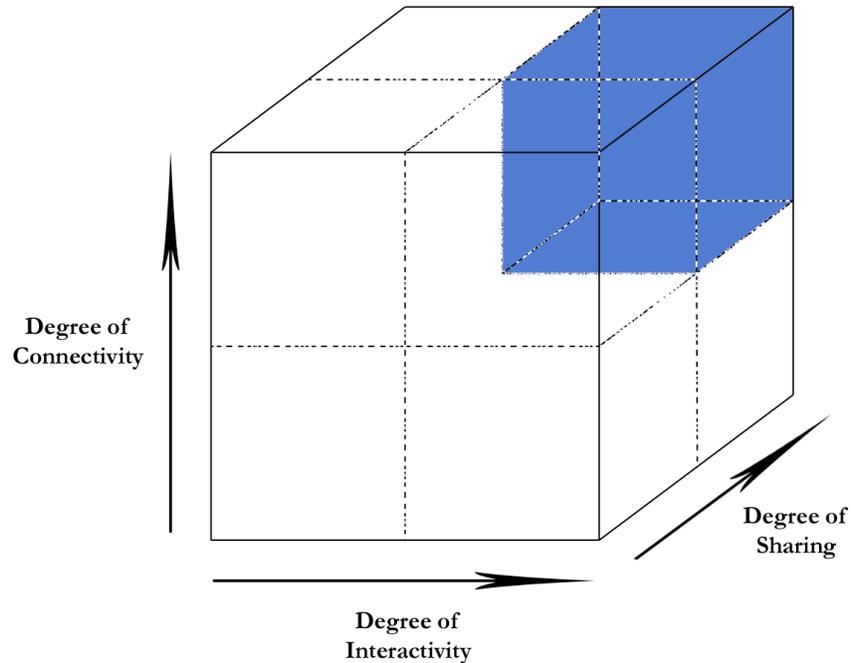


Figure 17: Identifying Trendsetters

Source: Gloor, P. (2008). Coolhunting- How to Find the Next Big Trend. *Vision Consumer Products Conference*. Ft. Worth, Texas.

Gloor has helped to create software which has been used by Apple, Continental Airlines, Starbucks, Proctor & Gamble, and Google to look through websites, blogs, online forums, email archives, and databases to help identify the trendsetters and up and coming trends.

In his book, “Coolhunting,” Gloor talked about a study done at MIT. The research looked at 100 startup companies in Israel and studied their communication networks. They tried to contact all 100 companies and 71 companies responded. Out of the 29 that did not respond, 24 of the companies were not mentioned by anyone. Five years later they looked to see that 42 of the 100 companies had failed. Fifteen of the 24 companies that did not respond to them at the beginning of the study had failed. The study then focused on the communication and interaction between the surviving companies. All of the survivors occupied the central positions in the

network and were sharing information with their competitors. Their conclusions from the study were:

- “Companies that could rely on a strong network were much better able to survive” (Gloor & Cooper, 2007, p. 57).
- “By partnering with their competitors helped the companies weather the storm by bundling relative strengths and relying on collaboration with peers to compensate for their weaknesses” (Gloor & Cooper, 2007, p. 57).

TechTextil 2008

The Techtextil 2008 show took place in Atlanta, Georgia. Techtextil is an internationally leading show featuring technical textiles and nonwovens. The 2008 show brought in over 300 exhibitors and Allen Gant as the keynote speaker for the show. Gant is currently the CEO of Glen Raven, Inc. He spoke about the transformations his company and the world has gone through in the last several decades and the keys to success to accommodate for an industry that is so dynamic and ever-changing. Gant addressed some of the changes Glen Raven has gone through and how they have managed to stay successful in the textile industry. Glen Raven has dropped several different markets over the years due to non profitability but they have entered and created new markets that are very profitable. Gant attributed the success of Glen Raven to the employees that make up the company and two other factors; *change* and *innovation*. He stressed the importance of employing people who he calls a “*change agent*” (Gant, 2008). These are people who embrace change and accept change in a positive way in order to find new opportunity. He said there are several elements that are important to addressing change but the acceptance of cultural differences and willingness to capitalize on a global infrastructure of communications and logistics is extremely important (Gant, 2008). The other factor, innovation,

has helped and will continue to help Glen Raven remain successful. This was stated to be the most important thing and that “new ideas are no longer limited by geography or time.” “Your goal must be to generate innovative ideas ahead of anyone else, capitalize on those ideas quickly and be prepared to exit and pursue other new ideas based on changing market and competitive conditions,” Gant said (Gant, 2008).

Previous Research

When looking at the definition of what a niche market is, the reader can notice that the definition has changed. In Figure 18, one definition from Dalgic (1994) describes a niche market as being a small market with a small group of customers. Another definition from Kotler (2006) describes a niche market as having a distinctive mix of benefits. This shows that the perspective of what a niche market is has changed over the years. A niche market doesn't necessarily have to be small. There are many large markets that are considered to be a niche. For example, the iPod is part of a large mp3 market. They were able to carve out a niche similar to a Top-Down approach [Figure 5] and the second type of latent demand by adding value to an existing product (Earl & Potts, 2000). They offered a distinctive mix of benefits through their collaboration with iTunes.

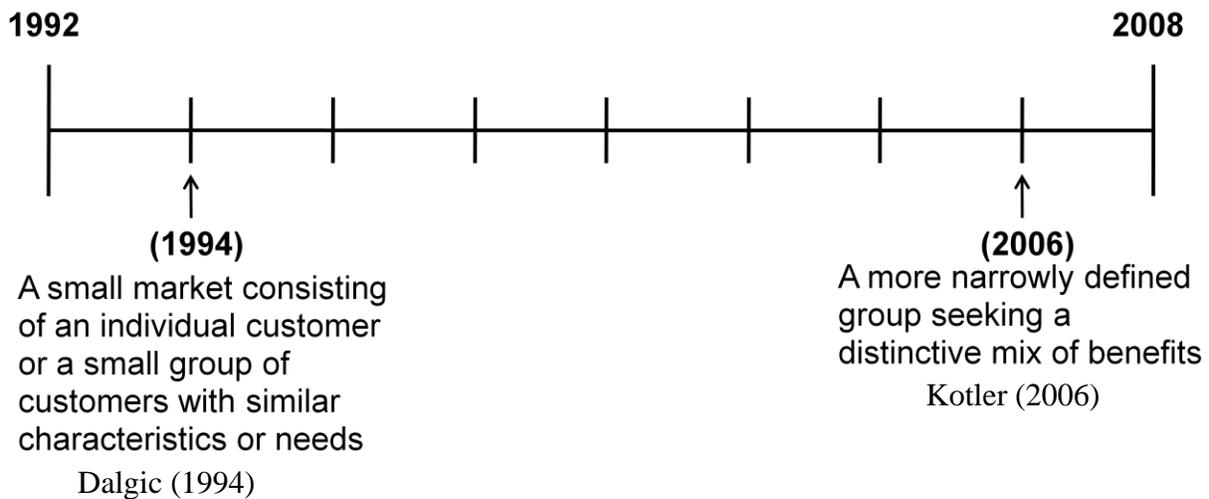


Figure 18: Niche Market Definition Timeline

Porter's Generic Strategies

Research found that textile companies are competing by using Porter's Generic Strategies [Figure 2]. For the sample used in this study, the researcher examined companies who offered niche products or services. Niche products would be considered to fall under the differentiated or focus strategy with an emphasis on low cost or differentiation. Many of the companies responded positively to increased market share and profits due to providing a differentiated product or service as described by Porter's Generic Strategies. When the four markets; performance, technical, military, and medical were researched it was noticed that some of these fell into some generic strategies more than others. The performance, technical, and medical markets seemed to fit more by using a differentiation or focus strategy with an emphasis on differentiation. The military market seemed to fit more into the focus strategy with an emphasis on low cost. The reason for this is companies who provide products to the military have to meet their unique specifications, but they also have to provide it to the military at a lower cost than others.

Niche Market Strategies

The research noticed from the data and by speaking with industry personnel many companies are providing products or services with a top-down and a bottom-up approach [Figure 5]. The reason for this is that niche ideas are coming from a variety of sources. Also, depending on the market companies are competing in will determine which approach they will use. A textile company using a top-down approach usually starts out in a mass market and then carves out a niche within that market. An example of this is adding value-added features to existing products within the market. A textile company that uses a bottom-up approach will start with one niche and then work their way into several niche markets. An example of this is a textile company that offers highly technical fabrics that have very focused markets. In order to earn high profit margins they will enter several small and focused niche markets.

Niche Market Guidelines

Research found that companies within the textile industry were using a combination of some or almost all of the niche marketing guidelines for the successful implementation of niche strategies [Table 2]. These included looking at factors contributing to the company infrastructure, customers, and competitors.

Latent Demand

Exploratory research found that textile companies have opportunities to develop products that fit into all three types of latent demand. These three types of latent demand had to do with:

- Lack of alertness from the producers.
 - The consumers have identified their needs and the producers have yet to discover those needs.
- Existing products have the opportunity to be combined with value-added features.

- Great opportunity for the textile industry to add value to existing products.
- Opportunity for replenishment or replacement of goods beginning to run or wear out.
 - This provides companies a chance to improve the brand image also.

Sample Description

After researching various trade journals, trade shows, previous research, and speaking with industry personnel the following sample [Table 12] was created in accordance to companies offering niche products and services that fell into the four major markets; performance, technical, medical, and military. Also, four companies were selected that were outside of those markets in order to bring an outside perspective to the study.

Table 12: Niche Market Sample Group

Company	Performance	Technical	Medical	Military	Other
Company A					Data Security
Company B	X	X	X	X	
Company C				X	
Company D	X	X			
Company E	X				
Company F	X	X			
Company G	X	X	X		
Company H	X	X			
Company I	X				
Company J		X		X	
Company K					Consumer Healthcare
Company L	X	X		X	
Company M					Logistics
Company N	X	X	X	X	
Company O	X	X	X	X	
Company P	X		X		Consumer Goods
Company Q	X	X	X	X	
Company R	X	X		X	
Company S					Outdoor
Company T					Nonwoven Machinery
Company U	X	X	X		
Company V	X	X			
Company W	X	X	X	X	
Company X	X	X	X	X	
Company Y	X	X	X	X	
Company Z		X			
Company AA	X	X	X	X	
Company BB	X	X	X	X	
Company CC	X				
Company DD	X	X	X	X	

Table 13: Job Position of Respondents

Company	Title in Company
Company A	
Company B	Sr. VP Apparel Merchandising
Company C	Designer
Company D	Key Account Manager
Company E	Director of Marketing
Company F	
Company G	Manager
Company H	President
Company I	VP Sales
Company J	Product Development Engineer
Company K	Sales Strategy and Customer Marketing
Company K	Customer Sales Manager
Company L	President
Company L	CEO
Company L	VP Marketing
Company L	President
Company M	Director of Sales
Company N	Product Manager
Company Z	
Company O	Director R&D
Company P	R&D Manager
Company Q	Market Manager
Company R	Sourcerer's Apprentice
Company S	Strategy Manager
Company S	Marketing
Company T	Sales Director
Company U	
Company V	
Company W	R&D Manager
Company X	
Company Y	Sales Manager
Company AA	CEO
Company BB	Chief Development
Company CC	
Company DD	Corporate Strategic Planning and Dev.
Company DD	Product Development

RO 2 Results: Formulate comprehensive analysis methods for estimating existing and latent consumer demand.

Phase 1

Key Findings:

- Respondents are more concerned with improving established markets than entering new markets.
- The two most important factors to respondents are innovation and R&D.
- Respondents felt like niche marketing has had a positive impact on market share and profits.
- R&D and the End User were recognized as the most important factors used to discover niche ideas.
- Respondents viewed Quality, Perceived Value, and Brand Image as the most important factors contributing to why consumers purchase their products.
- Consumer Testing was found to be the most important measure to understand consumers' reactions to niche products not yet released.
- Respondents viewed Customer Interaction as the most important factor in maintaining the success of niche products. Perceived Value was found to be the second most important and R&D was the third.
- Total Market Potential, Market Research Reports, and Industry Trade Data were recognized as the most important measures for identifying *existing demand* opportunities.
- Sales Force Opinions, Industry Forecasts, and Past Sales Analysis were recognized as the most important measures for identifying *latent demand* opportunities.
- Respondents identified the niche group, Customer-Oriented as the type of niche group that has provided the most successful niche products.

Niche Marketing

Respondents were asked how important were the factors listed in Table 14 to their company. The results showed that Innovation and Research and Development were found to be the most important factors. It is also noted that companies responded to being more concerned with improving established markets within their company rather than entering new markets.

Table 14: Questionnaire Responses- Questions 1-10

Please answer the following indicating the importance to your company:						
	Not at all	Not very	Fairly	Considerably	Extremely	Response Count
Market research?	0.0% (0)	3.6% (1)	14.3% (4)	42.9% (12)	39.3% (11)	28
Customer interviews?	0.0% (0)	0.0% (0)	7.4% (2)	48.1% (13)	44.4% (12)	27
Interaction with your retailers?	0.0% (0)	3.7% (1)	18.5% (5)	22.2% (6)	55.6% (15)	27
Interaction with your suppliers?	0.0% (0)	7.4% (2)	3.7% (1)	37.0% (10)	51.9% (14)	27
Analysis of competition?	0.0% (0)	7.1% (2)	7.1% (2)	39.3% (11)	46.4% (13)	28
Innovation?	0.0% (0)	3.6% (1)	7.1% (2)	10.7% (3)	78.6% (22)	28
Research and development?	0.0% (0)	3.6% (1)	10.7% (3)	10.7% (3)	75.0% (21)	28
Creating strategic alliance?	0.0% (0)	14.3% (4)	14.3% (4)	46.4% (13)	25.0% (7)	28
Entering new markets?	0.0% (0)	3.6% (1)	14.3% (4)	57.1% (16)	25.0% (7)	28
Improving established markets within your company?	0.0% (0)	0.0% (0)	3.6% (1)	46.4% (13)	50.0% (14)	28
				<i>answered question</i>		28
				<i>skipped question</i>		0

Table 15 shows the responses to question 11. It is noted that companies responded that Niche Marketing had an overall positive influence on their Market Share and Profits.

Table 15: Questionnaire Responses- Question 11

On a scale of 1-5 with 1=Poorly and 5=Excellent, what effect has Niche Marketing had on your company?						Response Count
	1=Poorly	2=Unsatisfactory	3=None	4=Good	5=Excellent	
Market share	0.0% (0)	16.7% (3)	5.6% (1)	44.4% (8)	33.3% (6)	18
Profits	4.0% (1)	0.0% (0)	12.0% (3)	48.0% (12)	36.0% (9)	25
<i>answered question</i>						28
<i>skipped question</i>						0

Question 12 [Table 16] was designed to see how companies were discovering Niche Market ideas. The results show that a Research and Development team along with the End User was the two most important factors in discovering niche market ideas. Table 17 shows the additional responses that were given from the respondents. The respondents were then asked to identify which of these factors had provided the most successful niche ideas. The results are shown in Figure 20. The End User was found to provide the most successful niche ideas.

Table 16: Questionnaire Responses- Question 12

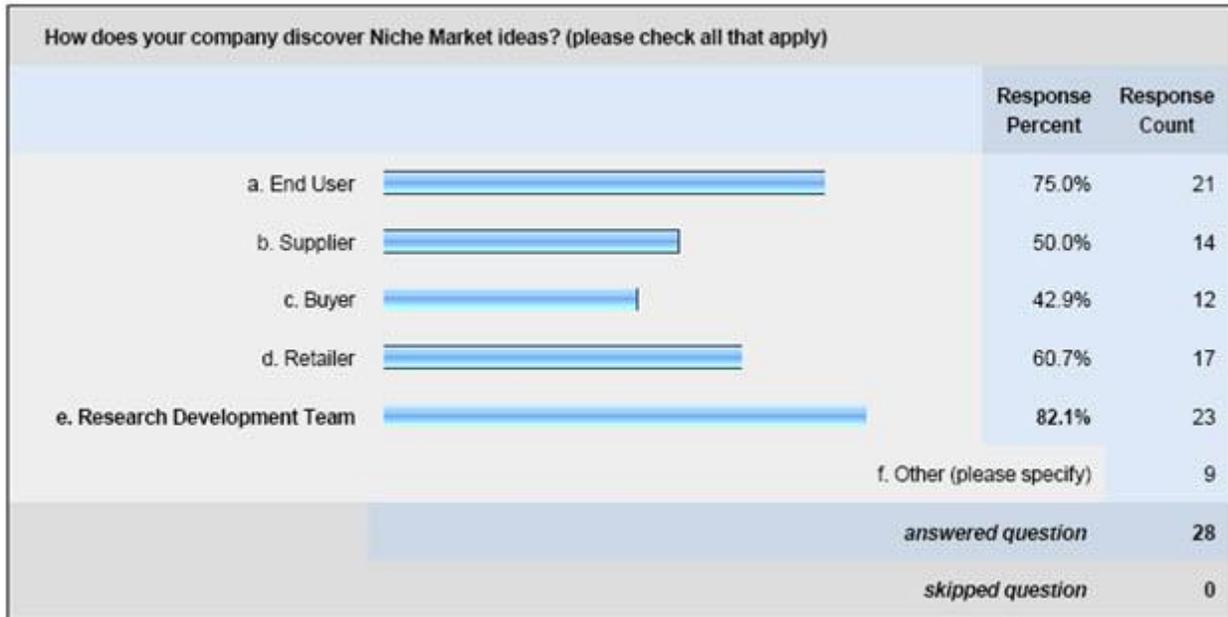


Table 17: Question 12 Other Responses

Other Responses	
1.	Competitive comparison, see what others are doing and try to do it better
2.	By being aware of what's going on in the market and connecting the dots to build a niche or a trend.
3.	Primarily by the person responsible for business development
4.	Most ideas are generated internally by the marketing or product development groups.
5.	Distributor
6.	Intersection of existing markets and innovative technologies to create new niche markets
7.	Other internal sources, existing products (add other value to them)
8.	In the performance categories as an example, other sports can lead to improvements. For example, speed skating for hockey, or motocross for sports with impact like football, lacrosse, and hockey.
9.	Safety Standards for industry and government applications.

13. Which one of the above has provided the most successful niche ideas?

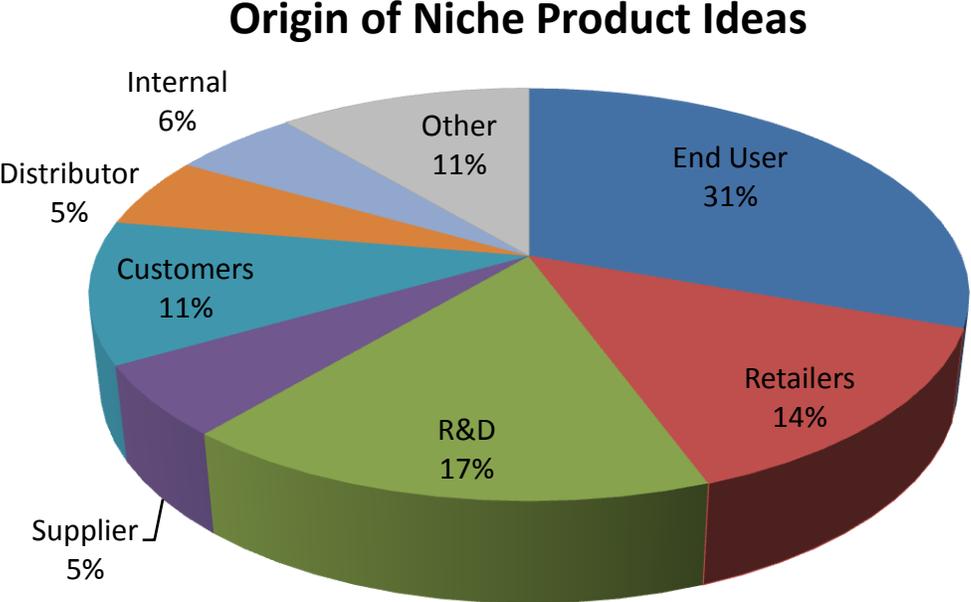


Figure 19: Percentage of Origin of Niche Product Ideas

Existing Demand

Question 15 in Table 18 identified what percentage of each product category that the respondents' company sold niche products in.

Table 18: Questionnaire Responses- Question 15

What product categories do you sell niche products in? (please check all that apply)		Response Percent	Response Count
a. Performance (Fabrics developed for active wear which provide functional qualities, such as moisture management, UV protection, anti-microbial, thermo-regulation, and wind/water resistance)		77.3%	17
b. Technical (Textile materials and products manufactured primarily for their technical performance and functional properties rather than their aesthetic or decorative characteristics. Some of the end-uses include, aerospace, industrial, marine, safety, transport textiles and geo textiles)		77.3%	17
c. Medical		45.5%	10
d. Military		50.0%	11
e. Other (please specify)			14
<i>answered question</i>			22
<i>skipped question</i>			6

Question 16 [Table 19] asked respondents how important they thought were the listed factors in why consumers purchased their niche products. It is noted that the respondents felt that Quality, Perceived Value, and Brand Image were the most important factors. Table 20 shows the respondents additional comments on the question.

Table 19: Questionnaire Responses- Question 16

How important are the following factors in why consumers purchase your niche products?						
	Not at all	Not very	Fairly	Considerably	Extremely	Response Count
a. Quality	0.0% (0)	0.0% (0)	3.6% (1)	39.3% (11)	57.1% (16)	28
b. Marketing Mix	7.1% (2)	7.1% (2)	17.9% (5)	64.3% (18)	3.6% (1)	28
c. Differentiation	0.0% (0)	7.1% (2)	14.3% (4)	50.0% (14)	28.6% (8)	28
d. Brand Image	0.0% (0)	11.1% (3)	22.2% (6)	29.6% (8)	37.0% (10)	27
e. Perceived Value	0.0% (0)	0.0% (0)	7.4% (2)	44.4% (12)	48.1% (13)	27
f. Other (please list if others)						8
<i>answered question</i>						28
<i>skipped question</i>						0

Table 20: Question 16 Other Responses

Other	
1.	The retail location plays a major role in the mind of the consumer in providing confidence.
2.	Fit (in clothing), and how they compare to other direct competitors in the market.
3.	Enhance lifestyle
4.	Barriers to entry, early entry, supply chain partners
5.	Services , and marketing tools to help our customers to better sell their products
6.	Innovation, Comfort, ease of use
7.	Customer service and support
8.	Bottom line price

Question 17 [Table 21] asked respondents how their company determined what the consumers’ reaction would be to a niche product before it was released into the market. The results showed that Consumer Testing was the most important factor. Table 22 shows the additional comments made by the respondents. Figure 21 confirms the results from Question 17 by identifying Consumer Testing as the most accurate factor in determining the consumers’

reaction to niche products.

Table 21: Questionnaire Responses- Question 17

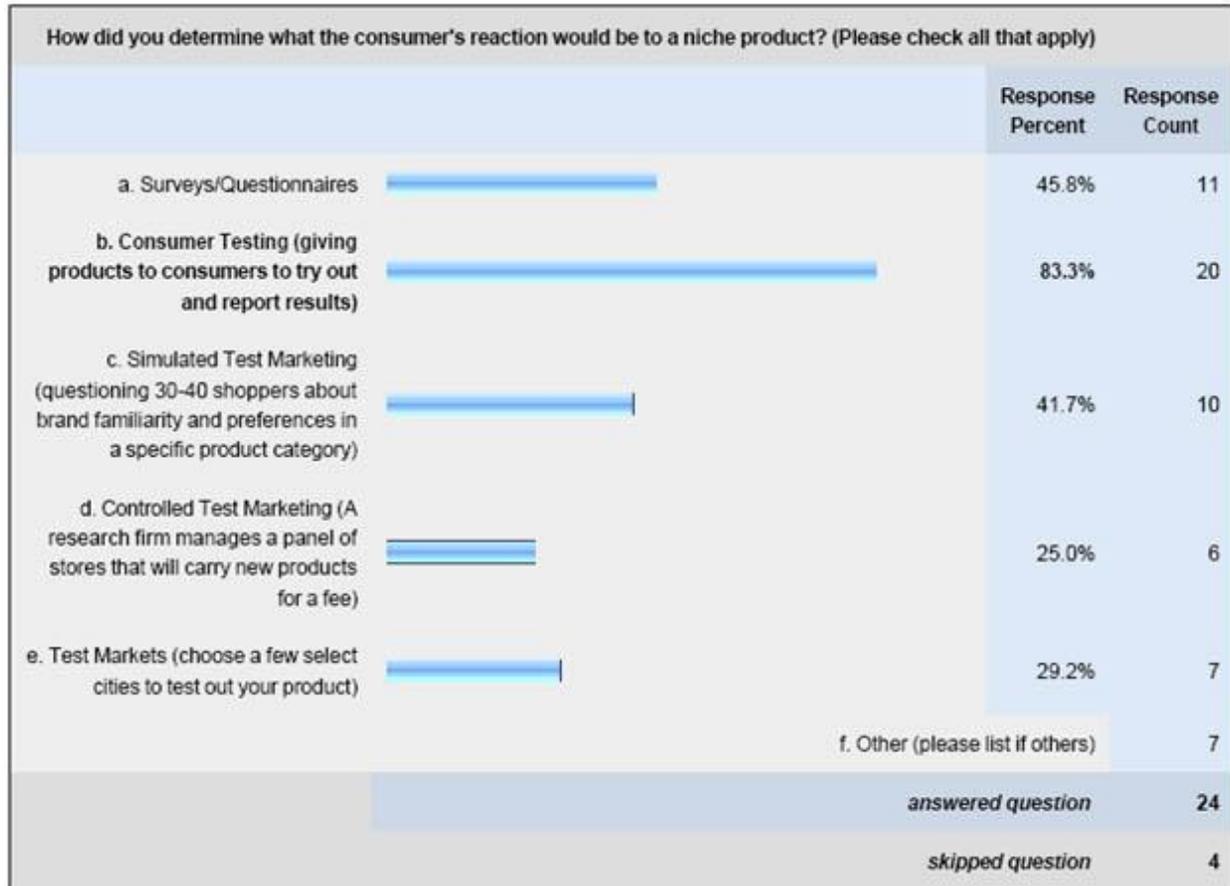


Table 22: Question 17 Other Responses

Other	
1.	Athlete Testing
2.	Trade shows, website response, PR Internet, supply chain feedback, end user involvement
3.	Test with retailers
4.	Common Sense and experience
5.	We really do none of these specific to a product as our entire brand is based on occupying a niche market. It's not like we're Nike and say we want to get into lacrosse, let's test it. We innovate on the assumption that the customer does not know what they want. We do use our athletes extensively in new product development.
6.	Focus groups
7.	Since we are at the bottom of the supply chain, it's more impacted on product sell through at retail and customer buy-in as well as volume growth

18. Which method from the previous question was the most accurate?

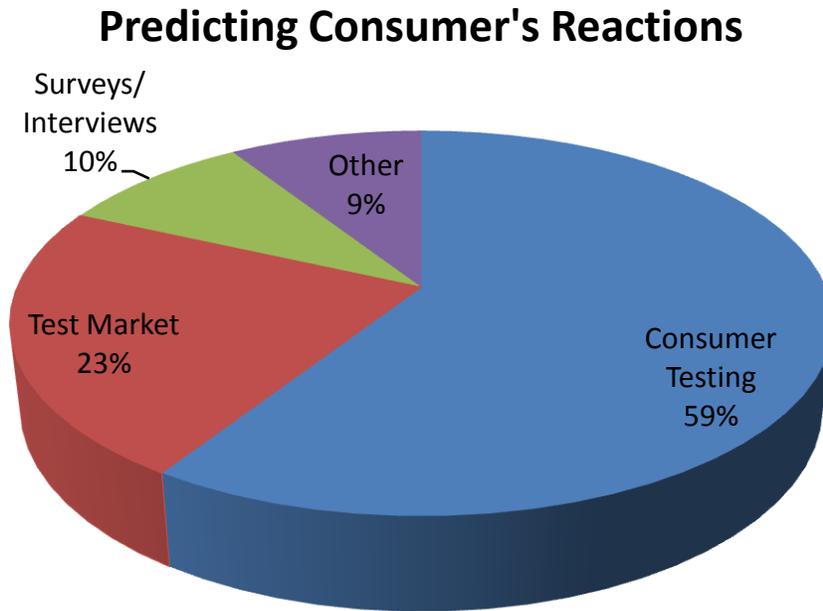


Figure 20: Most Accurate Methods for Predicting Consumer Reactions

Question 19 asked respondents to rank the factors in Figure 22 from 1 to 8 with 1 being the most important and 8 being the least important. It is noted that all of these factors are important but the purpose was to find out which one is the most important to companies. Please keep in mind that the lower the average score the higher and better the ranking was for that factor. The results show that customer interaction was considered the most important factor out of the 8 factors.

19. Please rank on a scale of 1 to 8 from most important to least important the following factors in maintaining the success of your niche products. Use each number one time with 1=most and 8=least.

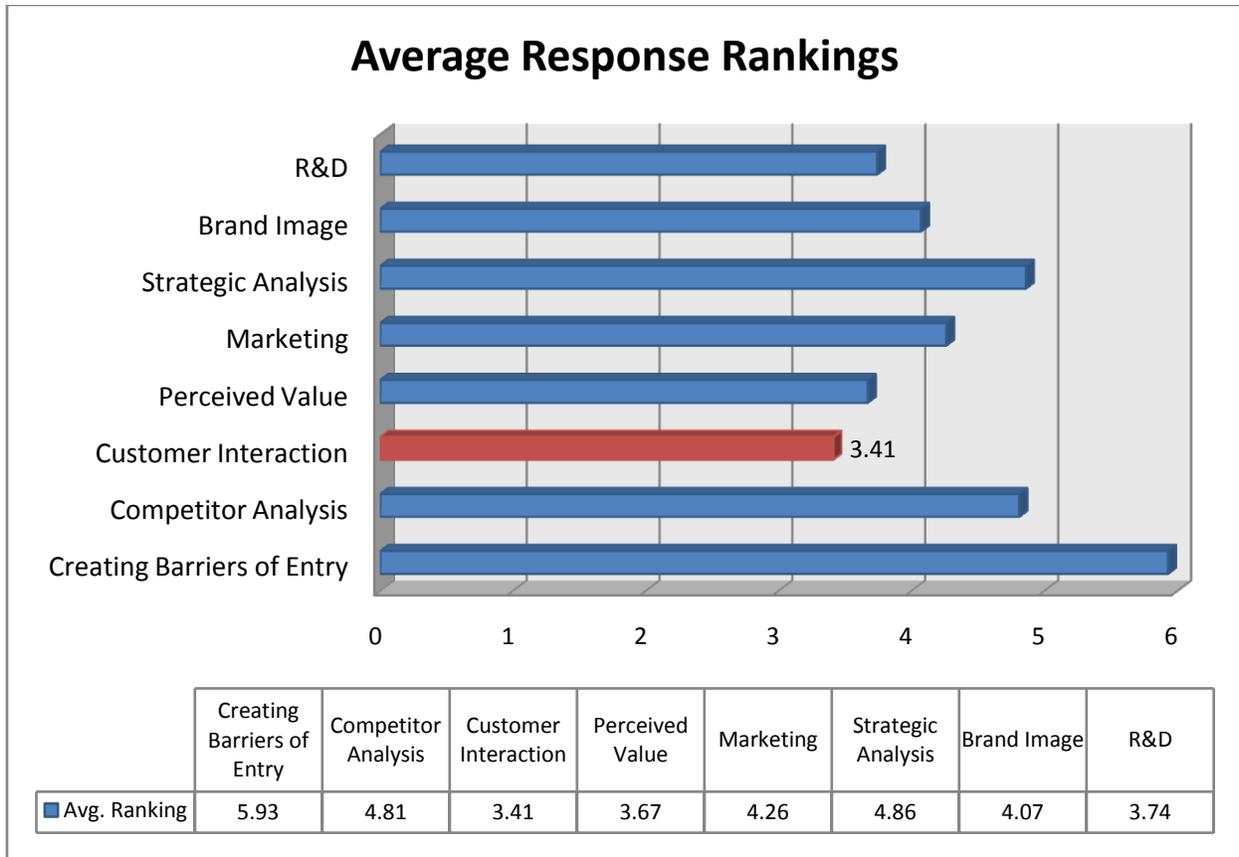


Figure 21: Questionnaire Responses- Question 19

Question 21 and 22 asked the respondents to pick out two niche products within their company and discuss how their company found the opportunity and how they added value to those products. Table 23 summarizes the results from Questions 21 and 22 from the respondents in how the opportunity came about and how they added value to those products.

20. Pick two niche products within your company. How did you discover the opportunity for each of these? What are some similarities and differences between the developments of each one?

21. How did your company add value to these two products?

Table 23: Examples of Ways to Add Value from Questionnaire

Ways of Adding Value
- Investing in communication and helping customers to communicate to the end user; enlarged market potential.
- Improving consistency of service provided by previous supplier.
- Improving quality.
- Combining technologies.
- Working closer with the end user.
- Finding new uses for existing core competencies.
- Partnership with supplier.
- Employees were end users of their products.
- Developed a customer service organization.
- Strategic partnership.
- Building a stronger brand name.
- Stronger customer relationship.
- Improving a lifestyle product by improving the aesthetic properties.
- Proprietary information.
- R&D allowing the ability to exploit more capabilities.
- Helping their customer improve their marketing which improved the customer's sales and improved their sales to their customer.
- Working with products that support global trends such as eco-friendly products.

The results listed in Table 23 match with ways companies can specialize identified by Kotler (1991). The following shows which of the responses in Table 23 match with the ways companies can specialize identified by Kotler (1991):

- Customer Service
- Product Feature
- Quality/Price
- Channel
- Service
- Product or Product Line
- End User Specialization

The responses in Table 23 also agree with Pavitt (1990) that companies can specialize by matching technology to the needs identified by their customers.

Question 22 asked respondents to identify which of the methods listed in Table 24 helped their company recognize *existing demand*. They were asked to check all that apply and then Question 23 asked them to rank the most important factors from 1 to 3 with 1 being the most important. Total Market Potential for analyzing the max amount of sales available in an industry had the highest percentage of responses as well as ranked as the most important. Table 25 shows the additional comments made by respondents for Question 22.

Table 24: Questionnaire Responses- Question 22

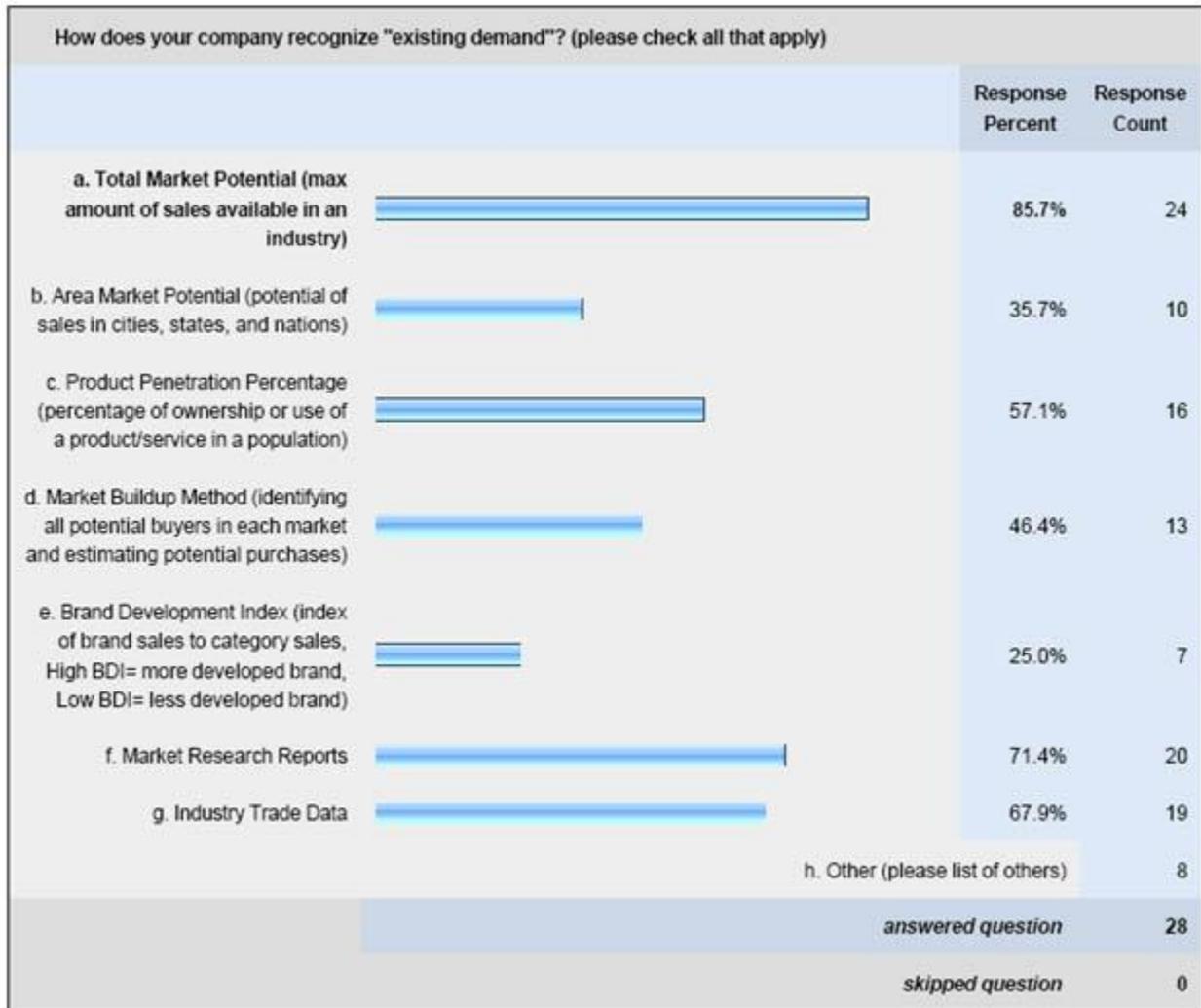


Table 25: Question 22 Other Responses

Other	
1.	Channel Market Potential (identifying particular channel - hunt/fish, men's boutique)
2.	Internal marketing, sales input, and research
3.	Customer visit reports and customer relation management software
4.	Competitive dynamics
5.	Market growth potential
6.	Competitive analysis
7.	Trends in safety regulations
8.	Product sales

Figure 23 shows the rankings that respondents gave to the listed factors. The graph shows the total number of times each factor was ranked one, two, or three as well as how many times the factor was ranked one, two, and three. Total Market Potential was ranked number one the most times and was recognized in the top three the most times overall.

23. Please rank the most important from 1 to 3. 1= most important.

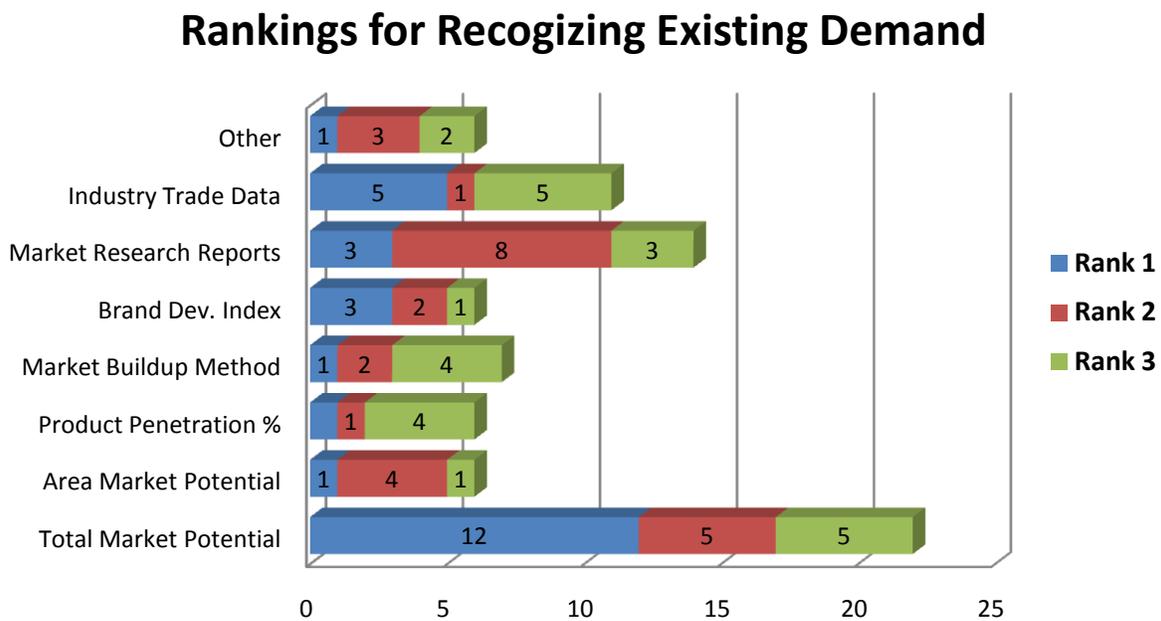


Figure 22: Questionnaire Responses- Question 23

Latent Demand

Question 24 asked respondents to identify which of the methods listed in Table 24 helped their company recognize *latent demand*. They were asked to check all that apply and then Question 25 asked them to rank the most important factors from 1 to 3 with 1 being the most important. Sales Force Opinions had the highest percentage of responses as well as ranked the most important. Table 27 shows the additional comments made by respondents for Question 24.

Table 26: Questionnaire Responses- Question 24

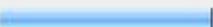
How does your company recognize "latent demand"? (please check all that apply)		Response Percent	Response Count
a. Macroeconomic Forecast		21.4%	6
b. Industry Forecast		57.1%	16
c. Company Sales Forecast		35.7%	10
d. Purchase Probability Scale (inquire into consumers' present and future personal finances and their expectations about the economy, estimate demand for certain purchases)		7.1%	2
e. Sales Force Opinions		78.6%	22
f. Expert Opinion		42.9%	12
g. Past Sales Analysis		50.0%	14
h. Market Test		35.7%	10
i. Other (please list if others)			4
<i>answered question</i>			28
<i>skipped question</i>			0

Table 27: Question 24 Other Responses

Other	
1.	Customer feedback on "wants"
2.	Identifying problems/needed solutions
3.	Intersection of existing markets created by new technologies
4.	Customer feedback, either direct or through a retailer, and marketing complaints or problems

Figure 24 shows the rankings that respondents gave to the listed factors. The graph shows the total number of times each factor was ranked one, two, or three as well as how many times the factor was ranked one, two, and three. Sales Force Opinions was ranked number one the most times and was recognized in the top three the most times overall.

25. Please rank the three most important from 1 to 3. 1= most important.

Rankings for Recognizing Latent Demand

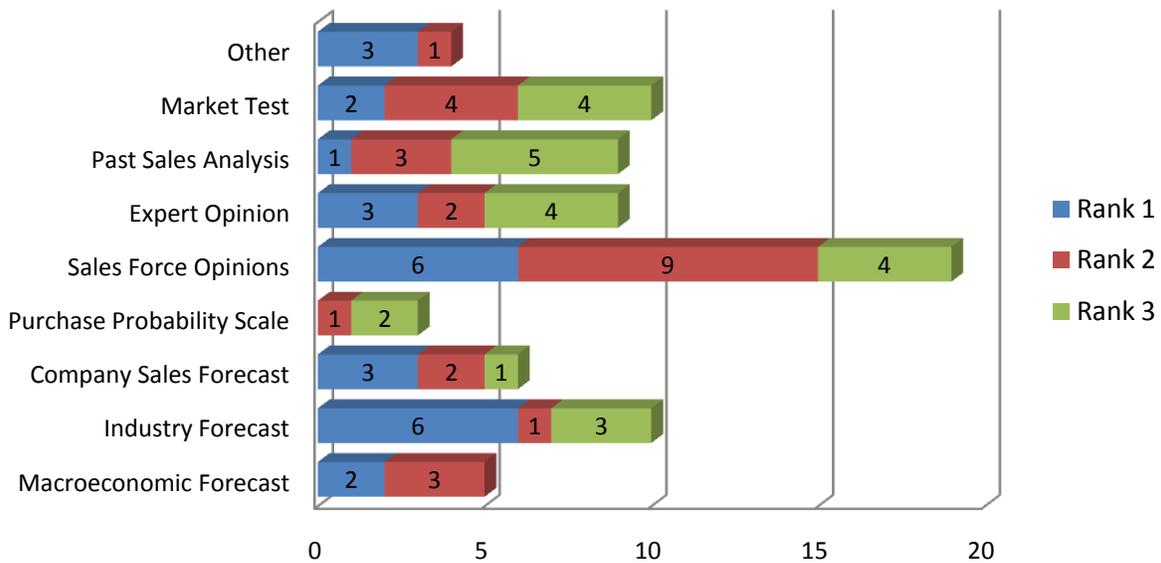


Figure 23: Questionnaire Responses- Question 25

Question 27 asked respondents to list which product categories fit into the niche group characteristics of Figure 6. The results in Table 28 does not show which products they listed but shows what percentage of respondents listed products in the corresponding niche group. The importance was not to see what product categories fit into each niche group but to see which groups respondents felt their company related to. This shows which of these groups were found to be the most significant. Question 28 then asked respondents to identify which of the groups had provided the most successful niche ideas. The results [Figure 25] showed that the Customer-Oriented group provided the most successful niche ideas and the Ultrafocused Nichers were the second most successful.

Table 28: Questionnaire Responses- Question 27

When looking at the previous figure, please list which niche product categories within your company fall into which group of niche marketers.		
		Response Percent Response Count
Ultrafocused Nichers		95.0% 19
Customer Oriented		80.0% 16
Vocal Local Nicher		30.0% 6
Ethnic Nichers		30.0% 6
Globally Oriented		75.0% 15
		<i>answered question</i> 20
		<i>skipped question</i> 8

28. Please put a star beside the niche group that your most successful niche products fall into.

Percentage of Most Successful Niche Groups

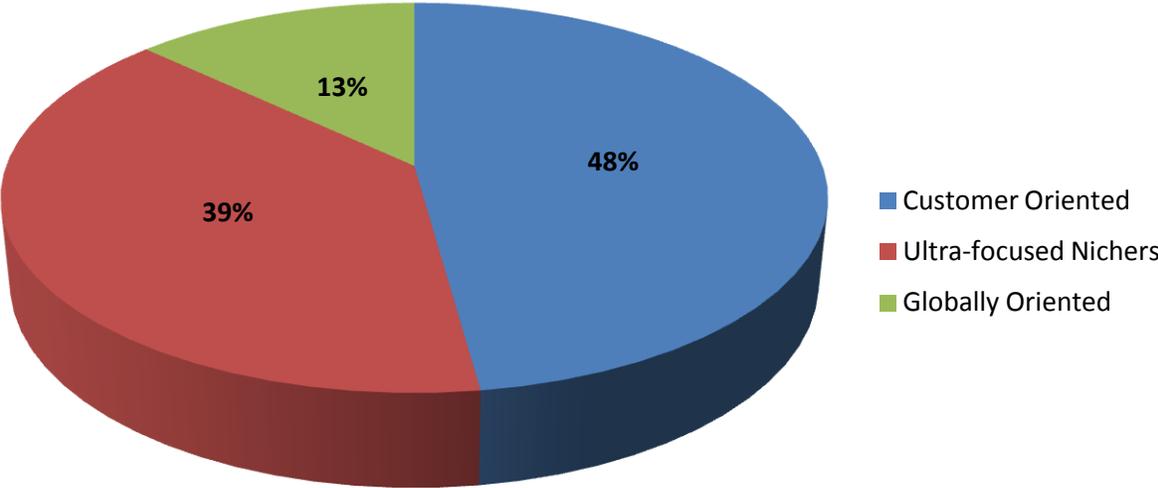


Figure 24: Questionnaire Responses- Question 28

RO 3 Results: Test the new methodologies with industry in order to determine effectiveness.

Phase 3

Key Findings:

- Methodologies described by Kotler and Keller (2006) were successful in analyzing existing and future demand.
- Respondents found the previous model (Allen, 2006) to be incorrect in today's market.
- Respondents noted that the Allen/Parrish (2006) niche model was difficult to follow.
- The niche model represented an evenness of a push and pull marketing strategy whereas results from this study showed there is a greater percentage of pull strategy involved.

The methodologies identified by Kotler and Keller (2006) were found to accurately analyze *existing* and *future* demand. The research showed that companies were using the various methods that Kotler and Keller (2006) describe and that those methodologies are successful in analyzing existing and future demand.

Model Testing

The previous niche model developed by Allen (2006) [Figure 10] was given to industry representatives and asked to provide feedback. Respondents commented that the model was busy and difficult to understand. They also stated that the model did not represent the current market anymore. The model focuses on an evenness of a push and pull marketing strategy whereas the results from research showed that there is currently a higher percentage of a pull strategy than push.

The model from Figure 26 was shown to a small convenience sample of industry representatives and they were asked to examine the effectiveness of the model. They said that the model did correctly represent the market and could adapt to the future. One respondent

stated that the model showed a good flow of information from generating an idea to developing it and then determining if there was a need for that niche product or service. Another respondent said that the second stage for product development could be skipped all together and outsourced to another company to perform. However, the decision to pursue the market or not would still have to be made. In addition, one respondent commented that there is not a clear step by step strategy to finding niche markets but the best way to identify niche markets is to use a combination of several components as shown in the model. The respondent also stated that the closer you can be to the market the more chances there are to discover niche opportunities. The respondent mentioned that it is more important to create a mindset for finding niche opportunities than to have a clear process in which the model does take that into effect by describing the characteristics necessary for the Strategic Innovation Group that is described.

RO 4 Results: Develop a procedural model that US textile and apparel companies can incorporate into their overall research and development process to identify niche markets and/or products directly related to their core competencies.

Phase 4

Based on the results of RO1, RO2, and RO3 the final procedural model was developed.

It is based on three main stages starting from Idea Generation to Product Development to the final Decision.

Structural Components

Three Stages:

1. Idea Generation
2. Product Development
3. Decision

Idea Generation:

- The Niche Strategy should be encompassed by its supply chain and based on the importance of communication.
- This step represents a supply chain where there is a free flow of information from the beginning of the supply chain to the end user and to the future customer.
- Step 1 represents an optimum setting for companies to identify opportunities to improve existing demand and discover new market opportunities.
- In order to consistently have opportunities to reach markets before competitors, companies should have a section of R&D whose role is a strategic innovation group. Their purpose is to go out into the market and see what opportunities are available and see what is possible in the marketplace. This strategic innovation group is represent by “*b” on the model.

Product Development:

- Step 2 represents a need for a niche product/service that has been identified in the marketplace whether it is existing or latent.

- The need is brought to R&D where it can be developed and tested in the marketplace.
- One section of R&D represents the manufacturing and development of the niche product or service. The other section represents the group of R&D who performs that market testing to ensure the needs of the consumer are fulfilled by the niche product/service that has been developed.
- Both sections work together to produce a niche product or service that fulfills the need identified in Step 1.

Decision

- Step 3 requires the company to decide if they want to drop the niche product/service or pursue the opportunity.

Summary of Model

In the idea generation stage of the niche model, communication is one of the most important factors. There needs to be an increased amount of communication throughout the entire supply chain. There are many opportunities available that companies can find throughout the supply chain. Within the supply chain for this model there is a section called “Future Customer.” This future customer stands for any addition to the supply chain in the future. It also represents any new business opportunity that could occur in the future. This was put into the model to give it adaptability into the future. Also, within this first stage there needs to be a group called a Strategic Development Group. The purpose of this group is to identify existing, latent, and future opportunities for the company. There are several factors and characteristics that this group needs to have.

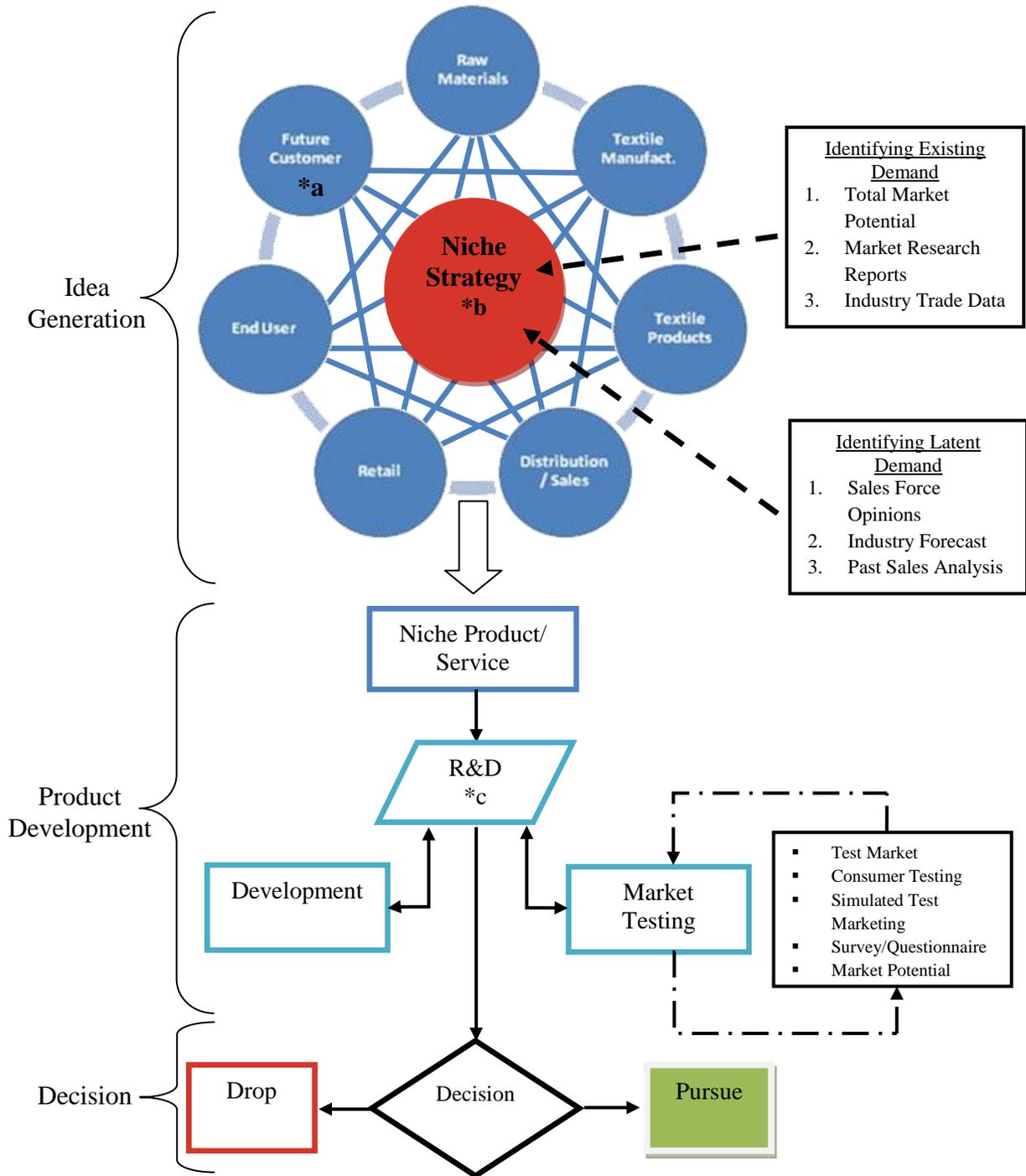
- Each member of the group needs to have the feeling of contribution and ownership to the group.
- The group needs to be fed an idea and given the freedom to explore that idea individually.

- A low pressure environment needs to be provided in order to prevent any bias.
- This also provides an optimum setting for brainstorming.
- Each member of the group needs to be intrinsically motivated.
 - They need to have a genuine interest in subject matter and want to learn more.
- The goal of this group is not only to identify trends but to identify those people who are highly connected, high involved, and willing to share information.

Once the niche product or service idea is generated it moves into the second stage, the R&D part of the company. This section is broken up into two separate groups. The first one is the actual development of the product or service and the second part of the market testing group. The niche product or service is developed and then the market testing group takes it to test it in the market to see if it matches what the consumer is looking for. The development group and market testing group work simultaneously together to improve the product to fit the needs of the consumer.

Once the niche product or idea is finalized it then moves into the third stage where the decision is made to drop the product or pursue the new market.

Feedback was given from industry after they looked at the model. They said that the second stage for product development could be skipped all together and outsourced to another company. If this occurs then the next step will still be to decide whether to drop or pursue the niche market.



*a- The future customer represents any addition to the supply chain or business opportunity in the future.
 *b- In order to consistently have opportunities to reach markets before competitors, companies should have a section of R&D whose role is a strategic innovation group. Their purpose is to go out into the market and see what opportunities are available and see what is possible in the marketplace.
 *c- One section of R&D represents the manufacturing and development of the niche product or service. The other section represents the group of R&D who performs that market testing to ensure the needs of the consumer are fulfilled by the niche product/service that has been developed.

Figure 25: Stiver Niche Marketing Model for Identifying Existing and Latent Demand

CHAPTER V

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Summary

The purpose of this research was to examine the research methodologies successful niche marketing companies use to identify potential niche markets and latent demand. By researching the methodologies used by US textile and apparel firms with successful niche strategies in addition to methodologies for accessing latent demand, it was possible to create a business strategy formulation that will provide US companies with the means to not only identify potential niche markets, but also to assess market potential. Identification of latent markets that competitors have not yet identified will provide US textile and apparel firms a means to compete through differentiation.

In order to answer the following research questions, the study contained two components: The analysis of methodologies for discovering niche markets and products and the analysis of methodologies for uncovering latent demand.

1. How do firms know which potential niche markets match their core competencies?
2. What if demand for the market is latent, meaning they have not yet vocalized a need for a particular product?
 - How is consumer demand currently communicated?
 - How do companies determine consumers' reactions to product not yet developed?
 - How do companies identify a need of which a consumer may not be aware?

Using exploratory research such as trade journals, trade shows, previous research, and industry personnel helped to identify firms with successful niche markets. These companies

were explored to examine the research methodologies they used to discover the successful niche markets. A questionnaire was developed to further examine respondents from these companies. This questionnaire aided in answering the research questions of this study. Through data collection and industry interviews the research methodologies were identified and a procedural model was developed. The model was given back to a small convenience sample in order to determine the effectiveness of the methodologies that were identified. Feedback was given on the new model for identifying existing and latent demand opportunities from the sample in Phase III and the model was structured so that US textile and apparel companies can incorporate it into their overall research and development process to identify niche markets and/or products directly related to their core competencies.

Summary of Results

Through data collection from the questionnaire and interviews with industry personnel, the methodologies that lead companies to find niche market opportunities were discovered. Respondents made it clear that communication played an important role in discovering those opportunities. Using research and development along with communicating with end user of products were identified as the most important factors for discovering niche ideas. Overall, there was not a step by step guide that every company used in order to find these opportunities. It was the opportunity to communicate with others at different parts of the supply chain and just being aware of what is going on in the industry that pointed out niche opportunities. Also, by working with their customers they were able to understand their needs and work with them to provide solutions. Companies have been able to identify those niche ideas and develop strategic relationships and partnerships that have led to successful products.

RO1: Using previous research which has identified firms with successful niche markets and examine the research methodologies those firms used when discovering them.

Through the communication channels of trade journals, trade shows, previous research, and industry personnel firms with successful niche markets were examined. Successful companies were identified through these channels and a sample was chosen based on the trends identified by Plunkett Research and Standard and Poor's. The sample chosen contained companies that produced goods in the performance, technical, medical, and military textile markets. The sample also included several companies outside of the textile industry in order to see if their methodologies could be transferred into the textile industry. Through this exploratory research stage, those trends identified were confirmed as the communication channels identified trends in sustainability, environmentally friendly, smart fabrics, e-textiles, and advancements in performance and technical aspects of fabrics while maintaining the aesthetic properties wanted by consumers.

The results from this research study show that textile companies can gain a competitive advantage through niche markets by using Porter's Generic Strategies (Porter, 1985). By using a niche market strategy they will be able to have clear objectives and strategies which will help them avoid the "stuck in the middle" strategy Porter (1985) describes as one that companies should avoid. There are also opportunities for textile firms to compete by using the 2 types of niche market strategies of a Top-Down and Bottom-Up approaches (Dalgic T. , 2006). One example of a Top-Down approach for textile companies is to carve out a niche from an existing market by adding value to an existing product. This type of approach provides the most opportunity currently in the textile market as the results from the questionnaire showed that companies are more interesting in improving established markets than entering new markets.

This also correlates with the second type of latent demand opportunity with adding value to existing products. In addition, the research showed that it is necessary for companies to use a combination of the 12 Niche Market Guidelines stated by Linneman & Stanton (1991). Also, the niche market groups described by Dalgic (2006) will provide textile companies with important characteristics they should consider when using a niche market approach. It was found that textile companies related well with the Customer-Oriented and Ultrafocused Nicher groups. Lastly, companies within the textile industry have opportunities with all three types of latent demand described and Earl and Potts (2000) especially the second type by adding value to existing products.

RO2: Formulate comprehensive analysis methods for estimating existing and latent consumer demand.

From the results of the questionnaire analysis and interview results, contributing factors to successful niche market opportunities through existing and latent demand were identified. Overall, respondents identified quality, perceived value, and brand image as the most important factors contributing to why consumers purchased their products. They also recognized consumer testing as the best method for predicting consumers' reactions to products not yet released. One trend that was consistently mentioned was the importance of customer interaction in the ability to identify niche opportunities and maintain the success of them.

Respondents from the research study recognized the following methods as the most successful for estimating existing demand:

- **Total Market Potential:** maximum amount of sales that might be available to all the firms in an industry during a given period, under a given level of industry marketing effort and environmental conditions

- **Market Research Reports**
- **Industry Trade Data**

Respondents from the research study recognized the following methods as the most successful for estimating latent demand:

- **Sales Force Opinions**
- **Industry Forecasts**
- **Past Sales Analysis**

In addition to the previous methods, respondents stressed the importance of communication in finding successful niche opportunities. Many respondents said that niche opportunities can be identified but may not be pursued. It is not necessary to pursue every niche opportunity that comes your way, but it is important to look into the possibility of it and seeing if it matches with the core competencies of your company. In addition to communication, it is necessary to work together with others within your supply chain by creating strategic alliances or strong relationships. Also, the end user can provide some of the best niche opportunities and it important work closely with the end user to fully understand their needs. Lastly, the research showed several types of niche groups to the respondents and had them identify which niche group had provided the most successful niche idea. The group that was identified as the most successful was the Customer-Oriented group.

The characteristics of this group include:

- As customers change, they change
- Compete on value through quality, technology, and product design
- Tailor products to meet customer requirements
- Rich diversity or management, product, and process skills

If you are able to understand your customer so well and better than your competitors then you will be able to anticipate their needs. This can lead to long-term relationships providing many opportunities to earn high margin returns.

RO3: Test the new methodologies with industry in order to determine effectiveness.

The research study found that previous niche models no longer represented the current market and there wasn't currently a step-by-step guide for identifying niche market opportunities.

Feedback on the methodologies showed that there are several important factors to think about and was taken into account when the new model was developed. The model needed:

- To be easy to follow and have good flow.
- To be adaptable for the future.
- To identify the mindset necessary for discovering new opportunities.
- Provide the most important factors and components for measuring, identifying, and assessing new opportunities.

All of these factors were taken into account and are represented within the model that was developed [Figure 26].

RO4: Develop a procedural model that US textile and apparel companies can incorporate into their overall research and development process to identify niche markets and/or products directly related to their core competencies.

The procedural model was developed based on the results of data collection from RO1, RO2, and focused on the feedback given from industry representatives on new methodologies for discovering existing and latent demand opportunities in RO3. The model was found to have a good flow of information and that it can aid in identifying niche market opportunities. Please see Figure 26 in Chapter IV.

Conclusions

1. A mixed-methods approach was very helpful for this research study because it enabled the ability to cross-validate quantitative and qualitative data to compare the results.
2. Using a concurrent-triangulation strategy worked very well with a mixed-methods approach by using a combination of quantitative and qualitative data.
3. Previous research was useful in identifying firms with successful niche markets and examining the research methodologies they used.
4. There are many opportunities to find niche markets for US textile companies.
5. Using a niche strategy will help companies avoid “stuck in the middle.”
6. Opportunities exist using a Top Down and a Bottom Up approach.
7. It is necessary to use a combination of the 12 Niche Market Guideline Strategies (Company, Customers, Competitors)
8. Ultra-Focused and Customer-Oriented niche groups provide great guidelines for implementing a niche strategy.
9. There is a need for increased communication within the textile supply chain in order to increase the awareness for new opportunities.
10. The findings from RO2 were verified by the sample in RO3.
11. Opportunities exist for all 3 types of Latent Demand.
 - a. Lack of Alertness
 - b. Products currently exist on the market with the potential to be combined with value-added features.
 - c. Replacement or replenishment of a product
12. Value added to existing products provides greatest opportunity in the current market.
13. Latent demand opportunities are more difficult to recognize, however, by being strongly involved in industry activity opportunities to identify them will be there.
14. Important measurements to identify existing demand.
 - a. Total Market Potential
 - b. Market Research Reports
 - c. Industry Trade Data

15. Important measurements to identify latent demand.
 - a. Sales Force Opinions
 - b. Industry Forecasts
 - c. Past Sales Analysis
16. Market Testing along with strong communication with customers and end users are key factors for developing niche markets.
17. Stiver Niche Model for Identifying Existing/Latent Demand
 - a. The model provides a great flow of information through the development of an idea, to product development, and assessing to see if the market is worth pursuing.
18. Future for Textile Industry
 - a. Identifying existing and latent demand opportunities can aid to compete against foreign competition.
19. The success of the study was due to the strength of the sample. What made the sample strong:
 - a) The methodology used to select and validate the sample.
 - b) The sample represented leading companies in various segments and niches.
 - c) The openness of the respondents to share information.
 - d) The array of areas of expertise of the respondents.

Limitations

1. This research was focused only a few product categories: performance, technical, military, and medical. While these product categories are important to the United States textile industry, results cannot be generalized to other product categories.
2. A sample of companies was used in this study, rather than the entire population. With a non-probability convenience sample, results cannot be generalized to the entire population.

3. Though the sample for this study was strong, the results are limited due to the size of the sample. Because this research was limited, results may not be able to be generalized to the whole of the US textile and apparel industries.
4. Respondent bias may have been present, due to the willingness of the respondents to disclose certain data.

Recommendations

Methodology

- It is important for research topics similar to this one to use a mixed-methods and concurrent triangulation strategy.
- Exploratory research by using trade journals, attending trade shows, using previous research, and working with industry personnel are extremely important in providing valid information.
- The attendance of trade shows provides a great opportunity to meet industry personnel and find new trends within industry. Trade shows also provide great opportunities to attend seminars that are focused on future opportunities within industry.
- The development of an extensive methodology is necessary in order to answer the research objectives effectively.

Future Research

- Future studies could take this research through the next step by looking at how to effectively integrate existing and latent demand opportunities into the actual marketplace.
- Future studies could take this study to next level by looking into ways of objectively predicting future trends with the aid of a computer software program.
- Future studies could examine into how companies in foreign markets (ex. Europe) identify existing and latent demand opportunities.

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Appendix A: Questionnaire

Niche Marketing Questionnaire

Niche Marketing - involves value added specialist goods or services with relatively few or no competitors.

For each question below, circle the number to the right
that best fits your opinion on the importance of the issue.

Please answer the following indicating the importance to your company:	Scale of Importance				
	Not at all	Not very	Fairly	Considerably	Extremely
1. Market research?	1	2	3	4	5
2. Customer interviews?	1	2	3	4	5
3. Interaction with your retailers?	1	2	3	4	5
4. Interaction with your suppliers?	1	2	3	4	5
5. Analysis of competition?	1	2	3	4	5
6. Innovation?	1	2	3	4	5
7. Research and development?	1	2	3	4	5
8. Creating strategic alliances	1	2	3	4	5
9. Entering new markets?	1	2	3	4	5
10. Improving established markets within your company?	1	2	3	4	5

Niche Marketing

11. On a scale of 1-5 with 1= poor and 5= excellent, what effect has niche marketing had on your company?

a. Market Share (circle one)

1 2 3 4 5
 Poorly Unsatisfactory None Good Excellent

b. Profits (circle one)

1 2 3 4 5
 Poorly Unsatisfactory None Good Excellent

12. How does your company discover niche market ideas? (circle all that apply)

- a. End User
- b. Supplier
- c. Buyer
- d. Retailer
- e. Research Development Team
- f. Other (Please list if other) _____

13. Which one of the above has provided the most successful niche ideas?

14. About what percentage of your resources do you allocate into Research and Development and new ideas?

15. What product categories do you sell niche products in? (circle all that apply)

- a. **Performance** (Fabrics developed for active wear which provide functional qualities, such as moisture management, UV protection, anti-microbial, thermo-regulation, and wind/water resistance)
- b. **Technical** (Textile materials and products manufactured primarily for their technical performance and functional properties rather than their aesthetic or decorative characteristics. Some of the end-uses include, aerospace, industrial, marine, safety, transport textiles and geo textiles)
- c. **Medical**
- d. **Military**
- e. **Other** (Please list if other) _____

16. How important are the following factors in why consumers purchase your niche products?

	Not at all	Not very	Fairly	Considerably	Extremely
a. Quality	1	2	3	4	5
b. Marketing Mix	1	2	3	4	5
c. Differentiation	1	2	3	4	5
d. Brand Image	1	2	3	4	5
e. Perceived Value	1	2	3	4	5
f. Other (Please list if others)	_____				

17. How did you determine what the consumer's reaction would be to a niche product? (Circle all that apply)

- a. **Surveys/Questionnaires**
- b. **Consumer Testing** (giving products to consumers to try out and report results)
- c. **Simulated Test Marketing** (questioning 30-40 shoppers about brand familiarity and preferences in a specific product category)
- d. **Controlled Test Marketing** (A research firm manages a panel of stores that will carry new products for a fee)
- e. **Test Markets** (choose a few select cities to test out your product)
- f. **Other** _____

18. Which method from the previous question was the most accurate?

19. Please rank on a scale of 1 to 8 from most important to least important the following factors in maintaining the success of your niche products. Use each number one time with 1= most and 8= least.

- a. Creating Barriers of Entry _____
- b. Competitor Analysis _____
- c. Customer Interaction _____
- d. Perceived Value _____
- e. Marketing _____
- f. Strategic Alliances _____
- g. Brand Image _____
- h. Research and Development _____

20. Pick two niche products within your company. How did you discover the opportunity for each of these? What are some similarities and differences between the developments of each one?

21. How did your company add value to these two products?

Existing Demand

22. How does your company recognize *existing* demand? (please circle all that apply)

- a. **Total Market Potential** (max amount of sales available in an industry)
- b. **Area Market Potential** (potential of sales in cities, states, and nations)
- c. **Product Penetration Percentage** (percentage of ownership or use of a product/service in a population)
- d. **Market Buildup Method** (identifying all potential buyers in each market and estimating potential purchases)
- e. **Brand Development Index** (index of brand sales to category sales, High BDI= more developed brand, Low BDI= less developed brand)
- f. **Market Research Reports**
- g. **Industry Trade Data**
- h. **Other** _____

23. Please rank the three most important from 1 to 3. 1= most important

- 1. _____
- 2. _____
- 3. _____

Latent Demand (when consumers have a need that is not satisfied by any product currently on the market)

24. How does your company recognize *latent* demand? (please circle all that apply)

- a. **Macroeconomic Forecast**
- b. **Industry Forecast**
- c. **Company Sales Forecast**
- d. **Purchase Probability Scale** (inquire into consumers' present and future personal finances and their expectations about the economy, estimate demand for certain purchases)
- e. **Sales Force Opinions**
- f. **Expert Opinion**
- g. **Past Sales Analysis**
- h. **Market Test**
- i. **Other** _____

25. Please rank the three most important from 1 to 3. 1= most important

- 1. _____
- 2. _____
- 3. _____

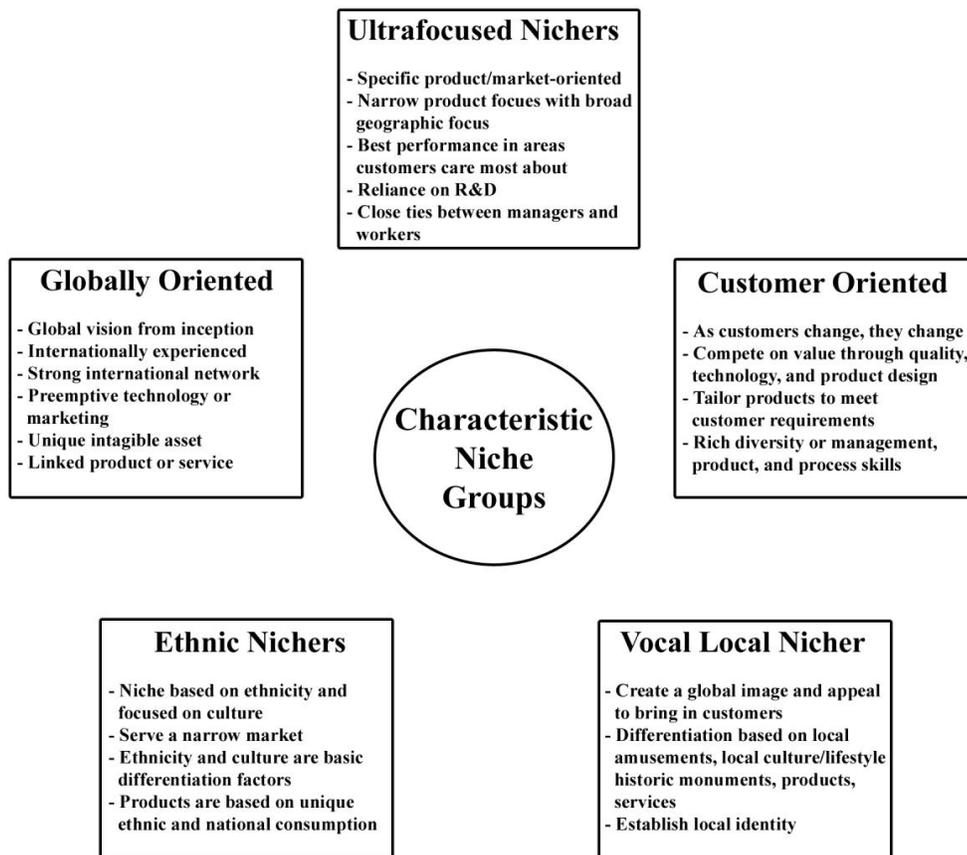
26. From the two products you picked earlier, was the demand existing or latent for each product?

Niche Market Group Identification

27. When looking at Figure 1 below, please list which niche product categories within your company fall into which group of niche marketers?

28. Please put a star beside the niche group that your most successful niche products fall into.

Figure 1. Characteristics of Niche Groups



Source: Adapted from Dalgic, T. (2006). *Handbook of niche marketing: principles and practice*. Binghamton, NY: The Haworth Press, Inc..

Appendix B: Initial Contact Letter

Mark Stiver
2418 College of Textiles
Raleigh, NC 27695-8301
January 28, 2008

[**Recipient Name**]
[**Title**]
[**Company Name**]
[**Street Address**]
[**City, ST ZIP Code**]

Dear [**Recipient Name**]:

I am contacting you regarding my research study. My study focuses on companies who are offering value added specialist goods that have very few or no competitors. My study is looking to discover how companies are identifying a demand for a product that has not yet identified by the consumer. Your company has been selected because we feel your company has been successful in identifying this need. Your participation in this study is voluntary and any information given will be kept in confidentiality.

I will be conducting interviews until March 15 of this year. I would like to set up a time to meet with members of your company who are involved in marketing and/or research and development. If an on-site visit is not possible, I would like to arrange a conference call when convenient. The questionnaire that will be used to administer the interview is attached for your review. I will follow-up with you via email or by phone to discuss a possible meeting time.

Your cooperation is greatly appreciated. If you have any questions concerning the studies, please contact me via email at the address below.

Sincerely,



Mark Stiver
Graduate Student
NCSU/ITT
mestiver@ncsu.edu

Enclosure

Appendix C: IRB Submission Form

**North Carolina State University
Institutional Review Board for the Use of Human Subjects in Research
GUIDELINES FOR A PROPOSAL NARRATIVE**

In your narrative, address each of the topics outlined below. Every application for IRB review must contain a proposal narrative, and failure to follow these directions will result in delays in reviewing/processing the protocol.

A. INTRODUCTION

1. Briefly describe in lay language the purpose of the proposed research and why it is important.

United States (US) textile and apparel firms have traditionally competed on a cost basis due to the nature of the industry. However, because of the trade liberalization currently taking place in the global textile and apparel industry, these firms are now looking for ways to differentiate themselves from other low cost producers. One way in which they are doing this is by focusing on specialized markets, also known as *niche markets*.

The purpose of this research is to examine the research methodologies successful niche marketing companies use to identify potential niche markets and latent demand. By researching the methodologies used by US textile and apparel firms with successful niche strategies in addition to methodologies for accessing latent demand, it will be possible to create a business strategy formulation that will provide US companies with the means to not only identify potential niche markets, but also to assess market potential. Identification of latent markets that competitors have not yet identified will provide US textile and apparel firms a means to compete through differentiation.

2. If student research, indicate whether for a course, thesis, dissertation, or independent research.
Thesis

B. SUBJECT POPULATION

1. How many subjects will be involved in the research? 20-30
2. Describe how subjects will be recruited. Please provide the IRB with any recruitment materials that will be used.
Subjects will be contacted through email with a cover letter and asked to be interviewed in person. If the subject is unable to meet in person, then they will be emailed a copy of the questionnaire and the interview will be conducted through the phone.
3. List specific eligibility requirements for subjects (or describe screening procedures), including those criteria that would exclude otherwise acceptable subjects.
The requirements for the subjects are those who work for companies that offer niche products.
4. Explain any sampling procedure that might exclude specific populations.
none
5. Disclose any relationship between researcher and subjects - such as, teacher/student; employer/employee.
none
6. Check any vulnerable populations included in study: none

minors (under age 18) - if so, have you included a line on the consent form for the parent/guardian signature
fetuses
pregnant women
persons with mental, psychiatric or emotional disabilities

persons with physical disabilities
economically or educationally disadvantaged
prisoners
elderly
students from a class taught by principal investigator
other vulnerable population.

If any of the above are used, state the necessity for doing so. Please indicate the approximate age range of the minors to be involved.

C. PROCEDURES TO BE FOLLOWED

1. In lay language, describe completely all procedures to be followed during the course of the experimentation. Provide sufficient detail so that the Committee is able to assess potential risks to human subjects.

The participants that will be contacted will be those who I have already met in person at trade shows. Participants will be contacted through email with a copy of the cover letter and a copy of the questionnaire. They will be asked to participate in an interview either in person or through the telephone if a personal interview is not possible. A date and time will be set up for the interview. The questionnaire will be used to facilitate the course of experimentation.

2. How much time will be required of each subject?
45-60 min

D. POTENTIAL RISKS

1. State the potential risks (physical, psychological, financial, social, legal or other) connected with the proposed procedures and explain the steps taken to minimize these risks.
Respondents will not disclose any confidential company information for the interview. A confidentiality agreement will be signed for each interview. Also, any company or participant will not be recognized by name in the thesis. They will be represented as Company A, B, C, etc. or Company A Executive.
2. Will there be a request for information which subjects might consider to be personal or sensitive (e.g. private behavior, economic status, sexual issues, religious beliefs, or other matters that if made public might impair their self-esteem or reputation or could reasonably place the subjects at risk of criminal or civil liability)?

No

- a. If yes, please describe and explain the steps taken to minimize these risks.

3. Could any of the study procedures produce stress or anxiety, or be considered offensive, threatening, or degrading? If yes, please describe why they are important and what arrangements have been made for handling an emotional reaction from the subject.

No

4. How will data be recorded and stored?

The data will be recorded on the questionnaire.

- a. How will identifiers be used in study notes and other materials?

Identifiers will be referenced to by their code name whether it be Company A or Company A Executive.

- b. How will reports will be written, in aggregate terms, or will individual responses be described?

Individual responses will be described by being coded as mentioned above.

5. If audio or videotaping is done how will the tapes be stored and how/when will the tapes be destroyed at the conclusion of the study.

None

6. Is there any deception of the human subjects involved in this study? If yes, please describe why it is necessary and describe the debriefing procedures that have been arranged.
No

E. POTENTIAL BENEFITS

This does not include any form of compensation for participation.

1. What, if any, direct benefit is to be gained by the subject? If no direct benefit is expected, but indirect benefit may be expected (knowledge may be gained that could help others), please explain.
There are no direct benefits to be gained by the subjects. There could be indirect benefits such as improved economic performance for those who utilize the information gathered from this research.

F. COMPENSATION

1. Explain compensation provisions if the subject withdraws prior to completion of the study.
No compensation will be given to the subjects involved in this study.
2. If class credit will be given, list the amount and alternative ways to earn the same amount of credit.

G. COLLABORATORS

1. If you anticipate that additional investigators (other than those named on **Cover Page**) may be involved in this research, list them here indicating their institution, department and phone number.
2. Will anyone besides the PI or the research team have access to the data (including completed surveys) from the moment they are collected until they are destroyed
No

H. ADDITIONAL INFORMATION

1. If a questionnaire, survey or interview instrument is to be used, attach a copy to this proposal.
2. Attach a copy of the informed consent form to this proposal.
3. Please provide any additional materials that may aid the IRB in making its decision.

Appendix D: IRB Consent Form

**North Carolina State University
Institutional Review Board For The Use of Human Subjects in Research**

GUIDELINES FOR PREPARATION OF INFORMED CONSENT FORM

An **Informed Consent Statement** has two purposes: (1) to provide adequate information to potential research subjects to make an informed choice as to their participation in a study, and (2) to document their decision to participate. In order to make an informed choice, potential subjects must understand the study, how they are involved in the study, what sort of risks it poses to them and who they can contact if a problem arises (see informed consent checklist for a full listing of required elements of consent). Please note that **the language used to describe these factors must be understandable to all potential subjects, which typically means an eighth grade reading level**. The informed consent form is to be read and signed by each subject who participates in the study **before** they begin participation in the study. A duplicate copy is to be provided to each subject.

If subjects are **minors (i.e. any subject under the age of 18)** use the following guidelines for obtaining consent:

0-5 years old – requires signature of parent(s)/guardian/legal representative

6 – 10 years old - requires signature of parent(s)/guardian/legal representative and verbal assent from the minor. In this case a minor assent script should be prepared and submitted along with a parental consent form.

11 - 17 years old - requires signature of both minor and parent/guardian/legal representative

If the subject or legal representative is *unable to read and/or understand the written consent form*, it must be verbally presented in an understandable manner and witnessed (with signature of witness). If there is a good chance that your intended subjects will not be able to read and/or understand a written consent form, please contact the IRB office (919-515-4514) for further instructions.

*For your convenience, attached find a sample consent form template that contains necessary information. In generating a form for a specific project, the principal investigator should complete the underlined areas of the form and replicate all of the text that is not underlined, except for the compensation section where you should select the appropriate text to be used out of several different scenarios.

North Carolina State University
INFORMED CONSENT FORM for RESEARCH

Title of Study: Niche Market Research Strategies Focused on the Identification of Latent Demand Opportunities

Principal Investigator: Mark Stiver

Faculty Sponsor (if applicable): Dr. Nancy Cassill

What are some general things you should know about research studies?

You are being asked to take part in a research study. Your participation in this study is voluntary. You have the right to be a part of this study, to choose not to participate or to stop participating at any time. The purpose of research studies is to gain a better understanding of a certain topic or issue. You are not guaranteed any personal benefits from being in a study. Research studies also may pose risks to those that participate. In this consent form you will find specific details about the research in which you are being asked to participate in. If you do not understand something in this form it is your right to ask the researcher for clarification or more information. A copy of this consent form will be provided to you. If at any time you have questions about your participation, do not hesitate to contact the researcher(s) named above.

What is the purpose of this study?

The purpose of this research is to examine the research methodologies successful niche marketing companies use to identify potential niche markets and latent demand. By researching the methodologies used by US textile and apparel firms with successful niche strategies in addition to methodologies for accessing latent demand, it will be possible to create a business strategy formulation that will provide US companies with the means to not only identify potential niche markets, but also to assess market potential.

What will happen if you take part in the study?

If you agree to participate in this study, you will be asked to be interviewed in person or interviewed over the phone. A questionnaire will be used to facilitate each interview. Each interview should take between 45-60 minutes. The research will take place where the interviewee can be interviewed or it will take place over the phone.

Risks

Respondents will not disclose any confidential company information for the interview. A confidentiality agreement will be signed for each interview. Also, any company or participant will not be recognized by name in the thesis. They will be represented as Company A, B, C, etc. or Company A Executive.

Benefits

The benefit of this research is that it will provide information that can be used by the US textile and apparel industries as a strategy for increasing economic competitiveness through the identification of potentially successful niche markets.

Confidentiality

The information in the study records will be kept strictly confidential. Data will be stored securely in coded form. No reference will be made in oral or written reports which could link you to the study.

Compensation

For participating in this study you will not receive anything for participating.

What if you have questions about this study?

If you have questions at any time about the study or the procedures, you may contact the researcher, Mark Stiver, at 2418 College of Textiles, Raleigh, NC 27695-8301, or at (919) 830-5028.

What if you have questions about your rights as a research participant?

If you feel you have not been treated according to the descriptions in this form, or your rights as a participant in research have been violated during the course of this project, you may contact Dr. David Kaber, Chair of the NCSU IRB for the Use of Human Subjects in Research Committee, Box 7514, NCSU Campus (919/515-3086) or Mr.

Matthew Ronning, Assistant Vice Chancellor, Research Administration, Box 7514, NCSU Campus (919/513-2148)

Consent To Participate

“I have read and understand the above information. I have received a copy of this form. I agree to participate in this study with the understanding that I may withdraw at any time.”

Subject's signature _____ **Date** _____
Investigator's signature _____ **Date** _____

Appendix E: IRB Exemption Letter

North Carolina State University is a land-
grant university and a constituent institution
of The University of North Carolina

**Office of Research
and Graduate Studies**

Sponsored Programs and
Regulatory Compliance
Campus Box 7514
2701 Sullivan Drive
Raleigh, NC 27695-7514
919.515.2444
919.515.7721 (fax)

From: Joseph Rabiega, IRB Coordinator
North Carolina State University
Institutional Review Board

Date: February 20, 2008

Project Title: Niche Market Research Strategies Focusing on the Identification of Latent
Demand Opportunities

IRB#: 69-08-02

Dear Mr. Stiver:

The research proposal named above has received administrative review and has been approved as exempt from the policy as outlined in the Code of Federal Regulations (Exemption: 46.101. b.2). Provided that the only participation of the subjects is as described in the proposal narrative, this project is exempt from further review.

NOTE:

1. This committee complies with requirements found in Title 45 part 46 of The Code of Federal Regulations. For NCSU projects, the Assurance Number is: FWA00003429.
2. Review de novo of this proposal is necessary if any alterations/additions are made.

Sincerely,

Joseph Rabiega
NCSU IRB

Appendix F: Summary of Each Participant Company

The following profiles are based on information presented on each company's website.

Absolute Software

Founded in 1993, it employs 210 people worldwide. They are the leader in computer theft recovery, data protection, and asset tracking solutions. They provide individuals and organizations with solutions to manage regulatory compliance, data protection, and theft recovery.

Adidas Group

This company has been part of the world of sports on every level for the last 80 years. They are a global leader in the sporting goods industry and offer a broad portfolio of products. Their products are available in almost every country in the world.

BAE Systems

This company is an international company engaged in the development, delivery and support of advanced defense and aerospace systems in the air, on land, at sea and in space. The company consists of three operating groups that provide support and service solutions for current and future defense, intelligence, and civilian systems; design, develop and manufacture a wide range of electronic systems and subsystems for both military and commercial applications; produce specialized security and protection products for law enforcement and first responders; and design, develop, produce, and provide service support of armored combat vehicles, artillery systems, and intelligent munitions.

Bluestar Silicones

This company has over 50 years of silicones expertise and is one of the foremost fully integrated silicone manufacturers in the world. They offer a comprehensive range of silicones products in

the sectors of release coatings, engineering elastomers, healthcare products, specialty fluids, emulsions and resins. They are also committed to a sustainable development policy based on health, safety, the environment, transport, substances and regulations related to manufactured products.

Cloudveil

This company provides outdoor performance apparel that is now sold in more than 450 outdoor specialty stores in the United States, as well as specialty accounts in Japan, Taiwan, Canada and Australia. They also sell direct to a growing customer base through its catalogs, website and retail store. They utilize the most innovative textiles and inject each piece with expert adaptability for the shifting conditions experienced in the mountains. They certify that each piece is a product of alpine toughness, active versatility and inspired style.

Clovertex

This company is internationally recognized as the premier producer of high-quality specialty yarns. This reputation has been fashioned from the company's distinctive customer partnerships and experienced management team. Their cotton and cotton blend specialty yarns are produced by a highly skilled workforce using sophisticated equipment designed to produce consistent product quality, while maintaining flexibility and responsiveness. They are dedicated to adapting our products and services to meet the demands of the dynamic textile industry.

Cotton, Inc.

From agricultural, fiber and textile research, market information and technical services, to advertising and public relations, fashion forecasts and retail promotions, they keep one goal in mind: To ensure that cotton remains the first choice among consumers in apparel and home products.

Dickson Constant

This company markets high-tech textile products designed for outdoor use such as outdoor blinds, parasols, tents, boat covers etc. These high-tech fabrics with high added value resist against UV light, dirt, difficult weather conditions, etc. They give equal importance to the technical and aesthetic aspects of the products, with special emphasis on style and colors. They regularly adjust their collections to match trends in terms of decoration, by creating new rhythms of stripes and by adding new colors.

Flagship Brands

This company provides a consumer driven brand that develops and markets performance socks to active people all over the world. They offer consumers a unique product of the highest quality designed to deliver the ultimate in performance. Their performance socks are designed to enhance the experience of both casual and elite athletes alike, across a wide spectrum of recreational activities—including, running, walking, hiking, cycling and cross-training.

Freudenberg

This company comprises 13 Business Groups operating independently on various markets all over the world. Their actions are motivated by the search to find the best solutions for our customers, since their own success is based on customers. This has been the case for the last 158 years and remains their pledge for the future. They are intensely committed to developing their ability for innovation in all fields even further. As a family company, they are guided by their long-term orientation, financial solidity and the excellence of their people in 53 countries around the globe. They supply seals, vibration control technology components, filters, nonwovens, release agents and lubricants to almost all of the world's automakers, and the significance of

customers from other branches of industry, such as mechanical and plant engineering, the energy and chemical industry or the medical and pharmaceutical sector.

GlaxoSmithKlein

They are one of the industry leaders, with an estimated seven per cent of the world's pharmaceutical market. Their mission is to improve the quality of human life by enabling people to do more, feel better and live longer. This mission gives them the purpose to develop innovative medicines and products that help millions of people around the world.

Glen Raven

This company was founded in 1880 and is still owned and managed by its descendants. For more than a century, they have created a culture of innovation and integrity. As a result, this company has continuously found new possibilities for the utility of fabric. Today, they have a long history of invention and expertise, and remain committed to developing state-of-the-art fabric solutions. In the development of new fabric technologies, their customers are also their partners. The superior attributes of their many fabrics enable them to meet the needs of more than a few exacting industries, and as the needs of their customers evolve, they work closely together to find a solution.

Glen Raven Logistics

This company has transformed itself into an asset based, full service logistics company. Since the 1960's they served as an internal support function by shipping raw materials and finished fabrics among company plants. Due to changes within the company and strong customer demand, their transportation division evolved into a rapidly growing carrier that operates routes to Mexico, the Northeast, Southeast, Midwest, and California.

Highland Industries

This company is a total safety system supplier. Their commitment is the pursuit of innovative solutions and excellence in industrial fabrics to maximize value for their customers. They are dedicated to solutions for a safe society, and look for creative new approaches to providing superior industrial textiles. They collaborate with customers to discover more efficient ways to deliver high quality products. They pursue new product development in anticipation of marketplace demands. Their emphasis on the solutions of tomorrow is supported by pioneering research and development and makes them a world leader in industrial textiles.

ITG

This company is a diverse, innovative provider of global textile solutions and distinguished fabric brands to automotive, apparel, interior furnishing and industrial markets worldwide.

While excellence is the common thread that weaves throughout their company, it is the uniquely combined threads of a global manufacturing platform, innovative products, state-of-the-art systems, and a dynamic team of forward-thinking professionals that create unparalleled opportunities and competitive advantages for their customer partners.

Kimberly Clark

Throughout their 135 year old history, they have adhered to a set of simple yet insightful values established by their founders – quality, service and fair dealing. These values have helped establish them as a leading-edge global company that produces superior health and hygiene products used by families and professionals from all walks of life and cultures around the world. They are a global team of more than 55,000 people who share a passion for finding new ways to improve the health, hygiene and well-being of people's lives every day. They are committed to innovation, leadership, sustaining our world and strengthening our communities. Their success

stems from leveraging insights from their customers, shoppers and users in the innovations they bring to market. This has led them in the development of entirely new products and categories, and improved performance in existing brands.

Milliken

This company is one of the largest privately held textile and chemical manufacturers in the world. They are widely acknowledged as an international leader in research, technology, innovation, and customer service. Their strategy is focused on combining textile and chemical technologies in unique ways to serve a vast array of markets.

Mountain Hardware

This company began in 1993. The employees and representatives continue to share a passion for the outdoors along with a passion for making innovative, technologically advanced gear. They keep their outdoor knowledge sharp by sponsoring over 20 athletes and using their real-world challenges and experiences to continue to advance the technology and fabrics they build into their products. They continually challenge themselves to bring technical innovation to outdoor gear and to create detail-oriented design features that anticipate users' needs. They combine innovation and attention to detail with superior product quality—backed with a lifetime warranty that speaks for itself.

Mountain Khakis

This company produces all-purpose, outdoor pants are made to be durable, yet comfortable. The pants were designed by outdoor enthusiasts to handle the day-in-day-out needs of the rugged outdoor lifestyle. They provide a combination of lightweight comfort and heavy-duty construction.

Oerlikon

They are a globally leading company in the field of solar, thin film, vacuum propulsion, textile and precision technology. Based on these core competencies, they develop production systems, components, and services for high-technology products. The company's commercial activities center on turn-key solutions for the manufacturing of thin film silicon solar modules protective coatings for precision tools and components production systems for data storage devices and wafer, systems for producing vacuums and conveying process gases, textile production and propulsion technology as well as optical components, aerospace and semiconductor technology.

Parkdale Mills

Founded in 1916, this company has successfully weathered the shifting climates of the textile and manufacturing industry. As the number one manufacturer of spun yarn in the world, their vision for the future centers on a constantly evolving supply chain that demands better response, better service and continual improvements in speed to market. They also pursue business diversification by seeking out opportunities that complement their core competencies.

Ultimately, they are driven to be forward-thinking leaders that strive to identify new opportunities and solutions. They will constantly challenge conventional methods in order to achieve the best operational excellence, machinery capabilities and technological advantages.

Patagonia

They grew out of a small company that made tools for climbers. Alpinism remains at the heart of a worldwide business that still makes clothes for climbing – as well as for skiing, snowboarding, surfing, fly fishing, paddling and trail running. They are all silent sports. None requires a motor; none delivers the cheers of a crowd. In each sport, reward comes in the form of hard-won grace and moments of connection between us and nature. Their values reflect those

of a business started by a band of climbers and surfers, and the minimalist style they promoted. They use recycled polyester in many of their clothes and only organic, rather than pesticide-intensive, cotton. Staying true to their core values during thirty-plus years in business has helped them to create a company and focus for making the best products possible in the marketplace.

Pharr Yarns

This company endeavors to meet or exceed every expectation. To that end, their research and development efforts utilize the most current technologies available. They take the initiative to stay in close contact with the most innovative minds in the chemical, fiber, and fabrication industries. They have assembled a team of knowledgeable professionals that are active participants in the varied end-use markets our products serve. If it is in production, under development, or an exciting potential waiting to materialize, they seek to analyze, understand, and measure its importance and value. They then devise the means to manufacture the yarn and ultimately support the business.

Precision Fabrics

This company manufactures, provides and markets value-added products and services to selected, highly specified markets. Their high-performance products play a key role in several diverse markets, which demand engineered, finished fabrics. The common thread among these markets is the technical nature of their requirements.

Strata Systems

They manufacture and distribute a wide range of geogrids and composite geosynthetics which represent the latest developments in soil reinforcement technology. These products were developed to provide advanced options for dealing with common civil engineering problems and difficult soils. For over a decade they have been in the forefront of the industry in developing

technology and products for retaining walls, reinforced steep slopes, and embankments over soft soils.

Textronics

This company is a team of experts in the fields of textiles and electronics. Their goal is to seamlessly integrate micro-electronics with textile structures – changing the way people interact with technology. Their focus is on developing and commercializing comfortable, practical, scalable and affordable product solutions. They are a leader in the development of wearable sensors for use in fitness and health monitoring. The company's textile sensors capture comprehensive data from the body and are designed to be seamlessly integrated into everyday garments. Wearable monitoring is a comfortable and user-friendly way to obtain body measurements to assist consumers in managing their health and wellness. They sell sensor components and market their own line of clothes for personal monitoring.

The Hosiery Association

This company is the premiere, trusted source of information global industry leaders rely on. They support and promote leg wear manufacturers and suppliers, and serve as the information gateway to consumers, retailers, legislators and the media.

Under Armour

Founded in 1996 this company is the originator of performance apparel - gear engineered to keep athletes cool, dry and light throughout the course of a game, practice or workout. Their mission is to provide the world with technically advanced products engineered with their superior fabric construction, exclusive moisture management, and proven innovation.

Unifi

This company has a longstanding reputation for manufacturing excellence that relies upon their ability to consistently supply innovative, high-quality polyester and nylon textured yarns and related raw materials worldwide. They offer solution dyed textured yarns, package dyed textured and spun yarns, covering of elastomeric and other yarns, conventional warp draw beaming, and yarn twisting. They add permanent performance characteristics to textile products, including moisture management, UV protection and antimicrobial and odor control properties.