PARRISH, ERIN DODD. *NICHE MARKET OPPORTUNITIES IN THE GLOBAL MARKETPLACE.* *(Under the direction of Dr. Nancy Cassill and Dr. William Oxenham).*

The purpose of this research was to analyze how a niche strategy can be used by US textile and apparel companies to compete with lower priced imports. With the increasing globalization of the industry, it has been suggested that companies focus on products that offer a competitive advantage over commodity products (Standard and Poor's, 2003). One way of doing this is to focus on specialized, or niche, products.

The conceptual models used in this study provided a framework for specialization within trade. The trade theories examined were 1) Ricardo's Comparative Advantage Theory (Ricardo, 1817), 2) Heckscher-Ohlin Trade Theory of Factor Proportions (Heckscher & Ohlin, 1991), 3) Posner's Technology Trade Gap Theory (Posner, 1961), 4) Vernon's Theory of the Product Life Cycle of Trade (Vernon, 1966), and 5) Porter's Model of Competitive Advantage (Porter, 1998). Each of these trade theories predicts specialization as a result of trade. This means that as trade barriers decrease, a country's resources will focus on those processes in which it has a competitive advantage. For the US textile and apparel industry, this means moving away from basic textile items used in apparel production, such as basic fabrics, and moving towards more focused and specialty products, which includes niche products.

The methodology used in this study consisted of two phases. Phase I used a deductive research design with an aim to clarify niche strategy issues and provide breadth on the topic (quantitative data). The instrument utilized in this phase was an online survey, which was developed by the researcher and contained three sections: company information, niche markets and globalization. Because of the limited literature on niche markets, the

survey was used to obtain information to develop Phase II of the study. The initial sample for Phase I was made up of 63 companies from five sectors in the US textile and apparel industry. These were fiber and yarn producers, mill producers, sewn goods producers, retailers, and auxiliary companies. The final sample consisted of 19 companies from four of the five sectors.

Phase II used an inductive research design, with a case study methodology (qualitative data). The two-page interview questionnaire was developed by the researcher and was used to provide depth to the issues uncovered in Phase I. The sample consisted of two companies from each of the four sectors (fiber and yarn, mill products, sewn goods, and auxiliary), resulting in a total of eight companies. The information gathered through the case studies presented additional insight into how a niche strategy is implemented and thereby how it is utilized by US textile and apparel companies in order to compete with imports.

Results indicated significant niche product and market strategies that are currently being used and are strategically designed for future market implementation. Niche strategy models were developed which contain both market and product strategies for each sector <u>and</u> one model for the industry. Results from this study will provide academic and industry personnel with business strategy formulation to create and maintain niche markets as well as to provide a research framework for international textile and apparel researchers.

NICHE MARKET OPPORTUNITIES
IN THE
GLOBAL MARKETPLACE

by

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BIOGRAPHY

Erin Dodd Parrish was born in Greeneville, Tennessee on September 19, 1976. At age five, she moved with her family to Hickory, North Carolina, where her parents still reside. Erin graduated from South Caldwell High School in 1994, and that fall she began college at North Carolina State University and participated in the Eli Whitney Scholars Program, double majoring in Textile Management and Latin American Studies. She graduated Magna Cum Laude, and upon graduation entered the Master of Science program in Textile Technology and Management, also at North Carolina State University. During this time, she was awarded membership in Phi Kappa Phi Honor Society and received an Outstanding Teaching Assistant Award. The topic of her thesis was *US Trends in Short Staple Spinning* under the direction of Dr. William Oxenham. Erin completed the requirements for this degree in December 2000, and entered the Ph.D. program in Textile Technology Management.

During the summer of 2002, she married Scott Parrish. Both are currently completing the requirements for their graduate degrees and are planning on moving this summer to Tuscaloosa, Alabama, where Erin will begin her career as an Assistant Professor of Textiles and Apparel at the University of Alabama in the College of Human Environmental Sciences.

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CHAPTER I

INTRODUCTION

No one can dispute the fact that imports are hurting the United States (US) textile and apparel industry (American Textile Manufacturers Institute, 2003). Because of the World Trade Organization, in addition to regional trade agreements, the US has much lower barriers to trade, such as tariffs and quotas, than ever before. Also, countries that are in the process of developing their economies are focusing on the historically successful industry of textiles and apparel (Dickerson, 1999). One reason for this is because certain sectors of the textile and apparel industry require an abundance of labor with very little capital investment, which is the type of industry that developing countries and economies need. However, these countries do not have the economic capability to buy the textile and apparel products which they produce, and therefore, must find suitable export markets. Due to the fact that the United States, a developed country, has significant purchasing power per capita, the US is a highly desirable market for these products.

In addition to this, US consumers are demanding lower prices, and imports from developing countries are oftentimes less expensive than domestically produced products (Dickerson, 1999). This trend, combined with lower trade restrictions, has left the US textile and apparel industry very vulnerable to imports. Even with tariffs and quotas lower than anytime in recent history, the US textile and apparel market is still one of the most protected in the country, as well as the world (World Trade Organization, n.d.). Yet in 2005, quotas will be eliminated, which will result in “free” global trade among the 146 countries that are members of the World Trade Organization. This will only exacerbate the problems currently facing the US textile and apparel industry due to potentially lower priced imports. In the past few years, even *with* a relatively protected market, many of the US textile "giants" have declared bankruptcy, including Burlington Industries, Malden Mills, CMI Industries, and Galey & Lord, while others are overhauling their business practices and looking for other markets in which they will be more competitive (Hayes, 2001). Standard and Poor's (2003) suggests that because of the intense level of competition, the US textile and apparel industry should focus on products that offer a competitive advantage over commodity fabrics used in apparel.

One way in which companies are changing their strategies is by moving away from those commodity and mass market approaches and concentrating on smaller, more secure markets (i.e. niche markets). The Merriam-Webster Dictionary (n.d.) defines a niche as:

> **a:** a place, employment, status, or activity for which a person or thing is best fitted **b:** a habitat supplying the factors necessary for the existence of an organism or species **c:** the ecological role of an organism in a community especially in regard to food consumption **d:** a specialized market.

The niche definition most applicable to the US textile and apparel industry is that of a specialized market (d). Also applicable is the definition "a habitat supplying the factors necessary for the existence of an organism or species (b) because a niche strategy can also be used as a survival mechanism for US textile and apparel companies. The specialized market approach provides an opportunity for the US textile and apparel industry to refocus their efforts from commodity markets and products to niche markets and products. Figure 1 illustrates this progression.

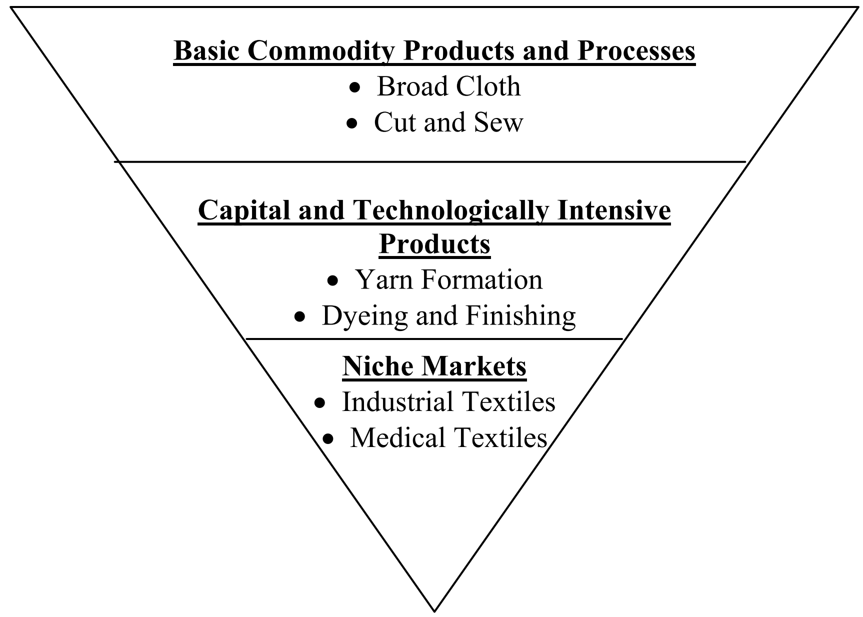

Figure 1: Progression from commodity markets to niche markets for the US textile and apparel industry
Source: Author (Parrish, E.D., 2003).

A niche approach contains three aspects: market, product, and strategy. Figure 2 illustrates the relationship between the three different aspects.

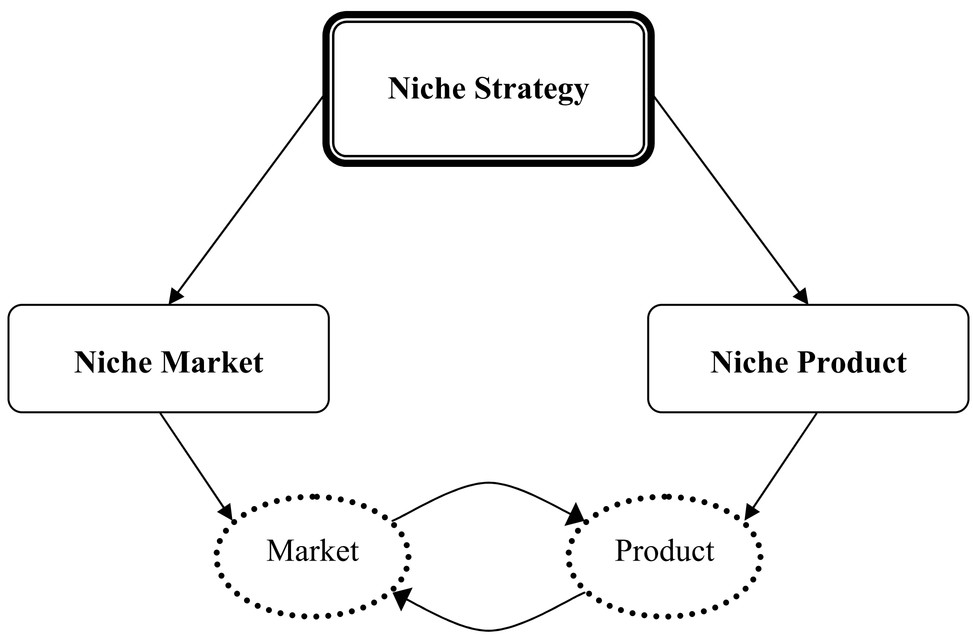

Figure 2: Relationship of Niche Strategy, Market and Product
Source: Author (Parrish, E.D., 2003).

A niche market focuses on the particular people who are included in that segment and finds products related to *that* niche. A niche product focuses on the particular good, and markets it to all segments, hoping that the product creates a niche. A niche strategy focuses on the company and how they implement a niche approach, of which a very limited amount of information is known.

Little research currently exists that examines the use of a niche as a competitive strategy by the US textile and apparel industry, particularly when used to compete with imports. More information is needed about how to *define* a niche approach, as well as how to implement and maintain a successful niche strategy. Another important aspect of niche markets and products is which factors determine their success.

Purpose of Research

The purposes of this research are to:

1. Define niche market strategy for the US textile and apparel industry
    a. to compare *academic definitions* (gathered from the literature review) with *industry definitions* (gathered through surveys and case studies),
    b. to relate the theory of specialization predicted by trade economists to the definitions of niche markets today;
2. Determine how niche markets are identified and what variables need to be in place for them to be successful;
3. Determine what role niche markets will play in the globalization of the US textile and apparel industry, including strategic benefits; and
4. Develop 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.

Research Objectives

Specific research objectives are:

RO1. To define niche markets

a. to determine how definitions vary among industry sectors (i.e. fiber/yarn,, mill, sewn goods, retail, and auxiliary)

- from a market perspective (pull marketing),
- from a product perspective (push marketing),
- from a competitive strategy perspective.

RO2. To determine how US textile and apparel companies determine the market potential of a niche product, specifically what research methods they utilize.

RO3. To determine what are the most important variables in the success of a niche market.

RO4. To determine how US textile and apparel companies view the benefits of a niche market strategy when used to compete with imports in their domestic markets.

RO5. To ascertain what are viewed by companies as currently successful niche markets in the global textile and apparel industry.

RO6. To identify key variables for a niche strategy model.

Significance of Study

This study is significant for three reasons. First, there currently exist various theories which advocate specialization as a result of trade. This study will expand on these theories so that the underlying themes in all of the theories can be applied specifically to the US textile and apparel industry. However, these theories only provide explanations for *why* specialization occurs, but do not provide *ways* for companies to specialize. Second, this study will clarify exactly what *is* considered a niche market in the US textile and apparel industry including which factors are important for implementation and success. This definition will take into consideration both company perspectives and academic perspectives in order to provide a universal definition.

Finally, this study will provide a model for a global competitive strategy that US companies can utilize in order to develop specialized markets, also known as niche markets, not only within the US, but also globally. This model will be developed based on a combination of data from an industry survey, case studies, as well as the current literature available on niche markets and specialization. In addition, it is intended that the model developed from this study can be utilized by the US textile and apparel industry to develop niche markets, in order to compete with imports, particularly following the elimination of quotas in the year 2005.

Limitations of Study

1. The survey was sent to a sample and not an entire population. Therefore, the results may only be representative of the sample.
2. Whereas this study was intended to include retailers, numerous attempts to collect data from retail personnel were not successful. Results are limited to four of the five sectors: fiber/yarn, mill, sewn goods, auxiliary.

Nominal Definitions

Competitive Strategy: This strategy involves positioning a business in order to maximize the value of the capabilities that distinguish it from its competitors (Porter, 1998).

Developed Countries: The more industrially advanced and prosperous countries in which a higher level of living is common. These countries account for less than 20 percent of the world's population (Dickerson, 1999).

Developing Countries: The countries with limited economic progress and limited industrial development, which are typically poorer. These countries account for a majority of the world's population, but only a small amount of wealth (Dickerson, 1999).

Exports: Goods or services sold to other countries (Dickerson, 1999).

Free Trade: International exchange of goods and services with no restrictions, such as government measures aimed at protecting domestic industries (Dickerson, 1999).

Imports: Goods or services purchased from other countries (Dickerson, 1999).

Mass Marketing: The process of selling the same product to masses of consumer (Dalgic & Leeuw, 1994).

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

Quotas: Limits on the volume of goods imported into a country (Dickerson, 1999).

Tariffs: A tax imposed on imported goods (Dickerson, 1999).

CHAPTER II

LITERATURE REVIEW

The literature will provide on overview of the conceptual models related to trade theories with a focus on the concept of specialization used in this study. In addition, it will also survey the existing research on niche markets as a competitive strategy. An overview of the current state of the United States textile and apparel industry will also be presented.

Conceptual Models

The conceptual models for this study provide a framework for specialization within international trade. The theories detailed in the following sections were selected because

1) all theories are related to international trade, and 2) all theories predict specialization as a result of international trade.

The classical theory selected is Ricardo's Comparative Advantage Theory (Ricardo, 1817). The neo-classical trade theory selected is Heckscher-Ohlin Trade Theory of Factor Proportions (Heckscher & Ohlin, 1991). There were two post-neo-classical trade theory selected: Posner's Technology Gap Theory (Posner, 1961) and Vernon's Theory of the Product Life-Cycle of Trade (Vernon, 1966). These theories will be discussed in detail in the following section. Also, Porter's Model of Competitive Advantage, which he developed as an alternative to orthodox trade theories, will be addressed (Porter, 1998).

Classical Trade Theory

In the early 19th century, David Ricardo developed the idea that trade patterns between countries should be based not on absolute efficiency but on relative efficiency (Ricardo, 1817). This idea came as an augmentation to Adam Smith's theory of absolute advantage from the 18th century (Dickerson, 1999). Smith believed that certain countries could produce certain goods more efficiently than others and that the advantage was absolute. A country should export those products in which it has an absolute advantage, and import those products in which it does not. If a country had an absolute advantage in all industries, then that country did not need to trade (Smith, 1776).

Ricardo, on the other hand, believed that a country only has to have a relative advantage to benefit from trade. In his theory, relative advantage is determined by the relative productivity of labor. In *The Principles of Political Economy and Taxation* (1817), Ricardo uses an example illustrating England's production of cloth and Portugal's production of wine. He supposes that England has an absolute advantage compared to Portugal in the production of cloth and wine, but her advantage is greater in the production of cloth. However, Portugal's relative disadvantage in the production of wine is less than her disadvantage in the production of cloth. Therefore, England should export cloth to Portugal and import wine from Portugal. Ricardo (1817) stated that:

> Though she [Portugal] could make the cloth with the labour of 90 men, she would import it from a country where it required the labour of 100 men to produce it, because it would be advantageous to her rather to employ her capital in the production of wine, for which she would obtain more cloth from England, than she could produce by diverting a portion of her capital from the cultivation of vines to the manufacture of cloth (p. 82).

In his writings, Ricardo never uses the term comparative advantage. Economists, as a summation of his theory, developed this term, as well as the mathematical theorem that is used in the testing of this theory. Figure 3 is the standard equation of comparative advantage.

$$\frac{(Q_1/L_1)}{(Q_1/L_1)^*} > \frac{(Q_2/L_2)}{(Q_2/L_2)^*}$$

Figure 3: Theorem of Comparative Advantage
Source: Bhagwati, J., Panagariya, A., & Srinivasan, T.N., (1998), *Lectures on International Trade,* 2nd ed., Cambridge, Massachusetts: The MIT Press.

In this equation, Q_1 is the output of good 1, L_1 is the labor input of good 1, Q_2 is the output of good 2, and L_2 is the input of good 2 (* indicates the world price). This theorem states that when the ratio of the price of Q_1 to the world price of Q_1* is greater than the ratio of the price of Q_2 to the world price of Q_2*, then the country should produce and specialize in Q_1. In other words, countries will tend to specialize in those products in which they enjoy low relative costs.

Ricardo's theory of comparative advantage is a core concept in the theory of international trade and has been since its introduction in the early 19th century (Bhagwati, Panagariya, & Srinivasan, 1998). Even in its most basic form, which is a two country/two commodity model, the theory has some unrealistic assumptions. For example, price is determined only by relative labor productivity and has nothing to do with demand. There are no transportation costs, no barriers to trade (tariffs and quotas), resources are fully employed, zero profits, prefect competition, and resources are free to move domestically, but they are not free to move internationally. Also, another major assumption is balanced trade (Ricardo, 1817).

Since its inception, the theory of comparative advantage has been tested in order to establish its validity. However, it is not easy to test a model based on two countries and two commodities. First of all, bilateral trade oftentimes accounts for a small percentage of a countries total trade (Grimwade, 2000). It is also too distorted by tariffs for trends to be easily detectable. Secondly, the assumptions previously mentioned have to be taken into consideration, even though they are not applicable to the trading that actually takes place. Taking all of this into consideration, empirical testing of Ricardo's theory have supported comparative advantage as a basis for trade. However, in his essay, "Testing Trade Theory", Edward Leamer (1994) writes, "the Ricardian model is not sensibly interpreted literally when it is studied empirically, and the non-literal translations of the model seem to have a lot of loose ends" (pp. 71-72). Further information on the empirical testing of Ricardo's theory is explained in three research articles (MacDougall, 1951; Stern, 1962).

Despite all of the inherent weaknesses of Ricardo's theory, it has become the basis of international trade thought, and economists generally accept comparative advantage as a valid viewpoint. In fact, many of the articles of the General Agreement of Tariffs and Trade were designed with Ricardo's theory in mind (Coleman, 1986).

Neo-Classical Trade Theory

One of the main weaknesses of Ricardo's theory of comparative advantage (1817) was that it accounted for only one factor, labor. It also never sought to explain *why* one country could have a labor productivity advantage in the production of certain goods over another country, i.e. why comparative costs differ between countries. Approximately a century later (1933), two economists, Eli Heckscher and Bertil Ohlin developed the idea that a country will export goods that are intensive in production in its abundant factors and import goods intensive in its relatively scarce factors (Heckscher & Ohlin, 1991). It is interesting to note that Heckscher and Ohlin developed these notions separately. In the introduction to *Heckscher-Ohlin Trade Theory* (1991), Flam and Flanders write:

> Heckscher's innovation was to attribute disparities in comparative costs, and hence in the pattern of trade, to dissimilarities in factor endowments rather than to "climatic" differences in productivity as in the classical theory. Ohlin recognized the revolutionary nature of Heckscher's brilliant idea, married it explicitly with general-equilibrium, neoclassical theory, added monetary factors, and subjected the new model to comprehensive analysis (p. 7).

This has come to be known as the Heckscher-Ohlin Trade Theory of Factor Proportions (HO Theory). Figure 4 is a mathematical demonstration of this theory.

Assuming that country A is more capital abundant than country B:

$$\frac{K_A}{L_A} > \frac{K_B}{L_B}$$

And that good 1 is capital intensive:

$$\frac{K_1}{L_1} > \frac{K_2}{L_2}$$

One can deduce that country 1 will specialize in good 1:

$$\frac{Q_{1A}}{Q_{2A}} > \frac{Q_{1B}}{Q_{2B}}$$

Figure 4: Mathematical Example of Heckscher-Ohlin Trade Theory of Factor Proportions
Note: In this illustration K is capital, L is labor and Q_1 is the output good 1 and Q_2 is the output of good 2.

The same assumptions that applied to Ricardo's theory of comparative advantage also apply to the Heckscher-Ohlin theory. One additional assumption not included in the classical theory is the assumption that technology is completely mobile between countries or that all countries have equal technology. Similar to classical theory, these assumptions create problems when trying to empirically test the theory. However, major tests of the HO theory have been carried out, and most concur that the HO theory does not accurately explain trade flows. The first major empirical test of the HO theory was conducted by Wassily Leontieff (1954). Leontieff (1954) wanted to test the belief that the US had a comparative advantage in the production of capital intensive goods, and, therefore, exported this type of product and imported labor intensive goods. Unexpectedly, Leontieff's results showed that US imports were more capital intensive and its exports were more labor intensive. Since his findings, vast amounts of research have been done to study what has come to be called the "Leontieff paradox". For a comprehensive overview of the major empirical tests of the HO theory and the "Leontieff paradox", see *International Trade* 2nd edition by Nigel Grimwade (2000, pp. 40-44).

Despite the startling conclusions of Leontieff, *almost* all empirical studies have shown that the HO theory of factor proportions is not accurate. Grimwade (2000) writes that "[t]here is widespread agreement among trade economists that, in its simple form, the HO theory is unsatisfactory as an explanation for trade" (p. 43). This is especially true for explaining trade flows between developed countries. The HO theory is best used when trying to explain trade flows between developing and developed countries since there is a much greater disparity among their factor proportions. However, most trade takes place between countries with similar factor proportions, and the fastest growth in world trade in the past half century has occurred in trade in manufactured goods between developed market economies (Grimwade, 2000).

Post-Neo-Classical Trade Theory

One of the main assumptions of neo-classical trade theory was that countries had equal technology. By doing this, the influence of technological change on trade and specialization is largely ignored (Grimwade, 2000). It is assumed that any technological innovations developed in one country are quickly available to all other countries. Post-neo-classical trade economists realized the importance of technology and developed new trade theories incorporating this idea.

Technology Gap Trade

One economist, Michael Posner, wrote a paper in order to explain what influence technology has on trade flows. He also wanted to present an explanation of trade in manufactured goods between advanced countries which share very similar general economic conditions (Posner, 1961). Posner believed that the rejection of technology as a major factor of trade flows was very impractical. He explained how even though new commodities are developed through time, this development does not occur simultaneously in all countries. Trade, therefore, could be caused by the existence of some technical know-how in one country not available elsewhere, even though there may be *no* international differences in relative advantages or factor proportions (Posner, 1961). However, technology can only give a short-term competitive advantage and not a long-term advantage. This came to be known as technological gap trade. In his paper, "International Trade and Technical Change", Posner (1961) described two different types of time lags: *reaction lag* and *imitation lag*. The reaction lag is the time it takes consumers to discover and accept a new product on the market. The imitation lag, which is directly related to the degree of competition in the industry, is the time is takes for competitors to develop similar or substitute products. The imitation lag is broken down into domestic and foreign. This theory has the set of usual assumptions[1]. However, he explains that even though a country may have a temporary competitive advantage due to a technological innovation, this advantage is temporary because competitors (other countries) will soon be able to copy or imitate the product. This leads to the conclusion that high-wage countries will tend to be net exporters of new products. However, once other producers have copied the technology, production in the initial country will fall and may disappear altogether.

Product Life Cycle Trade Theory

Another economist of the same time period, Raymond Vernon, also included the factor of technology in his theory on trade. Vernon's viewpoint (1966) is very similar to Posner's except that he puts more emphasis on the life of the actual product, whereas Posner puts more emphasis on the life of the technology used to make the product. Vernon's theory is in a large part an extension of Posner's. Vernon did address the fact that countries with high wage rates, such as the US, have more of an incentive for technological innovations. First, companies would want to increase productivity per worker, thereby hopefully decreasing overall costs. Some of the inventions in the US that have resulted from this are the conveyor belt and the fork-lift. Second, countries with high wage rates have more leisure time and more disposable income. Therefore, products which either save time, such as the washing

[1] zero barriers to trade, identical consumer tastes, fixed exchange rates, all resources are fully employed, zero transport costs

machine, or can be used for recreation, such as the jet ski, are more likely to be developed in these countries (Vernon, 1966). Vernon's theory (1966) differs from classical and neo-classical trade theory because "[i]t puts less emphasis upon comparative cost doctrine and more upon the timing of innovation, the effects of scale economies, and the roles of ignorance and uncertainty in influencing trade patterns" (p.190). In his paper, "International Investment and International Trade in the Product Life Cycle", Vernon (1966) determined that there are three stages in a product life. Figure 5 illustrates Vernon's Product Life Cycle Trade Theory when the US is the innovating producer of a certain product.

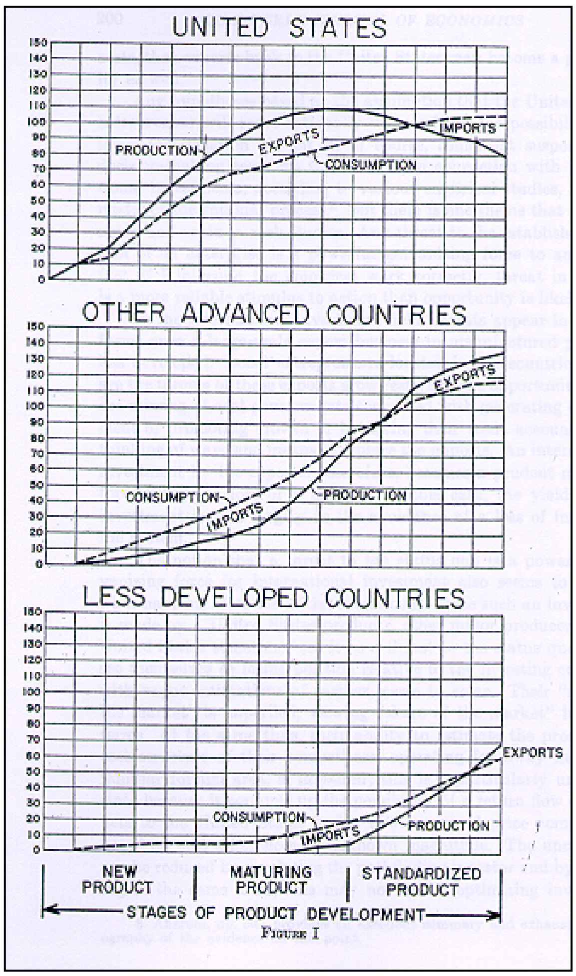

Figure 5: Product Life Cycle of Trade

Source: Vernon, R., (1966), International Investment and International Trade in the Product Life Cycle, *The Quarterly Journal of Economic*, **80**(2).

The first stage is *New product*. During this stage, the product is introduced onto the market, and producers are concerned with a number of factors:

1. the product may be unstandardized for a time,
2. the cost of inputs,
3. the ability to change the product, i.e. flexibility, and
4. the need for quick and effective communication between the producer and the customer, suppliers, and even competitors (Vernon, 1966).

The second stage is *Maturing product*. During this stage certain occurrences will have taken place:

1. a certain degree of standardization,
2. a decline in the need for flexibility,
3. an increase in the concern about production costs,
4. an increase in exports,
5. an increase in competition,
6. an increase in demand (Vernon, 1966).

Because of the increase in the concern about production costs, producers will begin looking for ways to decrease costs. This may mean setting up factories abroad in order to service the foreign markets, thereby eliminated transportation costs and getting by any tariff or non-tariff barrier. Because of this, exports of the product from the innovating country begin to decline (Grimwade, 2000).

The final stage is *Standardized product*. During this stage:

1. less-developed countries may offer competitive advantages as a production location,
2. the product has an easily accessible international market, and

3. price becomes the basis for competition (Vernon, 1966).

This theory, similar to Posner's theory, leads to the conclusion that developed countries will specialize in and export new products. Developing countries will specialize and export those products which are more standardized. This is especially true when specialization is related to economies of scale[2]. One of the main advantages of this theory is that Vernon does not apply standard assumptions of the previous theories to his Product Life Cycle Trade Theory. This makes it much easier to apply to actual trade flows, and there are many examples of products which have passed through this particular life cycle, such as the TV and radio (Vernon, 1966).

Modern Trade Theory

In the previous theories, economists have tried to uncover what factors influence trade flows between countries and what factors determine patterns of specialization for these particular countries. However, these theories are inadequate for describing actual competition between countries. Some of the reasons for this have already been pointed out, such as the fact that most trade takes place between countries with similar factor endowments. Also, domestic factor endowments are not nearly as important as they once were due to the rise of multinational corporations. In 1990, Michael Porter, a Harvard professor, published his views of what determines trade flows and patterns of specialization in *The Competitive Advantage of Nations*. In this book, Porter presents a critique of orthodox trade theory. Porter (1998) cites examples of countries proficient in certain industries that do not have a "factor comparative advantage" (p. 12). For example:

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[2] Economy of scale is defined as the decrease in unit cost as a result of increasing production so that fixed costs may be spread out over a greater number of units produced (Hinkelman, 1999).

> Korea, having virtually no capital after the Korean War, was still able eventually to achieve substantial exports in a wide range of relatively capital-intensive industries such as steel, shipbuilding, and automobiles. Conversely, America, with skilled labor, preeminent scientists, and ample capital, has seen eroding export market share in industries where one would least expect it, such as machine tools, semiconductors, and sophisticated electronic equipment (Porter, 1998, p. 12).

In order to account for these discrepancies, Porter introduced the *importance of the firm* to the theory of international trade. It is important to note that Porter's Competitive Advantage of Nations is more of a management model, whereas the previous theories have been economic models/theories. However, Porter argued that it is not so much comparative advantage, factor proportions, or technology that determines which countries are more competitive in certain industries compared to other countries, but a combination of these conditions in addition to others that lead to nations being the dominant exporter of certain products. With his model, Porter sought to answer the following question: Why does a nation become the home base for successful international competitors in an industry?, or more specifically, why are firms based in a particular nation able to create and sustain competitive advantage against the world's best competitors in a particular field? (Porter, 1998).

In order to answer these questions, Porter developed his "diamond of national competitive advantage". This is shown in Figure 6.

Porter determined that there are four main determinants of national competitive advantage. These are

- factor conditions;
- demand conditions;
- firm strategy, structure, and rivalry; and
- related and supporting industries.

He also noted the importance of government and chance on the success of a particular industry within a country.

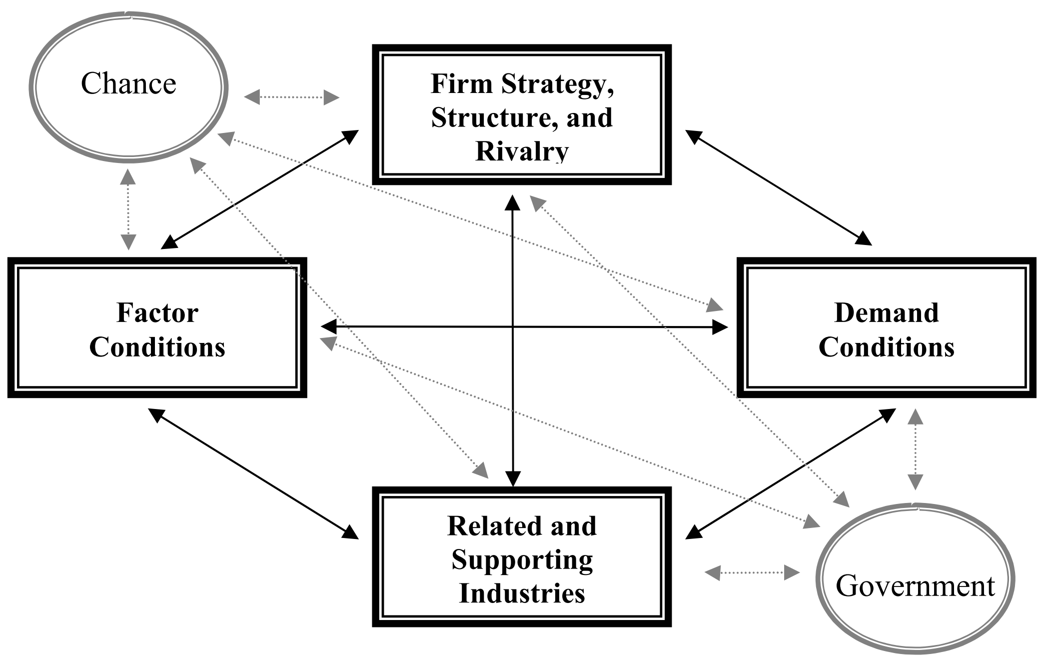

Figure 6: Porter's Diamond of National Competitive Advantage
Source: Porter, M., (1990), *The Competitive Advantage of Nations,* New York: The Free Press.

- The determinant of "Factor Conditions" includes not only the labor supply and infrastructure of a country, but also how effectively these factors are used within the country. Porter stated that the factor conditions that are most vital to productivity growth are "not inherited but are created within a nation" (1998, p. 74).
- The determinant of "Demand Conditions" affects a country's industry when domestic demand is high and buyers encourage manufacturers to innovate and improve their products. In other words, domestic demand sets the framework for the industry.

- The determinant of "Related and Supporting Industries" means that when an industry is located in the same country as internationally competitive suppliers and related industries there is an advantage for *that* industry in *that* country.
- The determinant of "Firm Strategy, Structure, and Rivalry" is "the conditions in the nation governing how companies are created, organized, and managed, and the nature of domestic rivalry" (Porter, 1998, p. 71). This means that the competitive advantage can come from within the company such as the work ethic of the employees and by the way the industry/company is operated. Also, strong domestic rivalry forces companies to innovate and continuously improve their products, which also makes the industry more competitive internationally.

Porter's Competitive Advantage of Nations model (1998) differs from the previous theories because instead of attempting to *predict* what countries will specialize in or where they will be located, Porter provides a model for determining *why* certain industries in certain countries are successful and continue to be. One of his main critiques of orthodox trade theory was the unrealistic assumptions. Porter (1998) states that "the theory of factor comparative advantage is also frustrating for firms because its assumptions bear so little resemblance to actual competition" (pp. 12-13). Nevertheless, it is almost impossible to have a "theory" that is used to predict what will happen in the future without some sort of normalization of the circumstances. This is what the assumptions of the previous theories have aimed to do. Porter, however, developed a model as a guide. Therefore, there is no need for broad assumptions. There is room for the model to be individualized for each different situation.

Summary of Trade Theories

Each of the trade theories in the previous sections predict specialization as a result of trade. In this context, specialization means that a country's resources will focus on a particular industry or sector of industry. Table 1 summarizes how each of the trade theories in the previous sections relate to specialization.

Table 1: Summary Table of Trade Theories

Era	Trade Theory	Contribution	Specialization
Classical Trade Theory	Ricardo's Theory of Comparative Advantage	Introduction of a one factor model	Countries will tend to specialize in those products in which they enjoy low relative labor costs.
Neo-Classical Trade Theory	Heckscher-Ohlin Trade Theory of Factor Proportions	Introduction of a multi-factor model	Countries will specialize in those goods which are intensive in production in its abundant factors and import those goods which are intensive in its relatively scarce factors.
Post-Neo-Classical Trade Theory	Posner's Technology Trade Gap Theory Vernon's Product Life Cycle Theory	Introduction of technology as a factor	Developed countries will tend to specialize in new products. Developing countries will tend to specialize in those products which are more standardized.
Modern Trade Theory	Porter's Competitive Advantage of Nations Model	Introduction of the importance of the firm	Countries will specialize in those industries in which the main determinants are favorable for the firm.

Source: Author (Parrish, E.D., 2003).

Specialization Related to the US Textile and Apparel Industry

Based on the trade theories/models discussed in the previous section, specialization is the natural result of free trade (Heckscher & Ohlin, 1991; Porter, 1998; Posner, 1960; Ricardo, 1911; Vernon, 1970). However, what does the notion of specialization mean for the

US textile and apparel industry? It means that US textile and apparel companies need to move their resources from processes in which the US no longer has a competitive advantage to processes in which the US does have a competitive advantage (Parrish, Cassill & Oxenham, 2002). This means moving away from basic textile items used in apparel production, such as plain woven and knitted fabrics, and moving towards more capital intensive textile items as well as products for specialized markets. Within these market segments, US textile and apparel companies could gain a larger market share, even if the market is smaller.

In *Competitive Strategy*, Michael Porter (1998) stated that in some industries "competition is so intense that the only way to achieve an above-average return is through focus or differentiation" (pp.43-44). Intense competition is a key characteristic of the US textile and apparel industry. He also argued that firms that are protected by mobility barriers, in a stronger position relative to customers and suppliers, and more insulated from rivalry with other groups will be more profitable (Porter, 1998). A way of achieving this protection is through focusing on a particular buyer group and offering a differentiated, specialized product (Porter, 1998). The focus area can be product, service, personnel, channel, and image (Keegan, 1999; Kotler, 2003). One classic way of implementing a focus strategy is through niche markets. Figure 7 illustrates the progression from specialization to niche markets.

Figure 7: Progression from Specialization to Niche Markets
Source: Author (Parrish, E.D., 2003).

Niche Market Definitions

A wide variety of definitions exist related to niche markets and niche marketing. Kotler (2003) defines a niche as "a more narrowly defined group seeking a distinctive mix of benefits" (p. 280). He states that niche markets are usually identified by dividing a segment into subsegments and that the key issue in niche marketing is specialization. Niche marketing has been used synonymously with market segmentation, target marketing, micromarketing, regional marketing, focused marketing, and concentrated marketing (Dalgic & Leeuw, 1994; Linneman & Stanton, 1992). It is, however, none of these and all of these. Michaelson (1988) defines niche marketing as "finding small groups of customers that can be served within a segment" (p. 20). In their paper "Exploiting Niches Using Relationship Marketing", Shani and Chalasani (1992) differentiate between market segmentation and niche marketing. They characterize market segmentation as a top-down approach stating that it is "the process of breaking a large market into smaller and more manageable submarkets" (p. 44). On the other hand, niche marketing is a bottom-up approach, meaning that "the marketer starts from the needs of a few customers and gradually builds up a larger customer base" (p. 45). In another paper, Kara and Kaynak (1997), through their own literature search, reach the conclusion that niche marketing takes market segmentation one step further in terms of creating a distinct group of customers. In another definition, Weinstein (1994) defines niche marketing as a "form of concentrated target marketing" (p. 210). Finally, Linneman and Stanton (1992) provide an overall idea of what niche marketing actually is: the splitting of traditional markets into smaller segments and then devising separate marketing programs for each of these smaller segments, or niches.

Kotler (2003) presents niche markets as having the following characteristics:

- The customers in the niche have a distinct set of needs;
- The customers will pay 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.

The development and implementation of niche marketing versus traditional marketing techniques could potentially secure the future of many ailing US textile and apparel companies (Parrish, Cassill, & Oxenham, 2003).

While there is no clear and consistent definition for niche marketing, it can be deemed that niche marketing is portrayed in the literature as having a "pull marketing approach". It is related to market segmentation in the fact that it is a further segmentation of market segmentation. However, based on Kotler's (2003) characteristics of a traditional niche market, there is opportunity for success using a "push marketing approach".

Niche Marketing vs. Mass Marketing

A niche is a market that consists of a small group of customers with distinct characteristics or needs. In niche marketing a company focuses on a particular niche instead of an entire market. The opposite of niche marketing is mass marketing. Mass marketing involves selling the same product to masses of consumer (Dalgic & Leeuw, 1994). In both strategies, a product can be initially developed by the company and then marketed to the consumer, i.e. giving the customer what they did not know they needed, also known as push marketing. It can also be created based on customer needs, i.e. learning about voids in current markets/products, and developing or enhancing a product in order to fill this void, also known as pull marketing. One of the main advantages of niche marketing is that the company has a much smaller customer base, and therefore, gets to know the customer very well. This makes the company much more able to satisfy the customer, which, in turn, means customer loyalty and return sales. Table 2 shows the differences between mass marketing and niche marketing.

Table 2: Mass Marketing vs. Niche Marketing

	Mass Marketing	Niche Marketing
Market	*Large market*	*Small market*
Product	*Generic or broad product*	*Focused or specialized product*
Customer	*Fickle customers*	*Loyal customers*

Source: Author (Parrish, E.D., 2003).

Interestingly, most mass markets originated as niche markets, proving the tremendous growth and profit potential in following a niche market strategy (Kotler, 2003; McKenna, 1988). Looking at the product life cycle, in the introduction stage, a product is a niche product. At times, this niche product evolves becoming a mass market. As the product reaches maturity and the market becomes saturated, innovation occurs and the former mass markets tend to return to niche markets (Dalgic & Leeuw, 1994). An illustration of this concept is shown below in Figure 8.

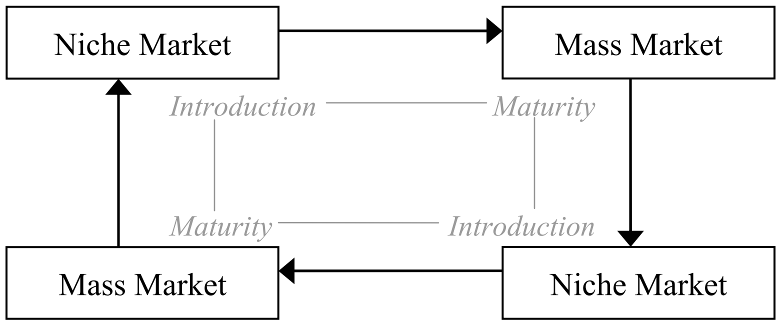

Figure 8: Evolution Cycle of Niche Markets and Mass Markets
Source: Author (Parrish, E.D., 2003).

In their book, *Making Niche Marketing Work: How to Grow Bigger by Acting Smaller*, Linneman and Stanton (1991) write that "[t]here are no more mass markets" (p. 1). They give an example of one advertising executive who said: "There will be no market for products that everybody likes a little, only for products that somebody likes a lot" (p. 1).

Niche Marketing as a Competitive Strategy

Traditionally, smaller companies in all industries focused on niche markets and the larger companies focused on mass markets. However, in the 1980s, these larger, mass-marketing companies became threatened by the smaller companies, who were "nibbling away at the major markets" (Dalgic & Leeuw, 1994, p.43). Changing customer preferences and demands have created diverse and fractured markets in contrast to the traditional mass market (Dalgic & Leeuw, 1994). The smaller companies were better equipped to deal with changing dynamics of the "new" marketplace. Because of this, larger companies who have traditionally focused on mass marketing are being forced to seek out these smaller, niche markets in order to survive (Dalgic & Leeuw, 1994; Linneman & Stanton, 1991; Michaelson, 1988). In the article, "Niche Marketing Revisisted: Concept, Applications and Some European Cases", Dalgic and Leeuw (1994) list twelve reasons which have lead to the fragmentation of both the US and European markets. (See Table 3).

Table 3: Reasons for Fragmentation of US and European Markets

Reasons for Fragmentation of US and European Markets	
Changing family dynamics; including single parent households, families with double income and no children, yuppies;	The demands on personal time;
Working women, overweight people, tall people;	Flooding of markets; including products, services and stores;
Increasing minority markets;	The fading impact of network advertising;
Technological advances;	The decline in brand loyalty;
The increasing power of the consumer;	The overabundance of advertising; and
Changing demographics and lifestyles;	The rise of discount strategies.

Source: Dalgic, T. & Leeuw, M. (1994). "Niche Marketing Revisited: Concept, Applications and Some European Cases", *European Journal of Marketing*, 28(4), 39-55.

Table 3 was compiled by Dalgic and Leeuw (1994) from various sources (Linneman & Stanton, 1991; McKenna, 1988; Rapp & Collins, 1990). Each of these twelve changes has led to an unlimited number of new markets. Some are brand name niches, service niches, feature niches, cultural/race niches, religious niches, regalia niches, and location/reputation niches. By focusing on these niche markets, *all* companies will be better equipped to avoid competition and confrontation with competitors and, therefore, increase the chances of survival (Dalgic & Leeuw, 1994).

Identifying a Niche Market

In order to identify these potential niche markets, a company needs to look to their customers, as they are a company's greatest strength (Linneman & Stanton, 1992). In their article, "Mining for Niches", Linneman and Stanton (1992) explain how important it is for a company to examine its current market in order to determine if the market could be further segmented into smaller niches. They write, "[A company] can grow bigger by acting smaller" (p. 44). Linneman and Stanton list eleven questions that are important to know about a company's customer base that will aid in the development of niche markets. The questions are shown in Table 4.

Table 4: Questions Relating to Customers

Questions Relating to Customers	
Who are your heavy, heavy users?	What do your customers really value?
Who are your light users?	Do your customers purchase your product with the same frequency?
Which customers are expanding their purchases?	What promotion best appeals to your various customers?
Which customers are decreasing their purchases?	Who makes the purchasing decisions?
Where are your customers located?	Do all your customers buy your whole line of products or services?
Which customers can you most profitably serve?	

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

In the article, "Niche Marketing in the Trenches", Michaelson (1988) says that weaknesses in a market are potential niche markets. A company needs to identify these weaknesses by looking at points between product lines or at the high and low end of the market. He (1988) writes that the key issues for locating niche markets are to concentrate on a clearly identified target markets, then to find a relative superiority which gives the company a competitive advantage. However, Michaelson (1988) states that the product superiority must be profitable and sustainable.

Once these potential niche markets are identified, there are several differentiation strategies that a company can choose: 1) product or service; 2) customer service; 3) channel of distribution; 4) communications; and 5) price (Linneman & Stanton, 1991). Linneman and Stanton (1991) explain how differentiation in one of these areas is insufficient for maintaining success in a particular niche market. The authors (1991) also explain how achieving distinction in all five strategies is practically impossible. Therefore, the key for a company is to find the right combination of strategies for that particular niche (Linneman & Stanton, 1991).

Advantages of a Niche Strategy

The main advantage of implementing a niche market strategy is, of course, increased profits. In their article, Linneman and Stanton (1992) explain how many larger companies have found "riches in niches" (p. 43). They cite a study by the Strategic Planning Institute which investigated hundreds of business units from different types of firms. It reported the return on investment from smaller markets averaged 27 percent, while that from larger markets was only 21 percent (Linneman & Stanton, 1992). Based on the results of this study, the authors concluded that smaller markets can mean bigger profits.

Another reason why niche markets are so profitable is that the company gets to know their customers' needs so well that it is better positioned to meet those needs. As a result, the company can charge a substantial markup over costs because of added value, and therefore, earn higher margins for the niche market (Kotler, 1989).

Besides profits, an additional benefit of niche marketing is that this strategy provides an easier defense against potential competitors (Dalgic & Leeuw, 1994). Kotler (2003) explains that whereas segmented markets are fairly large and normally attract several competitors, niche markets are fairly small and normally attract only one or two. Jain (1985) in (Dalgic & Leeuw, 1994) points out that a niche marketing strategy can be used not only to avoid competition, but also for survival. This strategy can also be used to penetrate large markets or existing segments (Dalgic & Leeuw, 1994).

Disadvantages and Risks Associated with a Niche Strategy

Despite the many advantages associated with niche marketing, there are inherent risks in choosing this strategy in which companies need to be aware. The first risk is, or course, an attack by a competitor who wants to be a part of a profitable niche (Shani & Chalasani, 1992). The second risk is cannibalization (Linneman & Stanton, 1991). Cannibalization is when a company introduces a new product that "eats away" at one of its own established markets. However, Linneman and Stanton (1991) suggest that the more narrowly defined the niche, the easier it is to differentiate a product or service, and therefore, avoid cannibalization.

A third risk associated with a niche market strategy is the threat of the niche drying up because of a change in customer preferences (Shani & Chalasani, 1992). Finally, Raynor (1992) warns that just because a niche exists in one area does not mean that it exists in another. He explains that even though there may be a gap in the market, there might not necessarily be a market in the gap.

Current Niche Markets in the US Textile and Apparel Industry

Many US textile and apparel companies are facing difficult times for various reasons. Some of the reasons are due to the current state of the US economy, the increasing level of imports into the US market, and the overvalued US dollar (ATMI, 2003). Despite the challenges, some companies have succeeded by using a niche market strategy in order to remain competitive. The following are four examples of successful niche markets currently used in the US textile and apparel companies.

Lands' End

As the competition among catalog and online retailers has increased, Lands' End, based in Dodgeville, Wisconsin, has found that their customers have *a distinct set of needs*—value, convenience, and customization of products (Lands' End Custom Clothing, n.d.). Customers are able to customize jeans and chinos to ensure fit and style. The service is offered through Lands' End's website and is available for both men's and women's chinos and jeans. The customer enters in his/her measurements and style preferences, and the garment arrives in two to three weeks (Lands' End Custom Clothing, n.d.). Lands' End began offering this service for chinos in late 2001, and in April, 2002, expanded to jeans. They are planning on offering men's shirts, tailored pants, and swimsuits in the near future.

This service was created in order to gain a competitive edge, yet so far it has been much more successful than originally thought. Lands' End has created a niche, for which their customers are willing to *pay a premium price*, that puts them ahead of the competition.

Burlington Industries Inc.

Burlington Industries, one of the world's leading softgoods manufacturers, based in Greensboro, North Carolina, has also faced tremendous competition, mostly from lower priced imports (Burlington Industries, n.d.). Burlington's traditional markets have been those markets most vulnerable to these imports, such as apparel and upholstery fabric. Because of the intense lower priced competition, the company was recently forced to declare bankruptcy. For this reason, Burlington has been trying to expand into markets that are more protected. An example is their investment in Nano-Tex. Nano-Tex is a subsidiary of Burlington Industries that develops nanotechnology enhancements to fabrics, which has *size, profit, and growth potential*. The nanotechnology finish allows the fabric to be waterproof. Unlike traditional waterproof fabrics, these newer fabrics are soft enough for everyday clothes (Fitzgerald, 2002).

Burlington Industries is marketing nanotechnology differently than their other products. Even though Burlington has traditionally been a textile mill, the company is marketing this technology to other fabric and apparel manufacturers, such as Galey and Lord and Levi Strauss. These manufacturers are, in turn, marketing their products as being made with nanotechnology because consumers will *pay extra for this added characteristic*. However, the ultimate goal for the company is to market Nano-tex on the consumer level, so that eventually, consumers will demand fabrics finished with nanotechnology, giving Burlington an edge on the competition.

Tommy Bahama

Another example of the use of niche markets to differentiate a company from competitors is the apparel brand, Tommy Bahama. This company offers "the finer things in life: casual comfortable sportswear, footwear and accessories for men and women and even a collection of home furnishings" (Tommy Bahama, n.d.). Tommy Bahama was created by three men, Luci Dalla Gasperina, Tony Margolis, and Bob Emfield, and is based on a "tanned enigma [who] has Jimmy Buffet's blood pressure and Gary Cooper's bearing" (Hofman, 2001, p. 76). These men saw a gap in the market and focused their brand of elegant and tropical clothing to be sold in specialty stores on men aged 35 to 65. As one of the founders, Bob Emfield said, "If it wasn't red-white-and-blue Hilfiger, Polo, or Nautica, they [retailers] didn't want it" (Hofman, 2001, p. 80). Since its inception 1991, revenue has reached over $300 million and has grown from simply a men's clothing line to women's clothing, home furnishings, handbags, ties, swimsuits (Hofman, 2001). They have also opened 29 Tommy Bahama retail stores and six restaurants in the US based on the brand image (Tommy Bahama, n.d.).

One of the ways that Tommy Bahama stays ahead of the competition is by constantly upgrading quality in order to stay ahead of impersonating products (Hofman, 2001). Consumers will *pay a premium price for this image* (Hofman, 2001). Tommy Bahama has not only found a niche in the apparel market, but they have secured it by capitalizing the brand image and customer loyalty.

Swiffer Household Wipes

The nonwoven industry is one of the most promising areas for the future of the US textile and apparel industry (Association of the Nonwovens Fabrics Industry, 2002). One segment which has recently seen tremendous growth is in the market of household consumer wipes. One of the most popular and commonly used consumer wipes, Swiffer, was developed not by a "traditional textile" company, but by Proctor and Gamble. Proctor and

Gamble is a “recognized leader in the development, distribution and marketing of superior Fabric & Home Care, Baby Care, Feminine Care, Family Care, Beauty Care, Health Care, and Snacks & Beverages products” (Procter and Gamble, n.d.). Recently, non-textile companies have expanded to the nonwoven market in large part because of growth potential. The nonwovens market has *size, profit, and growth potential*. For this reason, there have been knock-offs since Swiffer’s introduction in 1991, but Proctor and Gamble was the first to introduce this concept to the market, and therefore, has gained *economies of scale through specialization*.

The Swiffer Wet-Jet is an example of a product for a niche market. It has a nonwoven pad that cleans a floor and then absorbs the wash solution (Swiffer, n.d.). The Swiffer Wet-Jet won the Vision Award for 2002 from the Association of the Nonwovens Fabrics Industry (INDA) because it has “the vision to take [the nonwovens] industry forward” (Hine, 2002). The Swiffer Wet-Jet is another example of a niche product that has developed into a profitable market. At a time when traditional textile and apparel markets in the US are struggling, some companies are looking to newer, more specialized markets

Overview of the US Textile and Apparel Industry

The US textile and apparel sector includes fiber, yarn and mill products manufacturing, including woven, knitted and nonwoven fabric, carpet, apparel and other sewn goods. In 2001, the textile complex employed 443,000 people (American Textile Manufacturers Institute, n.d.), while the apparel complex employed 362,900 (Standard and Poor’s, 2002). The US textile and apparel industry is large, mature, and highly fragmented with goods produced both domestically and internationally (Standard and Poor’s, 2002).

Table 5 is an evaluation of the strengths, weaknesses, opportunities and threats of the US textile and apparel industry.

Table 5: SWOT Analysis of the US Textile and Apparel Industry

STRENGTHS	WEAKNESSES
• Large domestic market. • Proximity to market. • Communication technologies, such as Electronic Data Interchange. • Higher productivity and efficiency compared to other countries. • Economies of scale. • Strategic Alliances. • Research and development capabilities.	• Large domestic market. • Consumer's demand for lower prices. • Low profitability. • Inflexibility • Many companies lack global vision. • Intra-industry competition means markets get "flooded" easily. • Inaccessibility of the markets of developing countries. • Focuses on commodity products instead of specialty products.
OPPORTUNITIES	**THREATS**
• Large domestic market. • Regional trade agreements. • Investments in technology. • Growth of industrial textile market. • Growth of home furnishings market. • Large global market opportunities. • Niche marketing—looking to specialty markets.	• Large domestic market. • Elimination of quotas in 2005. • Intense international competition. • Deterioration of domestic market in favor of imports. • Government reluctance to enforce trade laws. • Growing volume of transshipments.

*Source*s: Author (Parrish, E.D., 2003).
Kilduff, P. and Priestland, C. (2001). "Strategic Transformation of the US Textile and Apparel Industries".
Standard and Poor's. (2003) "Textiles". *Monthly Investment Review.*

Given the global dynamics, the US textile and apparel industry has become less competitive in the global marketplace, even though it is one of the oldest industries in the country (Dickerson, 1999). There are many reasons for this, but of course, the effect of imports ranks at the top of the list. In the early 1990s, the US textile and apparel industry reached one of its most prosperous periods in history (Hayes, 2001). In 1997, US textile shipments reached an all-time high of $84 billion (*Textiles,* 2000). In 2000, textile shipments had decreased to just over $80 billion (*Textiles,* 2000). However, the onset of the Asian financial crisis in 1997-1998 had a tremendous impact on the US textile and apparel industry. Due to the devalued currency, Asian producers began exporting their textile and apparel products into the US priced below manufacturing costs. This, in turn, resulted in a dramatic increase of imports into the US. Between 1996 and 2000, imports of Asian yarn increased by 218 percent, while Asian fabric imports increased by 61 percent (Hayes, 2001). Even though the Asian financial crisis intensified the problems currently facing the US textile and apparel industry, the looming inevitability of the World Trade Organization's elimination of quotas in 2005 is nonetheless only a few years away. In order to compete, the US textile and apparel industry is attempting to metamorphosize itself to gain a competitive advantage against imports. There are several ways in which the US industry is doing this.

Trade

The United States (US) has created regional trade pacts including the North American Free Trade Agreement (NAFTA) and the Trade and Development Act (TDA). One of the main reasons for this is to take advantage of the low cost labor in these regions for the labor intensive production processes while still utilizing the capital abundance domestically, as well as maintaining the proximity to market advantage (Dickerson, 1999). In 2000, the US Congress renewed "fast track" or Trade Promotion Authority for the President. Trade Promotion Authority gives the US President the ability to negotiate trade agreements, and Congress can vote either yes or no, but not change the details (American Textile Manufacturers Institute, 2002).

Productivity

United States textile and apparel companies are investing in new, more productive machinery and plants (*Textiles*, 2000). By becoming more efficient and automated, the industry has become less reliant on labor, and therefore, labor costs are not as great of a percentage as total cost as in the past (Dickerson, 1999). Even though US textile employment declined by 4.5 percent between 2000 and 2001 (American Textile Manufacturers Institute, 2002), and US apparel employment declined by 13 percent in the same time period (Standard and Poor's, 2002), the employment decline is not entirely due to increasing imports. The increasing automation has also decreased the amount of workers required to produce the same output.

Specialization

The US textile and apparel companies are trying to find their competitive advantage by specializing in the production of products that require capital and technology, such as home furnishings and industrial textiles. These same companies are, in turn, de-emphasizing products that are vulnerable to foreign imports, such as textile products consumed in the apparel industry (*Textiles*, 2000). The US textile and apparel industry is concentrating on more profitable niche markets and increasing their product diversification (*Textiles*, 2000).

Summary

Ricardo's trade theory of comparative advantage (1911) claims that international trade flows will be based on relative labor productivity. Heckscher and Ohlin's trade theory of factor proportions (1933) contends that international trade flows will be based on factor abundance. Posner's (1961) and Vernon's (1966) trade theories argue that the cycles associated the technological development will shape international trade flows. Porter's Competitive Advantage of Nations Model (1990) indicates that it is not just one factor that affects an industry's success in certain countries and thereby trade flows, but a combination of factors. Whatever the differences between these theories are, all support the claim that specialization will result from trade and make countries more successful.

Currently, the international arena is still protected by trade barriers. In 2005, one of the most significant of these, quotas, will disappear. This will have significant implications for the US textile and apparel industry if the industry is not prepared to deal with it. The influx of imports from Asia due to the Asian financial crisis dealt a major blow to the US textile and apparel industry, but does not compare to what will happen in 2005. Looking simply at the trade theories, the US textile and apparel industry, as it has been, will not be in a competitive position after 2005. However, the trade theories do focus on the outcome of specialization as a result of trade. This opportunity continues to be the US textile and apparel industry's best chance at survival.

Companies are already looking in what area their competitive advantage lies (*Textiles*, 2000). Examples given in the literature review were Lands' End, Burlington Industries, Inc., Tommy Bahama, and Swiffer Wet-Jet. United States textile and apparel companies are starting to focus on products that are more capital and technologically intensive versus those products which are historically labor intensive. 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 by the development of niche markets. It has been proven that product focus, i.e. niche markets, is related to profitability. 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 the theories, specialization and in turn, niche markets, could prove to be the "saving grace" of the US textile and apparel industry.

Based on these conclusions, there is a void in the literature. The need is:

- a clear and consistent definition as to what constitutes a niche strategy, market, and product,
- a model which will aid US textile and apparel companies in the development and maintenance of a niche strategy.

CHAPTER III

METHODOLOGY

Purpose of Research

The purposes of this research are to:

1. Define niche market strategy for the US textile and apparel industry
    a. to compare *academic definitions* (gathered from the literature review) with *industry definitions* (gathered through surveys and case studies),
    b. to relate the theory of specialization predicted by trade economists to the definition of niche markets today.
2. Determine how niche markets are identified and what variables need to be in place for them to be successful;
3. Determine what role niche markets will play in the globalization of the US textile and apparel industry, including the strategic benefits; and
4. Develop 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.

Research Objectives

Specific research objectives are:

RO1. To define niche markets

c. To determine how definitions vary among industry sectors (i.e. fiber/yarn, mill, sewn goods, retail, and auxiliary)
    - from a market perspective (pull marketing),
    - from a product perspective (push marketing),

- from a competitive strategy perspective,

RO2. To determine how US textile and apparel companies determine the market potential of a niche product, specifically what research methods they utilize.

RO3. To determine what are the most important variables in the success of a niche market.

RO4. To determine how US textile and apparel companies view the benefits of a niche market strategy when used to compete with imports in their domestic markets.

RO5. To ascertain what are viewed by companies as currently successful niche markets in the global textile and apparel industry.

RO6. To identify key variables for a niche strategy model.

Research Design

The research design for this study consisted of two phases: deductive and inductive. The deductive phase aimed to clarify niche strategy issues and provide breadth on this topic. Figure 9 is the deductive model of research. Once the important issues related to niche markets were identified, the inductive phase was implemented in order to gain more depth on this subject. Figure 10 is the inductive model of research.

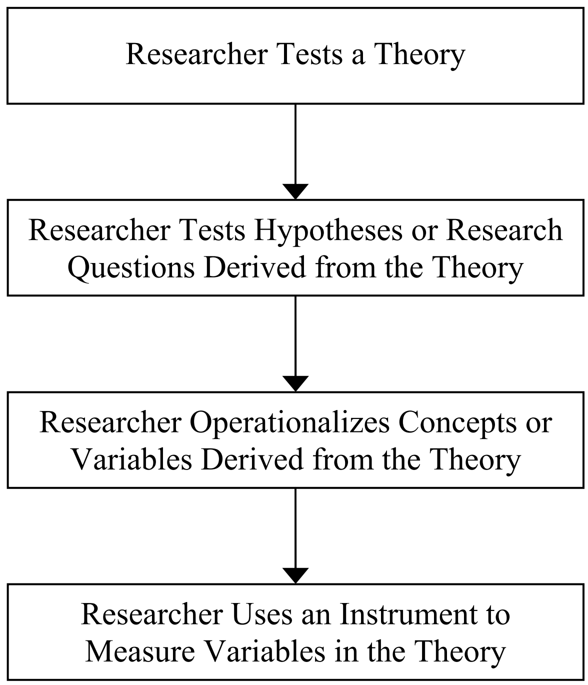

Figure 9: Deductive Model of Research[3]
Source: Creswell, J.W. (2003). *Research Design: Qualitative, Quantitative, and Mixed Method Approaches* (2nd ed.). Thousand Oaks, CA: Sage Publications. 125. Reprinted with permission of the author.

[3] Copyright permission is included in Appendix F

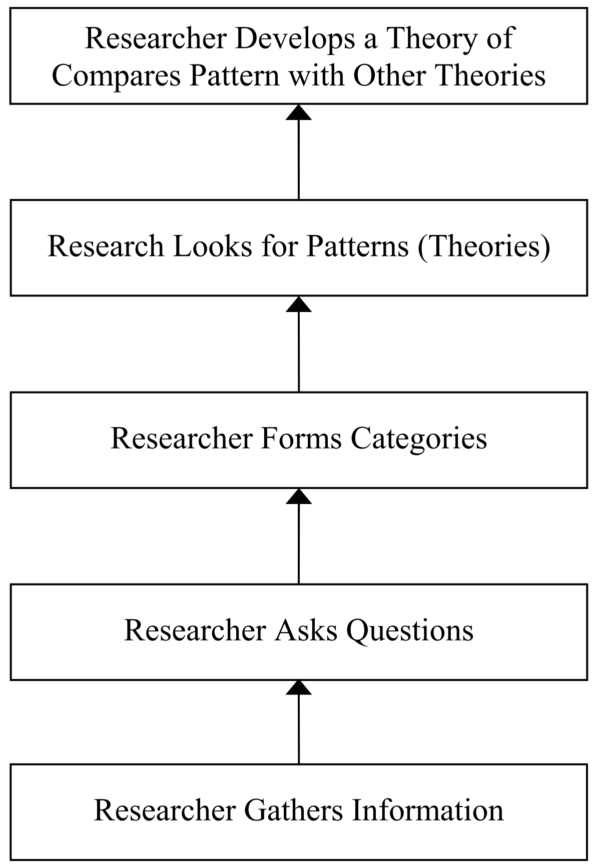

Figure 10: Inductive Model of Research[4]
Source: Creswell, J.W. (2003). *Research Design: Qualitative, Quantitative, and Mixed Method Approaches* (2nd ed.). Thousand Oaks, CA: Sage Publications. 132. Reprinted with permission of the author.

[4] Copy right permission is included in Appendix F

Phase I utilized a survey research methodology (deductive) and included a quantitative survey. A survey research method was chosen for Phase I due to the need for breadth of descriptive data from the respondents. Because there is limited research on niche markets, the survey was used to obtain the necessary information to develop Phase II.

Phase II used a case study methodology (inductive), collecting qualitative data from a select number of US textile and apparel company personnel. A case study methodology was chosen for Phase II due to the necessary depth and exploratory nature of the required data. The end result of both Phase I and Phase II was a model for the identification and implementation of niche markets for use as a global competitive strategy.

Phase I: Deductive

A survey was used in Phase I of this study in order to determine information for RO1 through RO6. This survey was posted on the internet. An online survey was chosen because it allows the respondent to choose his/her own time for completing the survey, it offers shorter data collection times versus mail surveys, and the data is automatically downloaded into a database once the respondent completes the survey (Kumar, Aaker & Day, 2002).

Instrument Development

The survey was self-administered and consisted of 24 questions in three sections: (1) Company Information, (2) Niche Markets, and (3) Globalization. A copy of the survey is included in Appendix A and is also available at www4.ncsu.edu/~eldodd. The survey was developed by the researcher based on the survey development guidelines of D.A. Dillman (2000). Survey development items were developed from a review of the trade (ATMI, 2003; Standard & Poors, 2002) and research literature (Dalgic & Leeuw, 1994; Kotler, 2003;

Linneman & Stanton, 1991). In addition, interviews with industry personnel (J. Martin, personal communication, May 20, 2002; E. Scarboro, personal communication, May 28, 2002) provided validation and additional instrument items. Table 6 illustrates how the instrument items correlate to the research objectives. Also included in Table 6 is the level of data for each instrument item.

Table 6: Survey Instrument Items Correlated to Research Objectives

Research Objectives	Instrument Item	Level of Data
RO1	Q8 Q13 Q22	Nominal Ordinal (Rank Order) Open Response
RO2	Q10 Q14	Open Response Open Response
RO3	Q11	Open Response
RO4	Q13	Ordinal (Rank Order)
RO5	Q9 Q10 Q12 Q20 Q21	Nominal Open Response Nominal Nominal Nominal
RO6	Q8-Q15	as above

<u>Company Information:</u> Section 1 of the survey contained demographic questions. There were twelve questions in this section. Items included company information (company name, address, products produced, size, gross sales for 2001). These demographic questions were important in order to verify the validity of the company's responses. Two questions [Q3, Q4] related to the respondent including his/her position in the company and length of time employed with the company. This information was important in order to estimate the accuracy of the information given by the respondent. All questions in this section represented nominal level data.

Niche Markets: Section 2 of the survey focused on niche markets and contained seven questions. This section asked the respondent how he/she would define a niche strategy (product/market) [RO1, RO6]; if the company utilized a niche market strategy, including a list of specific products [RO4, RO6]; how the company determined the market potential of a niche product [RO2, RO6]; the effect on the company of the niche product; and what the respondent saw as the most important variables in the success of a niche market [RO3, RO6]. This section also asked the respondent to list other companies and/or products that have successfully created and maintained niche markets in the textile and apparel industry [RO5, RO6]. This question was included in order to identify those companies and/or products to be used in the case study.

Questions 8, 9, and 12 represented nominal level data. Question 18 represented ordinal level data, specifically on a rank order scale. Questions 10, 11, and 14 were open-response questions. For these particular questions, open-response was chosen because the answers cannot be foreseen. Also, the possible variation in responses was advantageous due to the exploratory nature of the research (Kumar, Aaker, & Day, 2002).

Globalization: Section 3 of the survey focused on globalization, specifically, which strategies the company used to compete with lower priced imports [Q20], including lowering prices, increasing quality, shortening lead times, forming strategic alliances, and developing niche markets. The following question [Q21] asked which of these strategies the respondent believes offer the most potential in the competition against lower priced imports.

The questions in this section represented nominal level data with the exception of Question 22, which was an open-response question. The data received from Section 3 was used in the model development stage of this study [RO6].

Field Test

The survey was pilot tested by Stephanie Foust, Marketing Manager for the Performance Fabrics Division of Precision Fabrics, Greensboro, North Carolina. Only one pilot test was deemed necessary due to the large volume of industry input in the instrument development phase. After completion of the survey, the respondent was requested to complete a questionnaire about the survey. A copy of the field test questionnaire is included in Appendix B.

The purpose of the field test is to determine 1) the clarity of the questions and instructions, 2) what changes need to be made in order to make the survey easier to complete, 3) the amount of time required to complete the survey, and 4) any possible problems associated with the transmission of data through the internet. Based on the results of the field test, mistakes, such as wording and typographical errors, within the survey were corrected. Also, the respondent suggested adding a "No Effect" option to Question 12. These suggestions were incorporated into the revised survey (See Appendix A). Also, the respondent indicated that the survey requires approximately ten minutes to complete.

Data Collection

Data were collected through an online survey sent to a sample of 55 industry executives. A cover letter, which included a link to the online survey, was sent via email requesting the respondent to answer the survey. A copy of the cover letter is included in Appendix C. Once the respondent completed the survey, the data was automatically sent to a Microsoft Excel database in the researcher's university account (K drive). The nine week data collection period began on February 24, 2003, and continued until April 25, 2003. Because the survey was online, some companies were not able to access the website because of “company firewalls”. This only became known if the recipients of the email notification contacted the researcher. Upon notification of these cases, a copy of the survey was faxed to the potential respondents.

A pre-notification letter was not sent to the potential respondents because it was believed by the researcher that pre-notification would decrease the response rate by providing an early opportunity for declining to participate. Instead, the initial cover letter included an explanation of the study as well as a telephone number and email address so that those who had questions about the study or who did not wish to participate could contact the researcher. As an incentive for completing the survey, all cover letters indicated that a summary of the results would be sent to the respondents who requested a copy of the results in the survey. In Week 3 of the data collection process, a follow-up email which included a link to the online survey was sent to those executives who had not completed the survey (Appendix D). This process was repeated in Week 5, Week 7, and Week 9. A time schedule for the data collection process is shown in Table 7. The data collection process followed the guidelines of D.A. Dillman (2000). Those respondents who requested a summary of the results will be sent an executive summary in June 2003.

Table 7: Time schedule for data collection for Phase I

	Week 1 (2/24/03)	**Week 3 (3/10/03)**	**Week 5 (3/24/03)**	**Week 7 (4/7/03)**	**Week 9 (4/21/03)**
Sent out cover letter with link to survey	→				
Sent out follow up email with a link to survey		→	→	→	→

Sample Selection

The final sample was selected based on the following criteria:

1. Companies were selected from sectors (a-e), resulting in a total of 63 companies which received the survey. Different divisions within the same company were counted as different companies because each division has its own management and "culture".
    a. Fiber and yarn (SIC 228, 28)
    b. Mill products, including nonwovens, medical textiles, fabric producers and automotive textiles (SIC 22-22)
    c. Manufacturers of sewn goods (SIC 23, 25)
    d. Retail, with private branding (SIC 561-565, 569)
    e. Auxiliary, including machinery manufacturers and raw material suppliers, and consultants (SIC 0131, 3552)
2. Each company had to have an international interface but the corporate headquarters must be located in the US. This required the company to have one of the following: manufacturing and/or business offices in countries other than the US; and/or offshore sourcing locations.
3. Each company was deemed to have an affinity toward niche markets. This was determined by looking at the literature in order to determine the characteristics of companies with niche markets (i.e. profitability, market share, isolation from competitor).
4. The contact information for the most appropriate respondent had to be accessible.

The sample was selected from the *North American Textile Red Book*; the "CBI SourceKit" produced by Unifi, Inc.; Cotton, Inc.'s directory of mills, knitters and converters; in addition to literature searches. Also, suggestions of names and companies from industry and university personnel were incorporated into the sample when applicable. Table 8 illustrates the number of surveys sent to each sector, the number of responses and corresponding response rate.

Table 8: Number of Surveys Sent and Received per Sector

	Fiber and Yarn	Mill Products	Sewn Goods	Retail	Auxiliary	Total
Sent	12	20	16	9	6	63
Responded	7	5	4	0	3	19
Response Rate	58.33%	25.0%	25.0%	0.0%	50.0%	30.2%

Response Rate and Useable Sample Size

Determining the response rate and useable sample size involved a three-step process. These three steps were used to 1) eliminate those survey recipients who declined to participate in the survey, 2) eliminate those survey recipients who did not respond to any requests to participate in the survey, and 3) remove nonuseable surveys which were completed. Fortunately, all of the completed surveys were useable. Following the launch of the 63 emails containing the initial cover letter, nine recipients responded that they were unable to participate in this study. The removal of these respondents from the sample (step 1) resulted in an adjusted sample of 54 (see Table 9). The removal of the survey recipients who failed to respond after three follow-ups (step 2) resulted in a final sample size of 19, resulting in a response rate of 30.2 percent. Dillman (2000) states that the average rate of response for industry surveys is 21 percent, therefore, a 30.2 percent response rate is actually quite high.

Table 9: Steps Used to Determine Final Sample

	Number of Respondents
Initial number of survey sent	63
Step 1: Adjusted sample size (declined to participate)	- 9
	54
Step 2: Adjusted sample size (non-response)	-35
	19
Step 3: Eliminated nonuseable surveys	-0
	19
Final number of useable responses	**19**
Response Rate	**30.2%**

Data Analysis

Data analysis was completed in four stages. First, the data was collected through an online survey and coded. Second, the data was organized according to the primary sectors (fiber and yarn, mill producers, sewn good producers, retail, and auxiliary companies). Third, a descriptive analysis was conducted on the companies within each sector and across sectors. The purpose was to compare similarities and differences in niche market strategies within industry sectors and across the industry. Also, mean scores were calculated for each of the ranked variables. Fourth, the results from Phase I were used to a) identify variables for the model, b) identify the relationships among the variables, and 3) build a niche strategy model for each sector and an industry model based on Figure 2. (Note: The model depicted in Figure 2 was developed by the researcher because of the void of a niche market model in the literature.)

Phase II: Inductive

For Phase II of the study, a case study methodology was chosen. The reason for this decision is that surveys answer the "who, what, where, how many, how much" questions, whereas case studies answer the "how, why" questions (Yin, 1994). For the model development, the "how and why" are of utmost importance. The information gathered from the case studies was used to provide depth to the survey results as well as to clarify information generated by the survey. The results were used to clarify RO1-RO6 and to refine the preliminary models (sectors, industry) developed in Phase I.

Instrument Development

The case study methodology used was based on the guidelines of R.K. Yin (1994). The particular mode of data collection chosen was the interview method. The two-page interview questionnaire was developed by the researcher (Appendix E). The questions were designed to expand on the results accumulated during Phase I of the research process and to expand on the research objectives. Table 10 illustrates the matching of the research objectives to the instrument questions.

Table 10: Interview Instrument Items Related to Research Objectives

Research Objectives	Phase I		Phase II	
	Survey		Case Study	
RO1	Q8 Q13 Q22		Q1 Q2 Q3	Q4 Q9
RO2	Q10	Q14	Q10	
RO3	Q9 Q10 Q12	Q20 Q21	Q4 Q5 Q6	Q9 Q11 Q12
RO4	Q13		Q8	
RO5	Q11		Q6	Q7
RO6	Q8-Q14	Q20-Q21	Q1-Q13	

The initial section of the interview questionnaire was used to determine demographic information about the company and the respondents. Question 1 identified how the company defines a niche market [RO1, RO6]. Question 2 was used to determine how the company differentiates between a niche strategy, market and product [RO1, RO6]. Question 3 was used to assess why marketing is important for a company in order to incorporate this into the niche definition and the model [RO1, RO6]. Question 4 was used to determine if the company currently utilizes a niche strategy including how and why [RO1, RO4, RO6]. Question 5 was an extension of question 4, asking what effect the niche strategy has had on the company [RO4, RO6]).

Question 6 was used to find out how companies find a niche market or product [RO2, RO4, RO6]. Question 7 asked the respondent to differentiate between how the company identifies niche markets versus how the company identifies niche products [RO2, RO6]. Question 8 asked which factors the company believes are the most important in the success of a niche market strategy [RO3, RO6]. Question 9 was used to find out how the company's niche products compare with the more standard products [RO1, RO4, RO6]. Question 10 asked which other products and/or markets the company views as successful [RO5, RO6].

Question 11 was used to find how if the company believes a niche strategy will help compete against imports and in export markets, and question 12 was used to find out other strategies which the company sees as offering potential success [RO3, RO6]. Question 13 simply asks the respondent if he/she has any other comments. This question was open-ended so that further insights for model development might be provided [RO6]. The final questions simply addressed possible future contact and other potential information sources.

Sample Selection

The case studies for this study were selected in order to provide a more comprehensive examination of niche strategies used in the product pipeline. A convenience sample of two companies was selected from each of the following sectors: fiber and yarn, mill products, sewn goods and auxiliary. For some companies, the survey results yielded evidence of a creative niche strategy; therefore, these companies were included in Phase II of the study. The additional information provided an opportunity for a depth of information on the creative strategy that was not offered by the survey.

The companies selected had to have a currently strong and successful niche market or guide companies in the development of niche markets. This was determined based on the findings in the literature review of the characteristics of a strong niche market (i.e. profitable, insulated from competitors). In addition, the companies had to be accessible and willing to participate in the study.

Data Collection

The data for Phase II of the study was collected during an eight week period beginning on March 19, 2003. The data was collected in the following ways: face-to-face interview, phone interview, or email interview. The actual methodology selected was dependent on the location of the company and the option that offered the most convenience to the interviewee.

Telephone and face-to-face interviews ranged from 30 to 60 minutes. Questions were asked in order as outlined in the interview questionnaire (Appendix E). The researcher collected secondary data on each company prior to the interview.

Data Analysis

Data analysis was completed in four stages. First, the interviews were transcribed into paragraph form. Second, the data was organized according to the four primary sectors (fiber and yarn producers, mill producers, sewn good producers, and auxiliary companies) allowing for a comparison within sectors. (Note: The retail sector was not represented because the researcher was unable to obtain retailer case studies.) Third, the four sectors were compared for similarities and differences in niche market strategies allowing for an across sector comparison. Fourth, the information gathered from Phase II was incorporated into the models (4 sector models, 1 industry model) resulting from Phase I.

Operational Definitions [with survey question numbers designated]

Auxiliary: All other companies included in the survey (i.e. textile machinery manufacturers and raw material suppliers) and US textile and apparel trade associations [Q5].

Barriers to Entry: Difficulty of competitors to enter a particular market [Q13].

Brand Image: The psychological associations that the brand names brings to the minds of the customer (Kotler, 2003) [Q13].

Customer Service: Efforts of a company to carefully manage all the customer "touchpoints' with the aim of maximizing customer loyalty (Kotler, 2003) [Q13].

Fiber: Those companies included in the survey which produce synthetic fibers and yarn products [Q5].

Lead Time: Time it takes from when the order is placed until the product arrives [Q20, Q21].

Manufacturer of Sewn Goods: Companies included in the survey which produce sewn goods, including apparel and home textiles [Q5].

Market: Channel in which the products are sold [Q8].

Market Share: Percentage of a market held by a company [Q12].

Mill: Companies included in the survey which produce fabric (including woven, knitted and nonwoven fabrics), medical textiles and automotive textiles [Q5].

Price: The amount that the customer pays for the product [Q20, Q21].

Product: Goods sold by a company [Q8].

Quality: This refers to the "totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs" (Kotler, 2003) [Q20, Q21].

Retail: Companies included in the survey which sell products to the consumer. The retailers included in this survey use private branding [Q5].

Strategic Alliance: Partnerships between companies, either nationally or globally, that complement or leverage their capabilities and resources (Kotler, 2003) [Q20, Q21].

CHAPTER IV

RESULTS

Phase I

Sample Description

The research sample consisted of 19 respondents from 17 US textile and apparel companies from the fiber and yarn, mill products, sewn goods and auxiliary sectors. Table 11 provides detailed information about the sample, including survey sector, company identification, location, gross sales for 2001, size based on number of employees, and business ranking.

Table 11: Sample Description

Survey Category	Company Name	Location	Sales for 2001	# of Employees	Business Ranking[1]
Fiber/Yarn	A	Pennsylvania	$10.1- 25 million	1-500	N/A[2]
Fiber/Yarn	B	Florida	$10.1- 25 million	1-500	N/A
Fiber/Yarn	C	North Carolina	$1.1 – 5 billion	over 2000	1
Fiber/Yarn	D	North Carolina	more than $5 billion	over 2000	2
Fiber/Yarn	E	North Carolina	$750.1 million – 1 billion	1501-2000	18
Fiber/Yarn	F	North Carolina	$750.1 million – 1 billion	over 2000	12
Fiber/Yarn	F	North Carolina	$750.1 million – 1 billion	over 2000	12
Mill Products	G	Georgia	$1.1 – 5 billion	over 2000	9
Mill Products	H	North Carolina	$750.1 million – 1 billion	over 2000	11
Mill Products	I	North Carolina	$500,000 – 1 million	501-1000	N/A
Mill Products	J	South Carolina	$1.1 – 5 billion	over 2000	6
Mill Products	K	North Carolina	$250.1 – 500 million	over 2000	N/A
Sewn Goods	L	North Carolina	$100.1 – 250 million[6]	1501-2000	1
Sewn Goods	L	North Carolina	$100.1 – 250 million	1-500	1
Sewn Goods	M	North Carolina	more than $5 billion	over 2000	6
Sewn Goods	N	North Carolina	$250.1 – 500 million	1-500	11
Auxiliary	O	North Carolina	less than $500,000	1-500	N/A
Auxiliary	P	North Carolina	$10.1- 25 million	1-500	N/A
Auxiliary	Q	Montana	$10.1- 25 million	1-500	N/A

[1] Business rankings were taken from Dun & Bradstreet Business Rankings 2001 and from Ward's Business Directory. SIC is not given in order to ensure company confidentiality.
[2] Ranking is not available with secondary data sources.

Company Information

Companies represented in the study were from four of the five sectors: fiber and yarn, mill products, sewn goods and auxiliary sectors. Table 12 is a break down of the percentage of respondents from each sector. Table 13 shows the frequency of survey responses.

Table 12: Percentage of Respondents/Sample Size by Sector

Sector	Percentage / n
Fiber/Yarn	36.8% / 7
Mill Products	26.3% / 5
Sewn Goods	21.1% / 4
Auxiliary	15.8% / 3

The research sample contains many of the leading United States textile and apparel companies in each sector (top 20 as designated by Dun and Bradstreet Business Rankings 2001). The largest representation of companies was from the fiber and yarn sector, with companies that produce synthetic fibers and yarn, natural yarn, and texturized yarn. Companies represented in the sample include some of the world's major fiber and yarn companies. Mill products producers represent the second largest sector of companies in the sample. These companies produce fabrics (woven, knitted, nonwoven), home furnishings and hosiery. The third largest representation is from sewn good producers. These companies produce apparel and other sewn goods, including furniture. The smallest representation is from the auxiliary companies. These companies include a technology center, an accessories producer and a shoe manufacturer.

A majority (89%, n=17) of the US textile and apparel companies surveyed in this research own manufacturing facilities. Most (84%, n=16) companies own manufacturing facilities in the United States. A smaller percentage (68%, n=13) own manufacturing facilities outside of the US, including North America (other than US), South America, Caribbean Basin, Central America, Western and Eastern Europe, the Middle East, and the Far East. A majority (94%, n=18) of all the companies in the sample source goods from outside manufacturers. These goods include cotton (50%), synthetic fiber (56%), yarn (32%), woven fabric (37%), knitted fabric (37%), trim (32%), and other goods (32%).

Table 13: Frequency Table for Survey Responses

Question Number	Question	Variable	Fiber/Yarn Producers	Mill Producers	Sewn Good Producers	Auxiliary Producers	Total
			n=7	n=5	n=4	n=3	n=19
5	What type of products does your company produce? (check all that apply)	fiber	5	0	0	0	6
		yarn	4	2	0	0	6
		woven fabric	1	4	0	0	5
		knitted fabric	1	0	0	1	2
		nonwovens	0	0	0	1	1
		machinery	0	1	0	0	1
		apparel	0	0	3	0	3
		other sewn goods	0	2	1	0	3
		other textile products	1	2	0	0	4
15	Does your company own manufacturing facilities?	yes	7	5	4	2	17
		no	0	0	0	1	2
16	Where are mfging facilities located?	in US	6	5	4	1	16
		outside of US	5	4	4	0	13
17	Where are the manufacturing facilities not in the US located? (check all that apply)	North America	5	3	2	0	10
		South America	3	0	0	0	3
		Central America	0	1	1	0	2
		CBI	0	1	3	0	4
		Africa	0	0	0	0	0
		Western Europe	4	1	0	0	5
		Eastern Europe	0	0	0	0	0
		Middle East	0	2	1	0	3
		Far East	3	1	2	0	6
		other country	0	0	0	0	0

Table 13: Frequency Table for Survey Responses (continued)

Question Number	Question	Variable	Fiber/Yarn Producers	Mill Producers	Sewn Good Producers	Auxiliary Producers	Total
			n=7	**n=5**	**n=4**	**n=3**	**n=19**
18	Does your company source materials?	yes	6	5	4	3	18
		no	1	0	0	0	1
19	What type of materials sourced? (check all that apply)	cotton	2	2	4	1	9
		synthetic fiber	4	4	3	0	11
		yarn	0	4	1	1	6
		woven fabric	1	3	3	0	7
		knitted fabric	1	2	3	1	7
		trim	1	3	2	0	6
		other materials	2	2	0	2	6
8	Which of these best describes a niche?	market first	7	3	4	3	17
		product first	0	2	0	0	2
9	Does your company currently utilize a niche?	yes	5	4	3	3	15
		no	2	1	1		4
12	What effect has a niche strategy had on your company? (check all that apply)	increased market share	3	4	3	2	12
		decreased market share	0	0	0	0	0
		increased profitability	3	4	2	2	11
		decreased profitability	0	0	0	0	0
		no effect	0	0	0	0	0
		other	1	0	0	1	2
20	What strategies has your company utilized to compete with imports? (check all that apply)	lower prices	4	3	3	0	10
		increase quality	5	3	1	2	11
		shorten lead time	6	3	2	1	12
		form strategic alliances	6	4	2	2	14
		develop niche market	6	2	1	3	12
		other	2	1	1	1	5

Table 13: Frequency Table for Survey Responses (continued)

Question Number	Question	Variable	Fiber/Yarn Producers	Mill Producers	Sewn Good Producers	Auxiliary Producers	Total
			n=7	**n=5**	**n=4**	**n=3**	**n=19**
21	What strategies do you think will be the most successful for competing with imports? (check all that apply)	lower prices	1	3	1	0	5
		increase quality	2	2	1	2	7
		shorten lead time	6	3	1	2	12
		form strategic alliances	6	1	1	1	9
		develop niche market	6	2	2	2	12
		other	2	1	2	1	6
13	Rank variables in success of niche market (mean score) 1=most important 5=least important	quality	2.50	1.50	2.50	1.67	2.04
		brand image	3.33	1.75	2.00	2.00	2.27
		customer service	3.33	3.00	2.50	1.67	2.63
		market share	3.67	3.75	4.00	4.00	3.86
		barriers to entry	2.17	2.50	2.75	3.33	2.69

Within and Across Sector Results

Niche Market: Definitions and Variables

RO1. To define niche markets

Within Sectors

Fiber and Yarn Producers: All (100%, n=7) of the fiber and yarn companies which responded to the survey defined a niche strategy as "creating a product with an emphasis on a particular need". *Quality* and *barriers to entry* were selected as the most important variables in the success of a niche market. One fiber and yarn producer stated that implementing a niche strategy was:

> [a] very good idea, but practically speaking, there are no niche markets. There are highly value added products that because of their high price will only be consumed at low volumes, thus creating niche volume applications. By the time something can actually be called a 'market' the margin that can support the development work to create new products is usually gone.

Another fiber and yarn producer compared a niche market to a "[m]arket of one".

Mill Producers: Five mills responded to the survey and the majority (60%, n=3) of those defined a niche strategy as "creating a product with an emphasis on a particular need". The remaining (40%, n=2) defined it as "creating a market for a particular product". Mill producers indicated that *brand image* and *quality* were the most important variables in the success of a niche market.

Sewn Good Producers: All (100%, n=4) sewn good producers described a niche strategy as "creating a product with an emphasis on a particular need". *Brand image* followed by *quality* and *customer service* were selected by sewn good producers to be the most important variables in the success of a niche market.

Auxiliary Companies: All (100%, n=3) auxiliary companies described a niche strategy as “creating a product with an emphasis on a particular need”. Auxiliary companies indicated that *quality* and *customer service* were the most important variables in the success of a niche market. A respondent from an auxiliary company stated that “niche markets can be a complement to an existing business or market for a growing company in the textile and apparel business.”

Across Sectors

The majority of respondents (89%, n=17) defined a niche a market as “creating a product with an emphasis on a particular need”. A smaller percentage (11%, n=2) defined a niche market as “creating a market for a particular product”. Therefore, the majority of respondents believe that a niche strategy involves finding a market and then developing a product based on that market (pull marketing). A small segment of the mill producers were the only respondents from any sector to indicate that a niche strategy involves developing a product and then creating a market based on that product (push marketing). Overall, the responses indicated that *quality* followed by *brand image* and *customer service* were the three most important variables in the success of a niche market/product.

RO2. To determine how US textile and apparel companies determine the market potential of a niche product, specifically what research methods they utilize

Within Sectors

Fiber and Yarn Producers: The majority (60%, n=4) of fiber and yarn producers responded (open-ended) that their company uses *customer interviews* and *market research* when developing a niche market. A limited number use *interaction with retailers* and *trial and error*. This means that companies are using *market research* which is used to identify trends and market potential. Companies are also talking with their customers and with retailers to identify trends and potential. Both of these indicate a pull marketing approach.

Mill Producers: The majority (75%, n=4) of mill producers responded (open-ended) that their company uses *market research*, including primary and secondary sources, when developing a niche product. A smaller percentage responded that they use *research and development* and *customer interviews*.

Sewn Good Producers: All (100%, n=4) of sewn good producers responded (open-ended) that their company utilizes *market research* when developing a niche product.

Auxiliary Companies: All (100%, n=3) of the auxiliary companies indicated that they use *market research* in order to identify trends when developing a niche product. One respondent said they their company uses trade shows, associations, and, the North Carolina Department of Commerce to help identify these trends.

Across Sectors

The majority (60%, n=13) of US textile and apparel companies surveyed in this study utilize *market research* when determining the market potential of a niche product. The use of market research indicates more of a pull marketing approach. Fiber and yarn producers also used *market research*, but were also more likely to use *trial and error*. Mill producers, in addition to *market research*, used *research and development*. The use of trial and error and research and development indicate more of a push marketing approach.

RO3. To determine what are the most important variables in the success of a niche market.

Within Sectors

Fiber and Yarn Producers: Table 14 presents mean scores for the five ranked variables in the success of a niche market.

Table 14: Mean Scores of Ranked Variables: Fiber and Yarn Producers

Quality	Brand Image	Customer Service	Percentage Market Share	Barriers to Entry
2.5	3.33	3.33	3.67	2.17

Ranking on scale of 1 to 5 with 1 being most important and 5 being least important

For fiber and yarn producers, results indicated that market (*barriers to entry*) and product (*quality*) issues were similarly ranked in importance. *Barriers to entry*, which is more of market issue, was the most important variable in the success of a niche market, followed by *quality*, which is more of a product issue. These results may mean that protection from competition (barriers to entry) is the most important variable in the success of a niche market for a variety of reasons:

1) due to the technologically intensive nature of the fiber and yarn industry, the protection provided by intellectual property rights, which in turn limits competition, is extremely important; and
2) because the fiber and yarn industry is the sector farthest removed from the consumer, these companies cannot solely rely on consumer demand and other product issues to maintain their business.

Mill Producers: Mean scores (Table 15) indicated that the product issues of *quality* and *brand image* were the most important variables in the success of a niche market. These results indicate that mill producers who stimulate consumer demand through offering a quality product and/or a brand image may be better positioned to compete with imports and other forms of competition.

Table 15: Mean Scores of Ranked Variables: Mill Producers

Quality	Brand Image	Customer Service	Percentage Market Share	Barriers to Entry
1.5	1.75	3	3.75	2.5

Ranking on scale of 1 to 5 with 1 being most important and 5 being least important

Sewn Good Producers: For sewn good producers, the product issue of *brand image* was the most important variable in the success of niche market. This was followed by the product issue of *quality* and the market issue of *customer service*. This finding underscores the importance of brand in marketplace success for sewn good producers (finished goods manufacturing and furniture).

Table 16: Mean Scores of Ranked Variables: Sewn Good Producers

Quality	Brand Image	Customer Service	Percentage Market Share	Barriers to Entry
2.5	2	2.5	4	2.75

Ranking on scale of 1 to 5 with 1 being most important and 5 being least important

Auxiliary Companies: Mean scores (Table 17) indicate that the market issue of *customer service* was the most important variable in the success of a niche market for auxiliary companies. This was followed by the product issue of *brand image*. These results indicate that offering the consumer and/or customer a high level of service is the most important variable for auxiliary companies in the success of a niche market.

Table 17: Mean Scores of Ranked Variables: Auxiliary Companies

Quality	Brand Image	Customer Service	Percentage Market Share	Barriers to Entry
2.67	2	1.67	4	3.33

Ranking on scale of 1 to 5 with 1 being most important and 5 being least important

Across Sectors

Results (Table 18) show that US textile and apparel companies view *quality*, followed by *brand image*, as the most important variables in the success of a niche market. This indicates that product issues are the most important variables in the success of a niche market for the industry, as identified by the study sample. By using brand image and/or a quality product to stimulate consumer demand, companies should be better equipped to compete with lower priced imports.

Table 18: Mean Scores of Ranked Variables: All Sectors

Quality	Brand Image	Customer Service	Percentage Market Share	Barriers to Entry
2.04	2.27	2.63	3.86	2.69

Ranking on scale of 1 to 5 with 1 being most important and 5 being least important

RO4. To determine how US textile and apparel companies view the benefits of a niche market strategy when used to compete with imports in their domestic markets

Within Sectors

Fiber and Yarn: The majority (71%, n=5) of fiber and yarn firms utilize a niche market strategy. Examples of niche products include special feature yarns and premier value-added products. The results of using a niche market strategy include *increased profits* and *increased market*. However, one respondent said that determining the effects of a niche market strategy was "difficult to measure but has probably helped our business". Another company indicated that they had "[m]ore efficient deployment of resources". *Developing niche markets*, was used by the majority (86%, n=6) of fiber and yarn producers, to compete with imports. Other strategies currently utilized by fiber and yarn producers to compete with imports include both *shortening lead times* and *forming strategic alliances* (Table 19). These same three strategies were thought by the majority (86%, n=6) of the fiber and yarn respondents to have the most potential in the competition against lower priced imports (Table 20).

Table 19: *Strategies Currently Utilized* by Fiber and Yarn Producers to Compete with Imports

Lowering Prices	Increasing Quality	Shorter Lead Times	Forming Strategic Alliances	Developing Niche Markets	Other
57% /n=4	71% /n=5	86% /n=6	86% /n=6	86% /n=6	29% /n=2

Respondent could identify more than one n=7

Table 20: *Potentially Successful Strategies* for Fiber and Yarn Producers for Competing with Imports

Lowering Prices	Increasing Quality	Shorter Lead Times	Forming Strategic Alliances	Developing Niche Markets	Other
14% /n=1	29% /n=2	86% /n=6	86% /n=6	86% /n=6	29% /n=2

Respondent could identify more than one n=7

Mill Producers: The majority (80%, n=4) of mill producers responded that their company currently utilizes a niche market strategy. Examples of niche products that these companies produce are specialty fabrics, such as anti-microbial and anti-allergy fabrics. The results of using a niche market strategy include an *increase in market share* and an *increase in profits*. Despite these strategic benefits, most (80%, n=4) mill producers indicated that they *form strategic alliances* with other companies in order to compete against imports

(Table 21). However, the respondents from this sector believe that *lowering prices* and *shortening lead times* have the most potential in the competition against imports (Table 22).

Table 21: *Strategies Currently Utilized* by Mill Producers to Compete with Imports

Lowering Prices	Increasing Quality	Shorter Lead Times	Forming Strategic Alliances	Developing Niche Markets	Other
60% /n=3	60% /n=3	60% /n=3	80% /n=4	40% /n=2	20% /n=1

Respondent could identify more than one n=5

Table 22: *Potentially Successful Strategies* for Mill Producers for Competing with Imports

Lowering Prices	Increasing Quality	Shorter Lead Times	Forming Strategic Alliances	Developing Niche Markets	Other
60% /n=3	40% /n=2	60% /n=3	20% /n=1	40% /n=2	20% /n=1

Respondent could identify more than one n=5

Sewn Good Producers: The majority (75%, n=3) of sewn good producers indicated that their company utilizes a niche market strategy. Examples of niche products include specially sized apparel, protective fabric and weather resistant upholstery/furniture. Results of using a niche market strategy include *increased market share* (75%, n=3) and *increased profits* (50%, n=2). The strategy currently utilized by the majority (75%, n=3) of sewn good producers to compete with imports is *lowering prices* (Table 23). However, sewn good producers believe that *developing niche markets* offers the most potential for success in the competition with imports (Table 24).

Table 23: *Strategies Currently Utilized* by Sewn Good Producers to Compete with Imports

Lowering Prices	Increasing Quality	Shorter Lead Times	Forming Strategic Alliances	Developing Niche Markets	Other
75% /n=3	25% /n=1	50% /n=2	50% /n=2	25% /n=1	25% /n=1

Respondent could identify more than one n=4

Table 24: *Potentially Successful Strategies* for Sewn Good Producers for Competing with Imports

Lowering Prices	Increasing Quality	Shorter Lead Times	Forming Strategic Alliances	Developing Niche Markets	Other
25% /n=1	25% /n=1	25% /n=1	25% /n=1	50% /n=2	50% /n=2

Respondent could identify more than one n=4

Auxiliary Companies: All (100%, n=3) of the auxiliary companies responded that they utilize a niche market strategy. Examples of niche markets include high quality and specialty products. Results of a niche market strategy include *increased market share* and *increased profits*. All (100%, n=3) of the auxiliary companies currently utilize a niche market strategy in order to compete with imports (Table 25). In addition to *developing niche markets*, auxiliary companies believe that *increasing quality* offers potential for competing with imports (Table 26).

Table 25: *Strategies Currently Utilized* by Auxiliary Companies to Compete with Imports

Lowering Prices	Increasing Quality	Shorter Lead Times	Forming Strategic Alliances	Developing Niche Markets	Other
0% /n=0	67% /n=2	33% /n=1	67% /n=2	100% /n=3	33% /n=1

Respondent could identify more than one n=3

Table 26: *Potentially Successful Strategies* for Auxiliary Companies for Competing with Imports

Lowering Prices	Increasing Quality	Shorter Lead Times	Forming Strategic Alliances	Developing Niche Markets	Other
0% /n=0	67% /n=2	67% /n=2	33% /n=1	67% /n=2	33% /n=1

Respondent could identify more than one n=3

Across Sectors

The majority (79%, n=15) of US textile and apparel companies surveyed in this study <u>are</u> utilizing a niche market strategy to compete. Reasons include *increased market share* and *increased profits* due to implementing a niche market strategy. These results concur with findings in the literature that state increased profits and market share as a results of niche marketing (Linneman & Stanton, 1992). However, most (74%, n=14) of the companies surveyed have *formed strategic alliances* to compete with imports. A smaller percentage (63%, n=12) have *shortened lead times* and *developed niche markets* in order to compete (Table 27). When asked which strategies the respondents thought offered the most potential for competing with imports, the US textile and apparel companies surveyed indicated *developing niche markets* and *shortening lead times* (Table 28).

Table 27: *Strategies Currently Utilized* by All Sectors to Compete with Imports

Lowering Prices	Increasing Quality	Shorter Lead Times	Forming Strategic Alliances	Developing Niche Markets	Other
53% /n=10	56% /n=11	63% /n=12	74% /n=14	63% /n=12	26% /n=5

Respondent could identify more than one n=19

Table 28: *Potentially Successful Strategies* for All Sectors for Competing with Imports

Lowering Prices	Increasing Quality	Shorter Lead Times	Forming Strategic Alliances	Developing Niche Markets	Other
26% /n=5	37% /n=7	63% /n=12	47% /n=9	63% /n=12	32% /n=6

Respondent could identify more than one n=19

RO5. To ascertain what are viewed by companies as currently successful niche markets in the global textile and apparel industry

Within Sectors

Fiber and Yarn Producers: Successful niche markets listed by fiber and yarn producers include space-dyed yarns, Aramid, Kevlar, boucle yarns, high bulk acrylic yarns, Sunbrella, and Lufnen. Dupont's textile products were listed by all of the respondents who answered this question.

Mill Producers: Successful niche producers listed by the mill sector include Milliken, Goretex, VF, Croscill, Keeko, Allure, Polymer Group, Buckeye Technologies, Dan River, Thor-lo Socks, Dickies Work and Docker Khakis.

Sewn Good Producers: Successful niche products listed by sewn good producers include Lycra and wrinkle resistant wovens. Successful niche producers listed include Lucky Brand, Carters and Northface. Mervyns was listed as a successful niche retailer, particularly for the Hispanic market.

Auxiliary Companies: Successful niche producers listed by auxiliary companies include DeFeet, Inc., Twin City Knitting, Fossil, Nike and Liz Claiborne.

Across Sectors

There were no successful niche markets in the global textile and apparel industry that were mentioned by respondents from more than one sector. The successful niche markets listed by companies were specific not only to their sector, but also to their competitor's products.

RO6. To identify key variables for a niche strategy model

Within Sectors

Fiber and Yarn Producers: All (100%, n=7) of the fiber and yarn companies surveyed for this research defined a niche strategy as "creating a product with an emphasis on a particular need". This definition implies that fiber and yarn producers identify a market and then develop a product based on that market (pull marketing). [In the following models, a pull marketing approach is identified by a dashed line.] However, when asked how fiber and yarn companies determine the market potential of a niche market/product, the respondents replied *market research*, *customer interviews*, *interaction with retailers* and *trial and error*. Market research, customer interviews, and interaction with retailers all correspond to a pull marketing approach; however, trial and error indicates a push marketing approach. A push marketing approach entails developing a product and then looking for a market that desires that particular product. This leads to the conclusion that fiber and yarn producers utilize both pull and push marketing. [In the following models, a push marketing approach is identified by a solid line.] In addition, the market issue of *barriers to entry* closely followed by the product issue of *quality* were the most important variables in the success of a niche market. Figure 11 illustrates a synthesis of the key variables gathered on fiber and yarn producers during Phase I of the study.

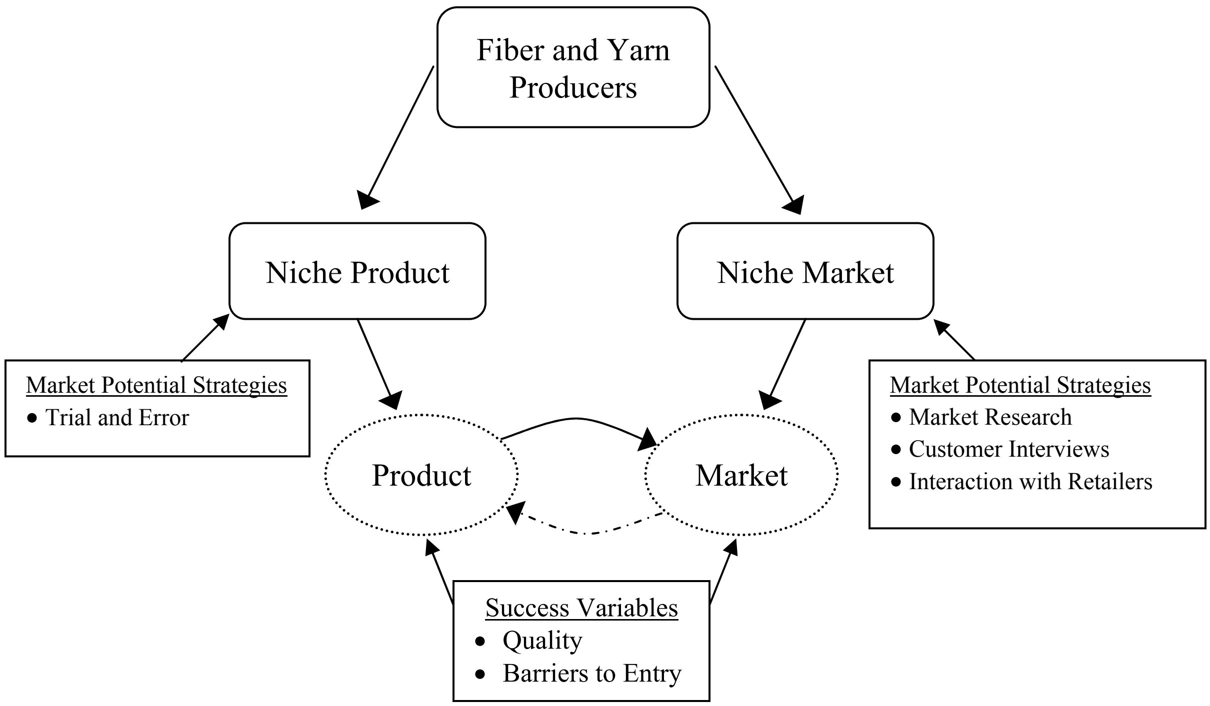

Figure 11: Niche Strategy Model for Fiber and Yarn Producers based on results of Phase I

——— Push Marketing
-·-·- Pull Marketing

Mill Producers: The majority (60%, n=3) of mill producers defined a niche strategy as "creating a product with an emphasis on a particular need". The remaining (40%, n=2) defined it as "creating a market for a particular product". These results indicate that mill producers use both push and pull marketing. Mill producers also responded that their companies determine the market potential of a niche market/product through *market research, customer interviews* and *research and development*. Again, this indicates both a push and pull marketing approach. In addition, the product issues of *quality* and *brand image* were the two most important variables in the success of a niche market for mill producers. Figure 12 illustrates the key variables of a niche strategy for mill producers.

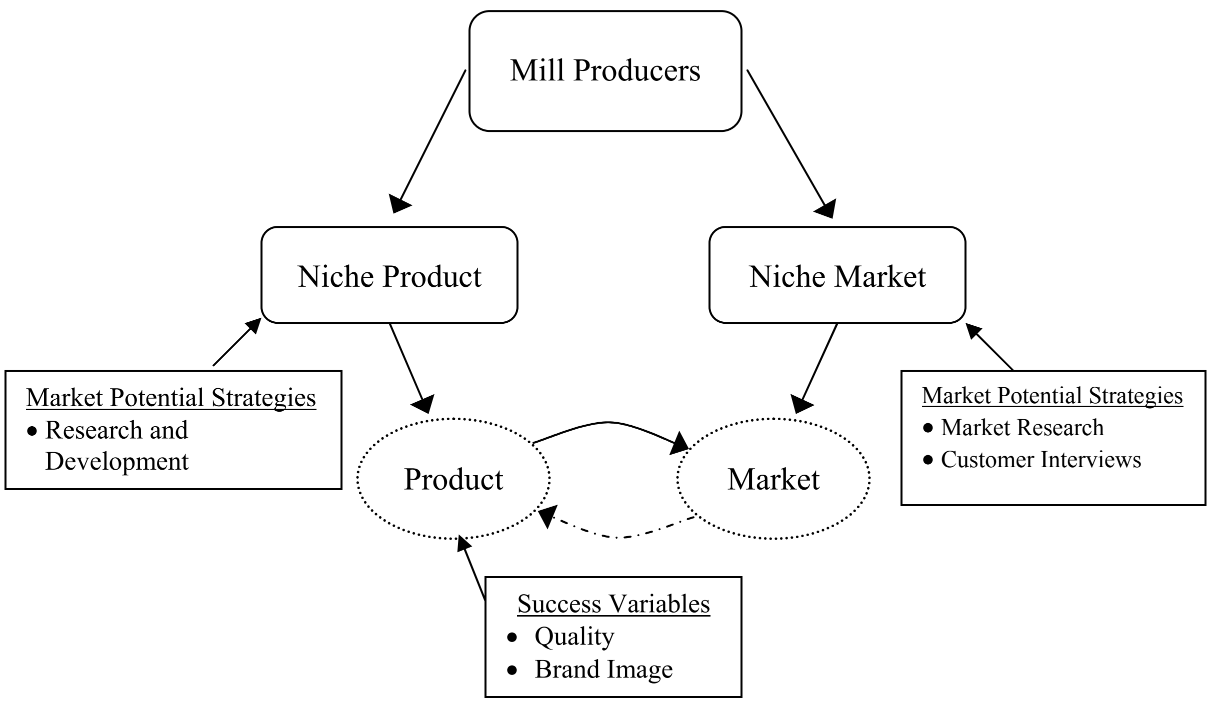

Figure 12: Niche Strategy Model for Mill Producers based on results of Phase I

Push Marketing
Pull Marketing

Sewn Good Producers: All (100%, n=4) of the sewn good producers surveyed in this study defined a niche strategy as “creating a product with an emphasis on a particular need”. This indicates a pull marketing approach. Also, sewn good producers utilize *market research* in order to determine the market potential of a niche market, which also points toward a pull marketing approach. Sewn good producers also responded that the product issue of *brand image* was the most important factor in the success of a niche market. Figure 13 illustrates the key variables for sewn good producers gathered through the research for Phase I.

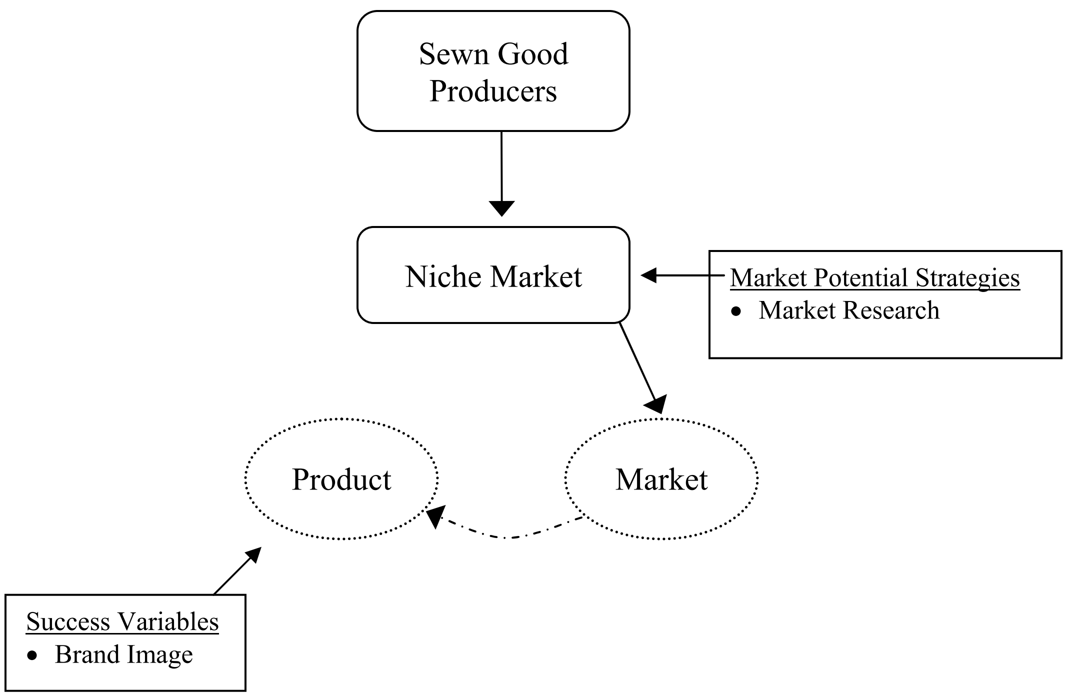

Figure 13: Niche Strategy Model for Sewn Good Producers based on results of Phase I

Push Marketing
Pull Marketing

Auxiliary Companies: All (100%, n=3) of the auxiliary companies defined a niche strategy as "creating a product with an emphasis on a particular need". This indicates a pull marketing approach. Auxiliary companies also said that they determine the market potential of a niche market through *market research*, which again indicates a pull marketing approach. However, they responded that the market issue of *customer service*, followed by the product issue of *brand image*, were the most important variables in the success of a niche product/market. Figure 14 illustrates the key variables for auxiliary companies gathered through the research for Phase I.

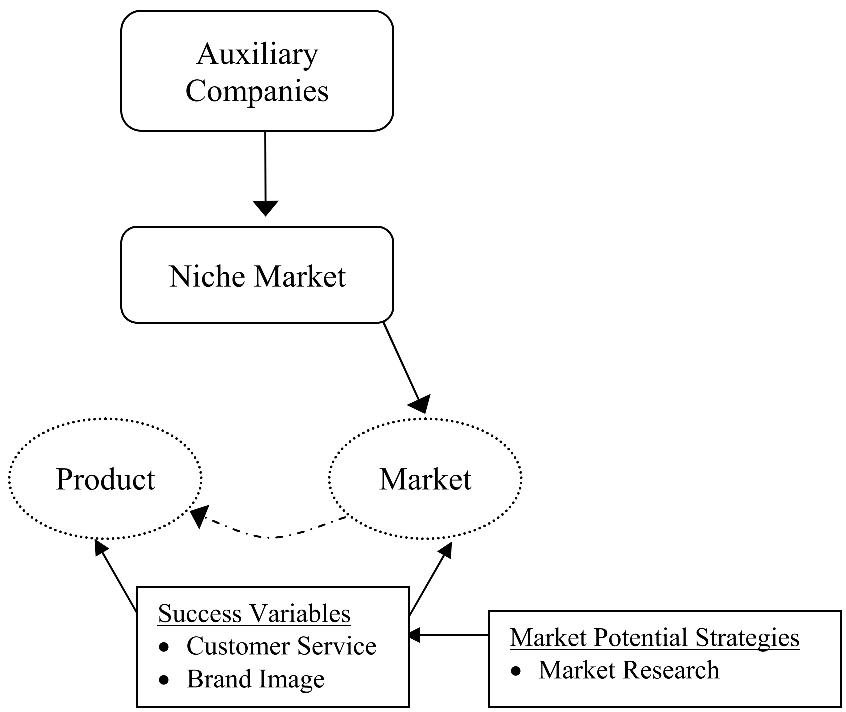

Figure 14: Niche Strategy Model for Auxiliary Companies based on results of Phase I

Push Marketing
Pull Marketing

Across Sectors

A majority of the companies from all sectors in this study utilize a niche strategy. Fiber and yarn producers and mill producers both use a pull (market first) approach and a push (product first) approach. Sewn good producers use a pull (market first) approach. The auxiliary companies surveyed for this research are located throughout the entire supply chain; however, they use a pull (market first) approach.

Figure 15 was developed by combining the previous models (Figures 11 through 14).

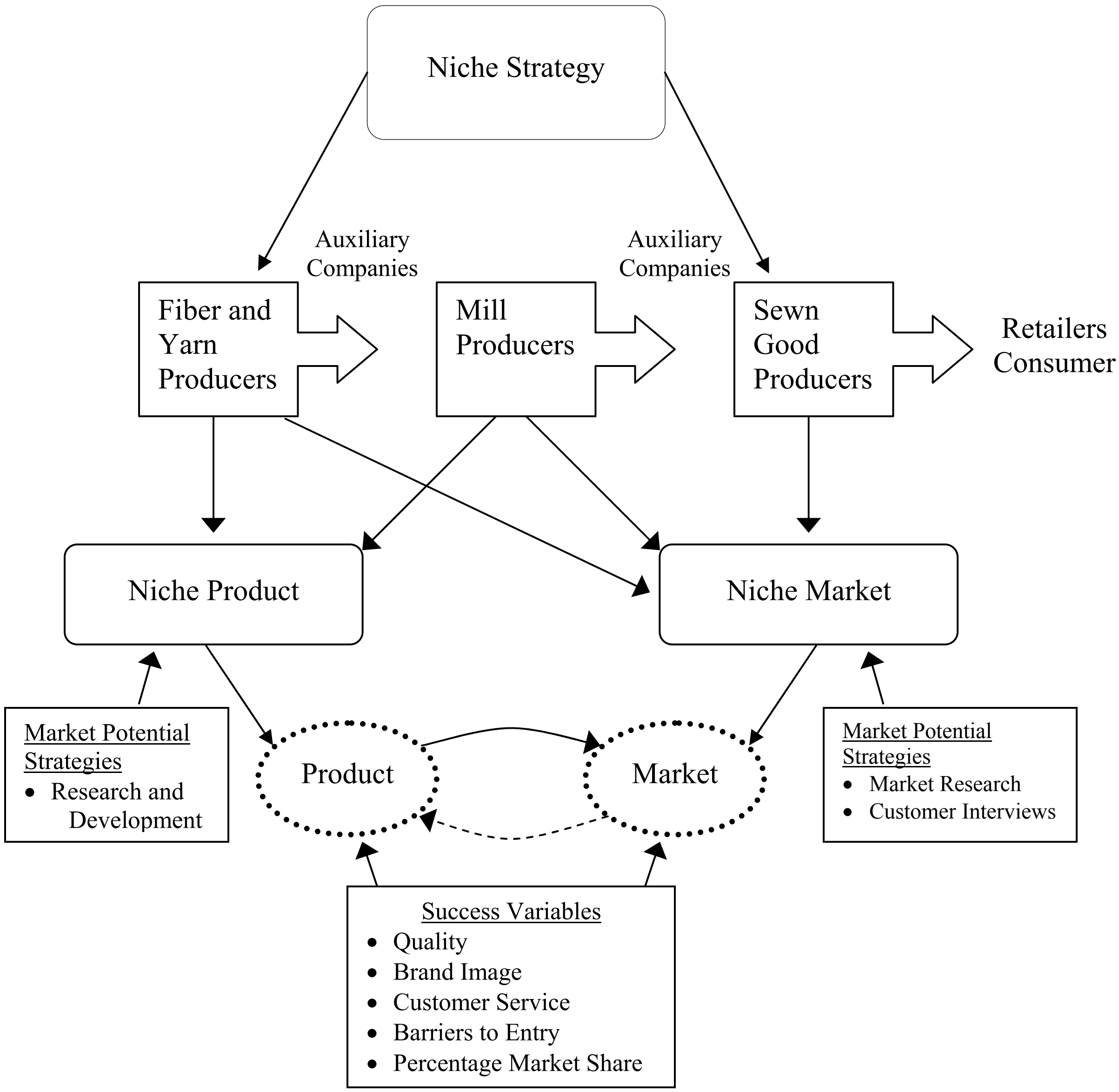

Figure 15: Niche Strategy Model based on Phase I

Push Marketing
Pull Marketing

Phase II: Deductive

Sample Description

The research sample for Phase II of the study consisted of six companies who currently utilize a niche market strategy, one trade organization, and one consulting company. Table 29 provides information about the sample, including company identification, the position of the executive interviewed within the company, and industry sector based on research categories.

Table 29: Sample Description

Company	Interviewee	Research Sector
A	Market Development Manager	Fiber and Yarn
B	Creative Manager	Fiber and Yarn
C	Vice President of Marketing	Mill Products
D	Product Development Manager	Mill Products
E	Business Manager	Sewn Goods
F	President	Sewn Goods (Furniture/Upholstery)
G	Vice President	Auxiliary (Consulting)
H	Director, Market Research and Planning	Auxiliary

Fiber and Yarn Producers

Case One: Company A

In the area of textiles and apparel, Company A produces a variety of specialty fibers, such as high strength fibers, heat resistant fibers, and composite fibers, in addition to many others. Company A is considered in the industry to be one of the leading niche marketers.

A company executive stated that niche marketing is extremely important for some companies and is probably the only way for the company to compete with imports. It is vital that a company who practices niche marketing understand the consumer and be willing to invest time and resources in order to continuously maintain that consumer base. If a company is not willing to do those things, then they are only "pretending to be in niche marketing". If a company is committed to implementing a niche strategy, they should be willing and able to invest what is necessary in order to maintain that marketplace. However, a company does not have to practice niche marketing in order to understand consumer needs. Researching the consumer is more important than ever, and market and consumer research are the key to winning the battle against imports.

For Company A, a niche marketing strategy has made the company more competitive. The company executive explained that Company A now has a much more interesting and stable product mix. The company is also much more focused on the consumer who used the product. Table 30 is a summary of the interview results from Company A personnel.

Table 30: Company A—Niche Strategy Interview Results

	Executive's Comments Regarding Niche Strategy
Niche Strategy	• A niche strategy can be either push or pull marketing. • A niche strategy has an ongoing effect on a company. • A niche strategy is sometimes the only way for a company to remain competitive. • A niche strategy is the "last beachhead to go in the war against imports".
Niche Market Characteristics	• A niche market is a select segment of the market. • A niche market is a group of consumers who want something unique. • A company must know the consumer.
Niche Market Identification	• The company must understand the market and go backwards. • A niche market can be identified through market research. • Market research can be used to either find a market or find a technology need in the market.
Factors in Success of a Niche Market	• The company should be willing to invest the time and resources necessary to maintain the niche. • A company must understand the market that uses its product.
Niche Product Characteristics	• A niche product has particular appeal to a select segment of the market. • The product is uniquely something that other people want.
Niche Product Identification	• A niche product occurs when a company understands the market and goes backwards.
Factors in Success of a Niche Product	• A niche product must appeal to the consumer. • A niche product must meet the needs of the consumer to be successful. • A niche product must have the full support of the company.

Case Two: Company B

Company B is one of the world's largest producers and processors of specialty yarn. The company's yarns are found in a variety of products, including automotive, home furnishings, apparel, industrial fabrics, home upholstery, hosiery and sewing thread. In the past, Company B was solely a manufacturing company, or as a company executive explained it, a "ton and gun company". As imports have increased, Company B was forced to take on a new strategy based on the company's ability to market its name and create branded products. Today, Company B is seen as one of the leading domestic/international suppliers to both direct and indirect customers.

The company executive explained that Company B is a manufacturing-based company and the production of commodity products, such as synthetic yarn, has provided the company with the ability to continue on as a successful textile company. On the other hand, Company B's specialty products, or premier value-added, have allowed the company to generate a greater profit. The company targets a specific market and "go[es] after it". The company executive believes that a niche strategy will help with the pressure from import competition because a company is able to identify the most profitable market segments. She stated that "[t]he more focused a company is on their strategy, the more likely they are able to beat out competition".

It was difficult to accurately assess the company's perspective concerning niche marketing because the company executive preferred contact via email rather than phone.

Table 31 shows the interview results from Company B personnel.

Table 31: Company B—Niche Strategy Interview Results

	Executive's Comments Regarding Niche Strategy
Niche Strategy	• A niche strategy is the concept or plan in which you decide how a company will market/target specific markets. • A niche strategy has generated greater profits.
Niche Market Characteristics	• A niche market is an identified target market.
Niche Market Identification	• A niche market can be identified by researching the markets with the highest potential for growth.
Factors in Success of a Niche Market	• The most important factor in the success of a niche market is identifying the right market at the right time.
Niche Product Characteristics	• Niche products are products that should cater to certain market needs.
Niche Product Identification	• A niche product can be developed according to what the market wants. • Niche products can also be developed specific to customer needs.
Factors in Success of a Niche Product	• The 4 P's of marketing (price, product, promotion, placement) as important in the success of a niche product.

Mill Producers

Case Three: Company C

Company C was founded in the 1920s and has become a global leader in sock manufacturing. The company has manufacturing facilities throughout the Southeastern United States and around the world. Company C's socks are manufacturing under various brands and trademarks and are found at leading retailers around the country. The company is considered a leading marketer in the sock business, but as a company executive stated "marketing is relative". Company C is not Proctor and Gamble when it comes to marketing, but for the sock business, the company *is* a marketer.

Until two to three years ago, sock manufacturing was largely domestic. Now, there is pressure from imports. Unfortunately, it does not matter to the consumer where a product is manufactured. Because of the consumer's mentality of wanting the best deal, they are not willing to pay extra for domestically produced products. Executives at Company C believe that marketing is important in order to differentiate your company from the competition and that differentiation, either through feature or brand image, needs to be conveyed to the consumer. When a company markets their product, that product can sometimes demand a higher price. Right now, differentiation in the sock business is more important then ever.

Company C does use a niche strategy to compete with imports, and the company will go after a niche market if there is a specific type of need that the company can fulfill. A company executive stated that there are two reasons to implement a niche strategy: as an *incremental business strategy* or as a *defensive strategy*. Since utilizing a niche strategy, Company C has become more profitable. However, the company executive explained that "[i]f a market is lucrative, it is vulnerable [to foreign suppliers]". Table 32 summarizes the interview results from Company C personnel.

Table 32: Company C—Niche Strategy Interview Results

	Executive's Comments Regarding Niche Strategy
Niche Strategy	• A niche strategy can be either an incremental business strategy or a defensive strategy. • The difference between a niche market and a niche product is not clear cut.
Niche Market Characteristics	• A company's market can be broad, but have smaller niche markets within the broad market. • There are small markets that only make sense for domestic suppliers.
Niche Market Identification	• A niche market is identified by looking for a consumer need and building a product to fit the need.
Factors in Success of a Niche Market	• The market must be clearly identifiable. • The niche market must have some size in order to make money.
Niche Product Characteristics	• A niche product satisfied a special consumer market or need. • Product differentiation can be either through feature or brand image. • A niche product can sometimes get a higher price. • A niche product can be within a brand—ex. the big and tall segment.
Niche Product Identification	• A niche product is identified by looking for a consumer need and building a product to fit the need.
Factors in Success of a Niche Product	• The niche product "message" has to be communicated clearly to the consumer. • The niche product has to be financially viable.

Case Four: Company D

Company D was founded in the 1920s as a manufacturer of basic cotton fabric. The company is now one of the world's leading soft-goods manufacturers, producing fabric for a variety of end uses. These include activewear, carpet, apparel, interiors, medical, and industrial. In the past few years, Company D declared bankruptcy, in part due to the dramatic increase in Asian imports. Since then, Company D has worked toward emerging from Chapter 11 and plans to do so shortly. In order to reorganize for this emergence, the company has implemented a new business model that focuses on differentiation.

While Company D has traditionally been a manufacturing company, customers are driving them to be more of a marketing company. An executive from Company D stated that "unless you are in a specialized company, you have to have marketing in order to make money". Because of this, Company D has "slashed" manufacturing and is creating partnerships with Asian mills. The reason for this is because the Far East is selling products for US cost, and therefore, price competition is not working in the US.

When asked about how well a niche strategy would work for competing against imports, the company executive was not very positive. He stated that today, it is very difficult to enter into a niche market because Asian mills have developing their production capabilities and are able to reproduce specialty products within 90 days. Asian mills have "[become] the innovative ones". In order for a niche strategy to be successful, the Company D representative believes that you must have a "team of companies". It is very difficult to create and maintain a niche market by yourself, and it is imperative to have other vendors. Table 33 represents the interview results from Company D personnel.

Table 33: Company D—Niche Strategy Interview Results

	Executive's Comments Regarding Niche Strategy
Niche Strategy	• A niche strategy can help a company, if they can create one. • A company must have a "team of companies" in order to a niche strategy to succeed. • A company must continually offer innovative products.
Niche Market Characteristics	• A niche market is a segmented market. • A niche market tends to be smaller. • A company can develop an innovative product into an existing market.
Niche Market Identification	• A niche market can be identified through market research. • A niche market can be identified by talking with customers.
Factors in Success of a Niche Market	• The company must offer service to the market.
Niche Product Characteristics	• Niche products are more unique. • Niche products are differentiated. • A company can develop an innovative product into an existing market. • A niche product can typically get a higher price, but the price must be competitive.
Niche Product Identification	• A niche product can be identified through innovation.
Factors in Success of a Niche Product	• Innovation is important in the success of a niche product. • For a niche product to be successful, it must be a quality product. • A niche product cannot be overpriced.

Sewn Good Producers

Case Five: Company E

Company E is an international apparel company headquartered in Southeast, that specializes in activewear, casualwear and athletic uniforms. The company was founded in the early 1900s and today employs over 15,000 people worldwide.

Company E has traditionally been a manufacturing company and a "low cost producer". In order to compete, Company E is trying to *diversify their brand portfolio* by finding, acquiring or *licensing a brand* in order to reach a certain market, and hopefully, create a successful niche strategy. The company executive stressed that for a successful niche strategy, a company must address the four P's of marketing: product, placement, promotion and price.

Other strategies that the company executive believes will be helpful in competing against imports include *adding value to a product* and *being integrated to the customer through technology*. Table 34 represents the results the interview results from Company E personnel.

Table 34: Company E—Niche Strategy Interview Results

	Executive's Comments Regarding Niche Strategy
Niche Strategy	• A company can develop a niche strategy with branding. • A company must talk to the consumer, if not, someone else will.
Niche Market Characteristics	• A niche market can be a market in which a company does not currently have a business.
Niche Market Identification	• A niche market comes from talking to the consumer. • A niche market can be identified through market research. • Interviews and research help to define a company's objectives.
Factors in Success of a Niche Market	• A company needs to know the markets wants and needs. • A company must focus on the right market for their product. • A company must communicate to the consumer.
Niche Product Characteristics	• A niche product can be a technology that has not been "tapped". • A niche product matches a consumer's needs and wants.
Niche Product Identification	• A niche product comes from innovation.
Factors in Success of a Niche Product	• A company needs to know where their product fits in the market. • A company must know the price point range of the product they are marketing.

Case Six: Company F

Company F was founded in the early 1900s and has since grown to an expansive full-line furniture manufacturing and importing company that employs over 3400 associates. Company F produces bedroom, dining, casual dining, occasional, home entertainment, home office, youth, upholstered, leather, and wicker furniture and is a recognized industry leader in the marketing of home furnishings.

The company has recently shifted from a manufacturing company to a marketing company. An executive from Company F believes that marketing is important because the emotional and intrinsic differentiation of a product is more effective than functional differentiation. For this reason, the company has formed brand alliances. By relating a brand image to their products, Company F's products appeal to the segment of consumers which seek that particular brand. This strategy relates to the emotion of consumers, and in their opinion, has helped in the formation of niche markets.

The company executive believes that a niche strategy will help with the pressure from import competition, but a company has to offer a *differentiated product* for which the consumer will pay. He explained that because of the saturated market, there is minimum ability to differentiate based on price. Therefore, it is vital to create "*perceived value*". The company executive differentiated objective value and subjective value. Objective value are attributes such as *quality* and *less shrinkage*. Subjective value are attributes that cannot be defined but add value. For example, *a brand name adds subjective value*. Company F strives to get their message to the consumer by marketing and giving the impression that "[our company] fits your lifestyle better than Brand X". Table 35 represents the interview results from Company F personnel.

Table 35: Company F—Niche Strategy Interview Results

	Executive's Comments Regarding Niche Strategy
Niche Strategy	• The goal is to differentiate products for a market. • A company wants a product for which the consumer will pay. • A niche strategy can work from both a product and market perspective.
Niche Market Characteristics	• A niche market is a specialized segment of a larger category. • A niche market has characteristics that make it unique. • Niche markets are markets that larger companies usually do not go after. • Through market research, a company can discover new markets.
Niche Market Identification	• Through market research, a company can discover new markets. • The company's skills match the market's needs. • The company takes time to understand the market.
Factors in Success of a Niche Market	• The market needs to be clearly researched and identified. • The company has to understand the market better than the competition. • The company must have "lion's share" of the market because the market is already so small.
Niche Product Characteristics	• Niche products are less price sensitive than other products. • Niche products are more differentiated.
Niche Product Identification	• When developing a product, a company can stumble upon something else for which there is a market. • Niche products offer consumers something that other products do not.
Factors in Success of a Niche Product	• Niche products succeed because of customer service • Niche products are differentiated. • Niche products offer perceived value to the consumer.

Auxiliary Companies

Case Seven: Company G

Company G is an organization that main goal is to promote the use of their product to consumers worldwide. The organization strives to meet this goal through marketing initiatives and research and development through its four strategic business units: 1) technical research, 2) administration, 3) marketing, and 4) strategic planning.

Company G helps companies throughout the supply chain find uses for their product. Some of these are basic commodity products, and some are niche products. One of the points stressed by the company executive was that anything can be considered a niche market/product; it depends on the company. It is also important not to just look at the traditional retail market when trying to identify a niche market, but also nontraditional retail outlets, such as the internet and specifically EBay.

Also important, according to Company G's executive, is to have a differentiated product. Differentiation can be in terms of location, service, quality, or value. It has to be an individual product that not everyone has, i.e. exclusivity. In terms of differentiation through branding, the company executive pointed out that while brand is very important to some consumers, it is not important to all. She stated that "[i]f everyone cared about brands, Wal-Mart wouldn't be so successful". Because not all consumers are brand conscience, it is extremely important to know the market and the distribution channel.

Table 36 represents the interview results from Company G personnel.

Table 36: Company G—Niche Strategy Interview Results

	Executive's Comments Regarding Niche Strategy
Niche Strategy	• Combining both a product and a market perspective would have the most dynamic results. • The definition of a niche strategy depends on the company. • A niche strategy depends on the focus and orientation of the product/market/company.
Niche Market Characteristics	• A niche market is one in which a particular company has a large market share. • A niche market is a redefined nontraditional market.
Niche Market Identification	• A niche market can be identified by research population trends. • By looking at trends, a researcher can see future markets. • It is important for a company to know the market they are targeting. • It is important to talk to and study the consumers to find out what they want.
Factors in Success of a Niche Market	• A company must offer what the market perceives as value. • A company must offer the market a product with individuality. • A company must understand the market and the consumer.
Niche Product Characteristics	• If a company discovers a niche product before the market, they would need to research the target market.
Niche Product Identification	• The consumer might not know he/she needs a product, but sometimes a company can create that need.
Factors in Success of a Niche Product	• There has to be demand for the niche product. • The product has to be at the right price point. • The product has to be sold in the right location. • The product must be differentiated.

Case Eight: Company H

Company H was founded in 1930s and is a management consulting firm various industries including consumer goods and retail. The company executive stressed the importance of marketing and branding, stating that a company has to *build consumer loyalty* for success. With loyalty, a company gains a strong consumer base that has intent to repurchase and will pay higher prices. The company executive explained that a branding strategy will achieve this loyalty and without brand, a company has no future. However, branding is becoming less important to the consumer. By developing a niche strategy with a strong brand name, a company can build a loyal consumer base. Table 37 represents the interview results from Company H personnel.

Table 37: Company H—Niche Strategy Interview Results

	Executive's Comments Regarding Niche Strategy
Niche Strategy	• A company has to offer a product for which the target market will pay. • A niche strategy can be used to gain consumers. • A niche strategy can be used for differentiation.
Niche Market Characteristics	• A niche market is a loyal consumer base. • The market is protected from competition.
Niche Market Identification	• If a company creates a brand, they can then expand to other markets.
Factors in Success of a Niche Market	• Consumers must have intent to repurchase. • The market is protected, at least short term. • Major companies cannot penetrate the market.
Niche Product Characteristics	• A niche product provides value to the consumer. • A company can charge higher prices for a niche product.
Niche Product Identification	• If a company creates a brand, they can then expand that brand to other products.
Factors in Success of a Niche Product	• The niche product somehow controls the market. • The niche product provides value.

Within and Across Group Results

The results of the case studies were analyzed in relation to each research statement.

RO1. To define niche markets

Finding 1: Overall, a niche strategy was defined by a majority of the respondents from all sectors as market segmentation. However, the *industry definition* was much more complex and much less concise. The interview results indicated that any product can be considered a niche market, depending on the company. For example, an American flag is a commodity product to one company, however, the Peace flag is a niche product which developed due to the US conflict with Iraq. When defining a niche market, some executives described it in terms of a *market* segment (Big and Tall, Hispanic, working mothers, Tween), while some executives described it as a specialized *product* (mildew resistant fabric, special feature yarns, wrinkle resistant wovens). Others even described a niche market in terms of brand image (Tommy Bahama, Lycra, Dockers Khakis).

Finding 2: There were certain characteristics of a niche market that a majority of the respondents agreed upon. These were: a) a strong, loyal consumer base; b) a specialized segment of the market; c) a higher price point; and d) a unique product. These characteristics are similar to the characteristics as identified by Kotler (2003).

Finding 3: Companies which were farther upstream (fiber/yarn, mill) characterized a niche strategy more by its product characteristics than by market characteristics. This indicated a more push marketing approach, with the *technical characteristics* of the product playing a major role in the niche strategy.

Finding 4: Companies which were farther downstream (sewn goods), in addition to auxiliary companies, characterized a niche strategy more by the consumer base than by the product characteristics. This indicated more of a pull marketing approach. The major emphasis of the downstream respondents was *branding*.

RO2. To determine how US textile and apparel companies determine the market potential of a niche product, specifically what research methods they utilize

Finding 1: When identifying a niche market, the majority of respondents utilized *market research*, *analysis of the competition*, and *customer interviews*.

Finding 2: When identifying a niche product, respondents indicated that their company utilized *innovation*. However, when asked what research methods their companies used, the majority of respondents, both upstream and downstream, focused on market identification techniques instead of product identification.

Finding 3: The downstream companies indicated that brand leverage in addition to expansion of a brand portfolio could be used to create a niche market. This indicated a heavy emphasis on brand.

RO3. To determine what are the most important variables in the success of a niche market

Finding 1: The majority of respondents indicated that *understanding the consumer* in the niche market is the most important variable in its success. This understanding results from a variety of measures: 1) understanding what the market wants/needs and providing a product to fulfill that need; 2) understanding what price the consumer base within the market is willing to pay for the product; 3) providing to the market what the consumer base within the market perceives as value; 4) understanding the market and the consumer base within the market better than the competition; 5) offering the service that the market requires; and 6) offering an innovative product to the consumers in the market that they need. This finding expands on the work of Linneman and Stanton (1992) in which they emphasize the importance of looking to the consumer when developing a niche market.

Finding 2: Also important for the success of a niche market is that the *company's skills have to match the market's needs*. A company must be dedicated to the understanding of the consumer's needs. This dedication comes in the form of both time and resources.

Finding 3: A majority of respondents from all sectors indicated that *communication* was an important variable in the success of a niche market. This means that 1) the company must communicate their message and product to the consumer; and 2) the company must communicate with the marketplace in order to ensure that the market's needs are clearly identified.

Finding 4: Another important variable in the success of a niche market is that the *market cannot be too small or too big*. If it is too small, then the market will not be profitable. If it is too big, the market will attract competition, which could decrease the success of the market.

Finding 5: Downstream respondents indicated that *brand image* was very important in the success of a niche strategy. The main advantage of using a brand image to attract a certain consumer base is the notion of *intrinsic differentiation*. Branding creates an emotional bond with the consumer that can more strongly differentiate a product in the consumer's eyes much more so than price.

Finding 6: Despite the importance of *brand image*, interview results showed that while brand is extremely important to some consumers; it does not matter to all consumers. For this reason, it is extremely important to understand the market and location in which a company wants to sell its product. If the market is not concerned with brand, the company must find some other way to differentiate its product.

RO4. To determine how US textile and apparel companies are currently utilizing a niche market strategy to compete with imports in their domestic markets and in their export markets

Finding 1: A majority of the companies interviewed are using a niche strategy. However, those companies that use a niche strategy do so not only to compete with lower priced imports, but also to remain competitive with domestic suppliers.

Finding 2: Whereas a niche strategy was indicated as offering potential to those companies threatened by imports, some respondents believe that not even a specialized product or loyal consumer base will help in 2005 when quotas are forecasted to be eliminated. These interview results were most evident in the mill products sector, which typically produces more standardized products.

Finding 3: Other interview results indicated that a niche strategy offers great potential for companies not only today but after 2005. Reasons for this include:

1) there will always be a "Made in America" segment, no matter how small;
2) there are products which are difficult to ship because of time constraints and/or size, and they will need to be domestically produced; and
3) the US is able to offer more innovative and technologically advanced products for which the consumer will pay.

It is important to note that the ability of the US to compete on innovation and technology varied among respondents. The executives from companies which have historically produced more commodity products believe that Asian suppliers are becoming more innovative in those sectors. However, the executives from companies which produce more specialized products believe that Asian suppliers continue to lack innovation and design capabilities, therefore, providing US suppliers with a competitive advantage. These results indicate that specialized products are more protected when compared to commodity products.

Finding 4: One advantage that domestic niche marketing companies will have over foreign suppliers is that US companies understand US consumers much better than those companies importing products into the US market.

RO5. To ascertain what are viewed by companies as currently successful niche markets in the global textile and apparel industry

Finding 1: There were no commonalities across the companies interviewed concerning successful niche markets. This indicates that 1) companies are mainly aware of niche markets/products within their business sector, and 2) there are so many niche market opportunities that none appear exclusive.

RO6. To identify key variables for a niche strategy model

Finding 1: The results of the fiber and yarn case studies concurred with the results of the survey. However, additional information was gathered from the interviews which revealed additional factors in the success of a niche market. These were 1) the importance of understanding the market, 2) the commitment of the company's time and resources, and 3) the 4 P's of marketing (price, product, promotion, placement). Figure 16 is the niche strategy model for fiber and yarn producers based on both the survey and case study results.

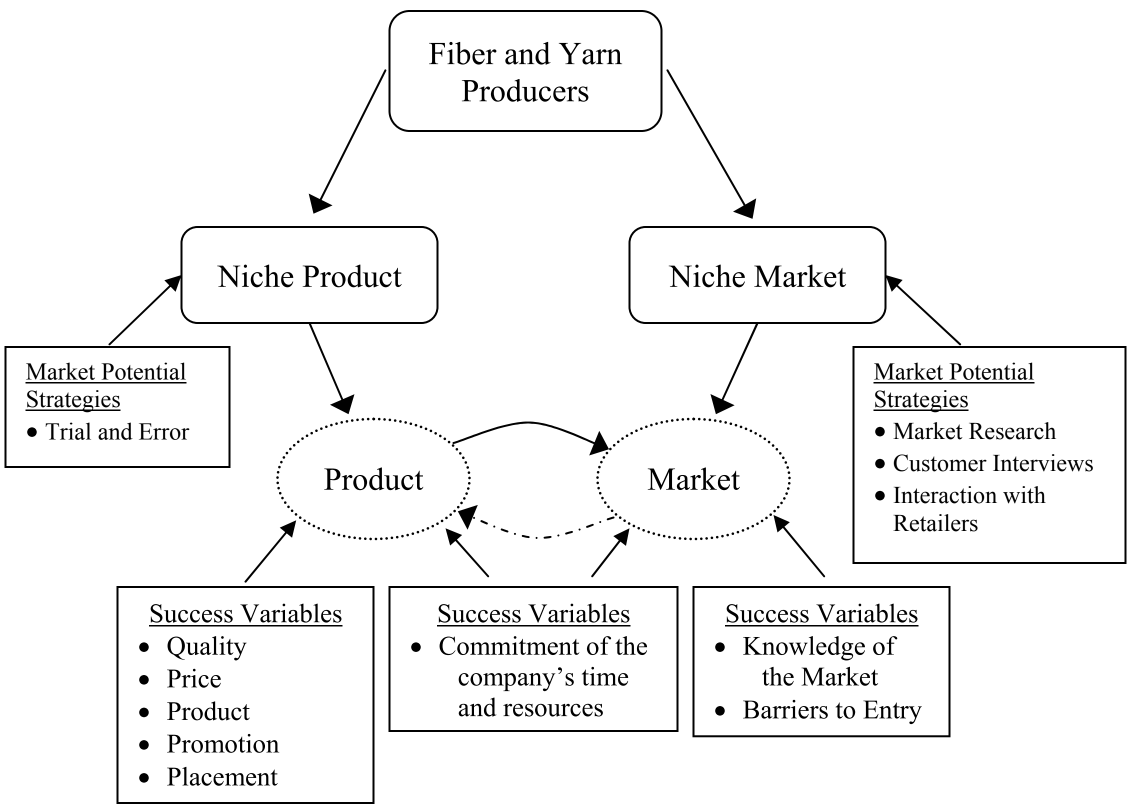

Figure 16: Niche Strategy Model for Fiber and Yarn Producers based on results of Phase I and Phase II

——— Push Marketing
-·-·- Pull Marketing

Finding 2: While the interview results for the mill producers were similar to the survey results, additional information was gathered for the niche strategy model. First, the difference between a niche product and a niche model is not quite clear. This is illustrated in Figure 17 by gray lines. Also, service and the size of the market are important in the success of a niche market. In terms of a niche product, a differentiated product is important in addition to the pricing strategies. Also, strategic alliances between companies are important for the long term viability of a niche strategy. Figure 17 is the niche strategy model for mill producers based on both the survey and case study results.

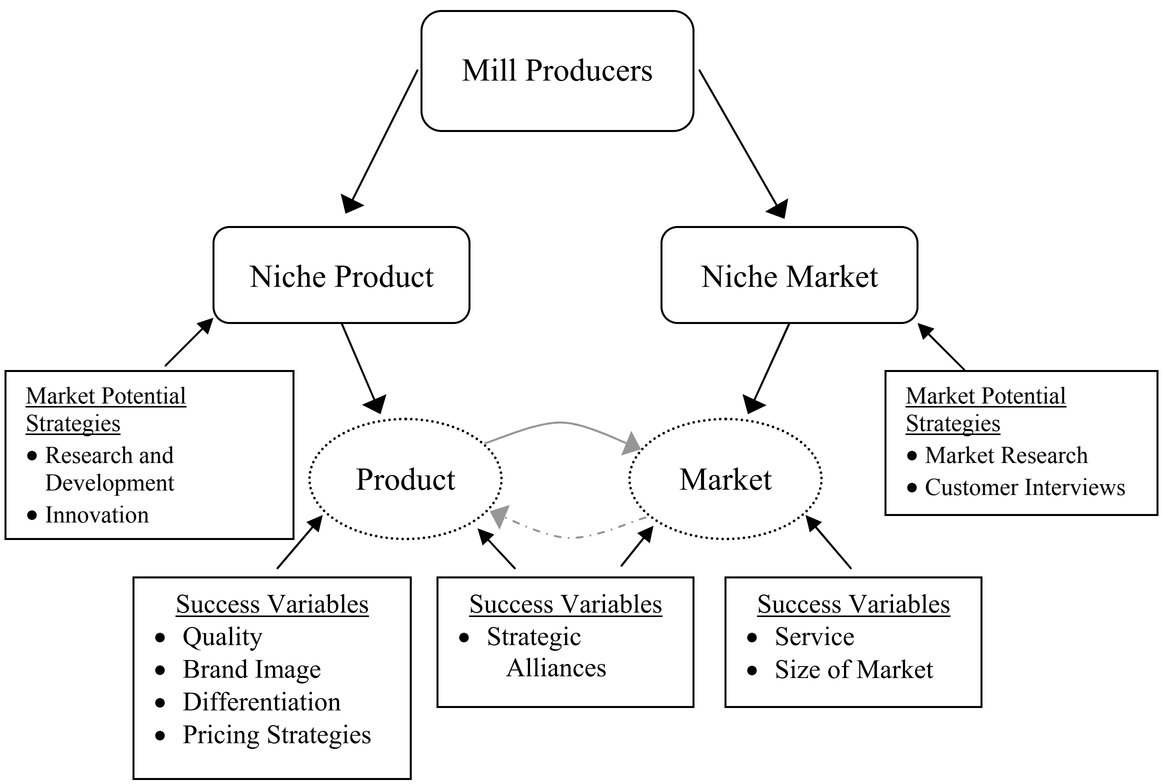

Figure 17: Niche Strategy Model for Mill Producers based on results of Phase I and Phase II

——— Push Marketing
-·-·- Pull Marketing
——— indicates a weaker relationship

Finding 3: Whereas the survey results showed sewn good producers used only a pull marketing approach, interview results revealed that companies in this sector also utilize a push marketing approach, but not as often. Interview results also showed that product development, innovation, analysis of the competition, and customer interviews were used in addition to market research to determine the market potential of a niche market and product. The interviews also indicated that there are additional important variables besides brand image in the success of a niche product: pricing strategies, differentiation and perceived value, which can be either subjective (market) or objective (product). Important variables in the success of a niche market which were uncovered during the interviews were service, percentage market share, communication with the market, knowledge of the market, and subjective perceived value. The interview results also showed how important it is for the product offered by the company to match the needs of the market. Figure 18 is the model for sewn good producers.

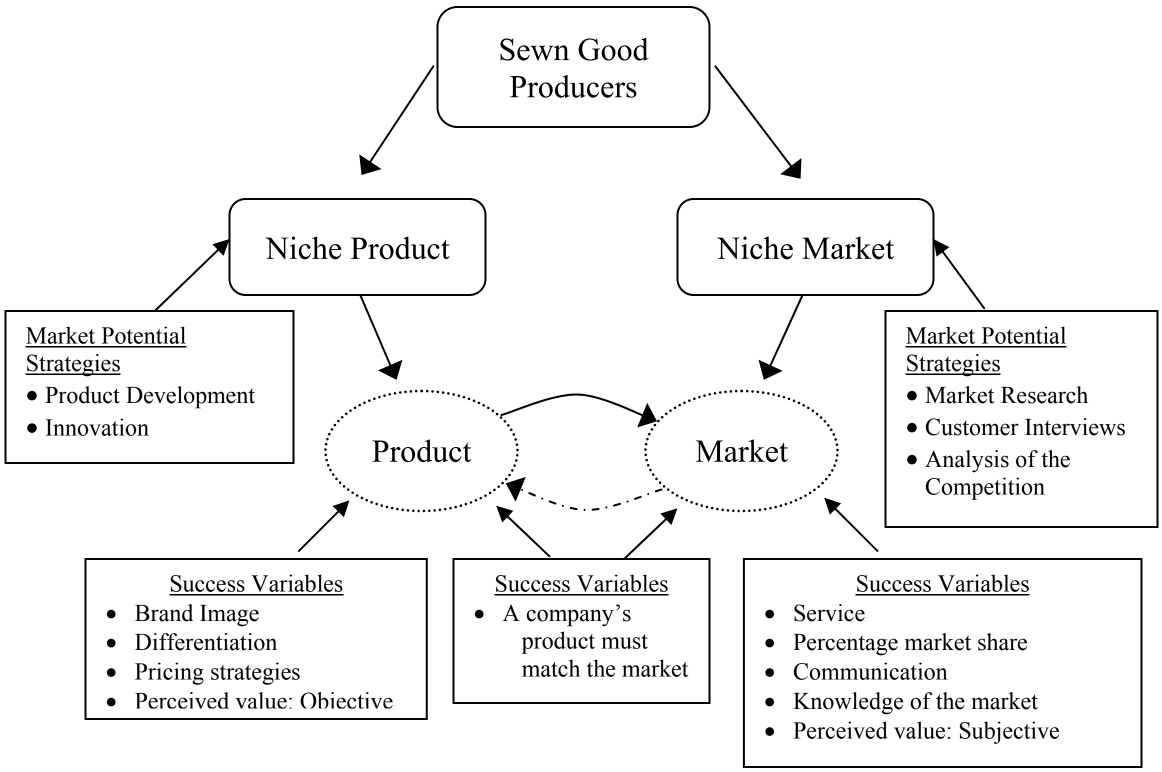

Figure 18: Niche Strategy Model for Sewn Good Producers based on results of Phase I and Phase II

——— Push Marketing
-·-·-· Pull Marketing

Finding 4: The survey results showed that auxiliary companies use a pull marketing approach; however, the interview results indicated they use both a pull and push marketing approach. When trying to identify a potential niche market and/or product, interview results revealed that by expanding a brand name to other products, a company can create and niche market and/or product. Additional variables which are important in the success of a niche market are knowledge of the market, a loyal consumer base, and barriers to entry. Additional variable which are important in the success of a niche product are value, differentiation and pricing strategies. However, there must be demand from the market for the product for either to be successful. Figure 19 is the new model for auxiliary companies based on the results of Phase I and Phase II.

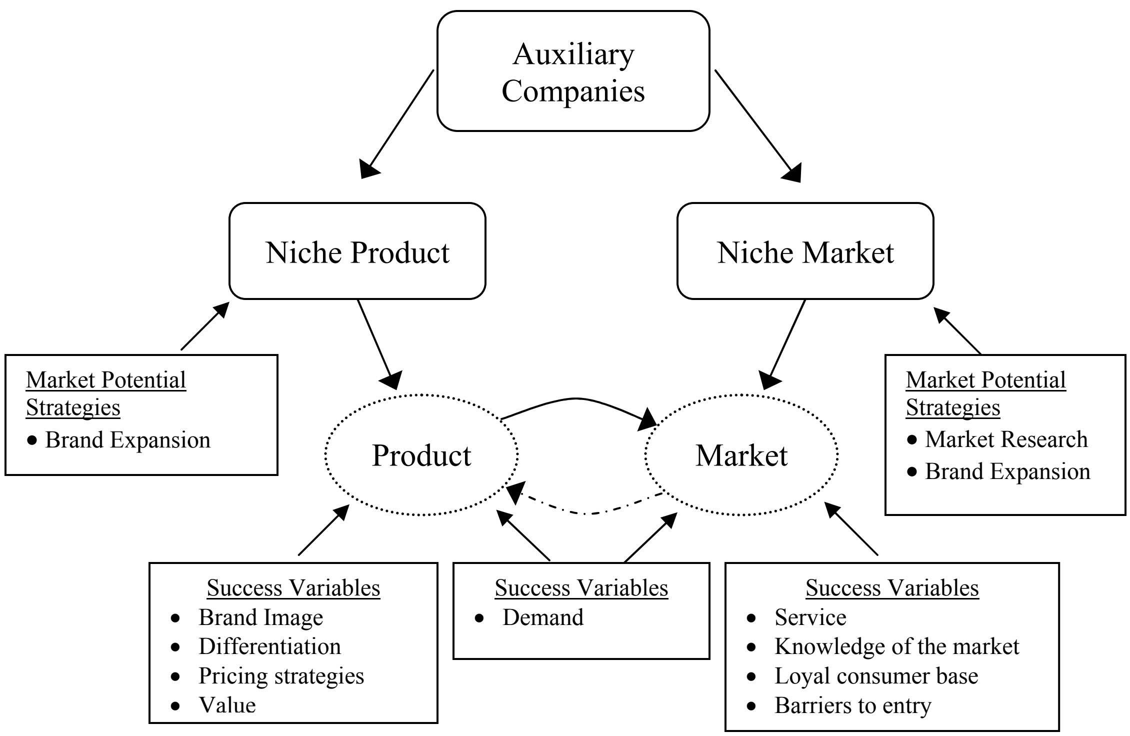

Figure 19: Niche Strategy Model for Auxiliary Companies based on Phase I and Phase II

——— Push Marketing
-·-·- Pull Marketing

Finding 5: Figure 20 is a niche strategy model for all sectors that is based on both the survey results and the interview results. This model was developed by expanding Figure 15 (Niche Strategy Model based on Phase I) to include the major concepts gathered from the interviews and illustrated in Figures 16 through 19. The initial model showed that fiber and yarn producers and mill producers used both a push (product first) and a pull (market first) marketing strategy and sewn good producers used only a pull marketing strategy. However, the interview results disputed this conclusion by revealing the sewn good producers also use both strategies. The market potential strategies for both product and market as well as the important variables in their success were similar across sector. One major addition to the model is taken from the niche strategy results for mill producers. This was the comment that the difference between a niche market and a niche product is not clear cut. Whereas only one model illustrated this concept, the interview results from all sectors reflected this idea. Therefore, this concept was added to the final model by using lighter lines to illustrate the relationship. Another major addition to the model is the emphasis on the importance of a company's knowledge of the consumer in the success of a niche market. This concept is illustrated in the model by bold letters.

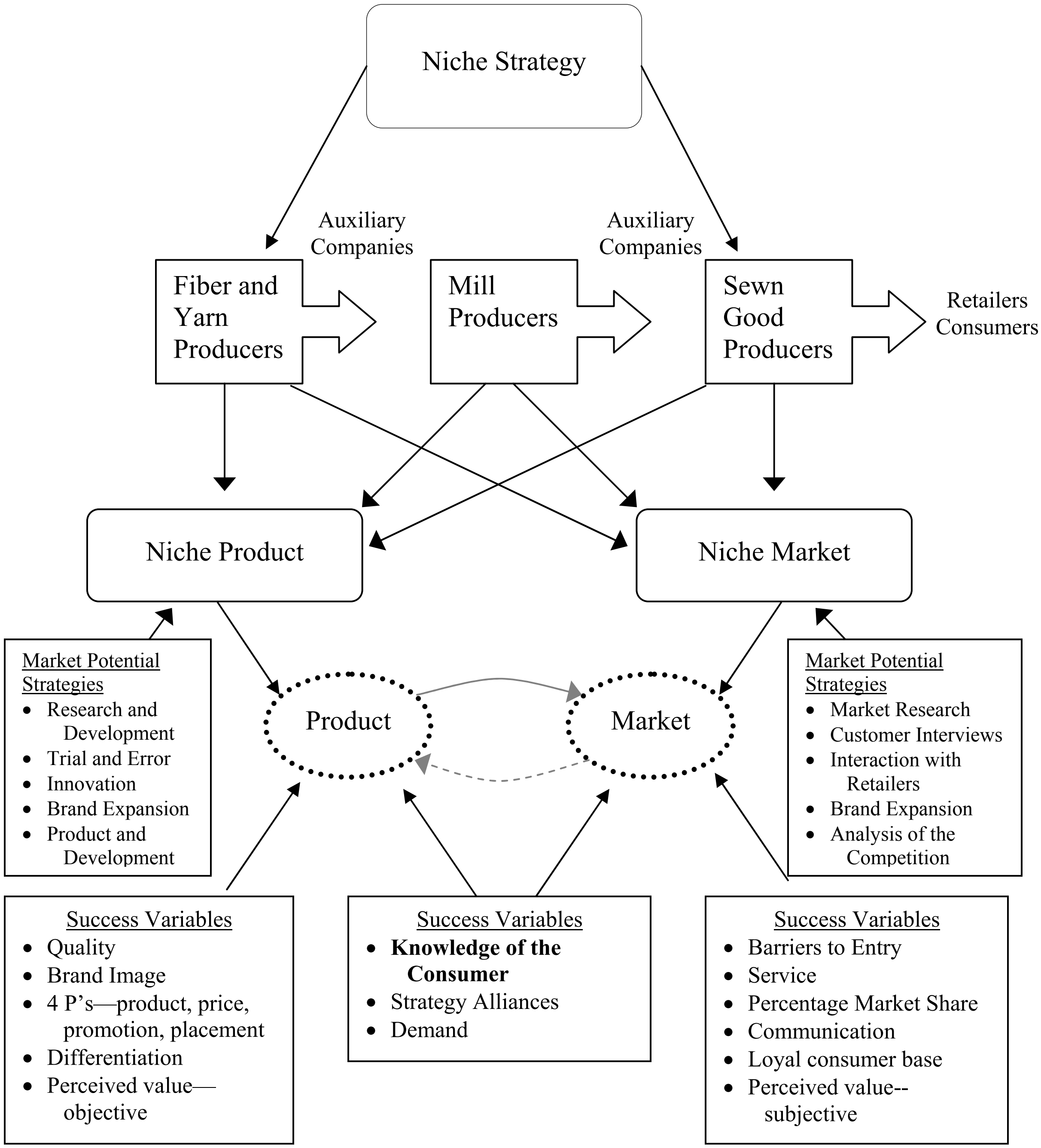

Figure 20: Niche Strategy Model based on Phase I and Phase II

Push Marketing
Pull Marketing
indicates a weaker relationship
indicates importance

Summary of Results

1. To define niche market strategy for the US textile and apparel industry

a. to compare *academic definitions* (gathered from the literature review) with *industry definitions* (gathered through surveys and case studies)

Finding 1: There was no clear and consistent *academic definition* for niche marketing. However, based on the literature, niche marketing can be portrayed as having more of a "pull marketing approach". The literature relates niche marketing to market segmentation. This is consistent to the definitions gathered through Phase I and Phase II of this study. In Phase I, the majority of survey respondents defined niche marketing as "creating a product with an emphasis on a particular need", which has a "pull marketing approach". In Phase II, the majority of executives interviewed defined niche marketing as a type of market segmentation. However, the *industry definition* of a niche market gathered through the case studies in Phase II indicated that market segmentation, while accurate, is much too simple. A niche market definition not only depends on the company, but also the viewpoint of the person interviewed.

Finding 2: *Industry definitions* from downstream manufacturers were much more likely to concur with the *academic definitions* of market segmentation and "pull marketing".

Finding 3: Upstream manufacturers also defined niche marketing as being similar to market segmentation, however, these *industry definitions* also were more likely to include a product perspective or a "push marketing" aspect. In the literature, Kotler's (2003) characteristics of a traditional niche market indicated opportunity for success using a "push marketing approach".

b. to relate the theory of specialization predicted by trade economists to the definition of niche markets today

Finding 1: Each of the trade theories examined in the literature review predict specialization as a result of trade (Heckscher & Ohlin, 199; Porter, 1998; Posner, 1960; Ricardo, 1911; Vernon, 1970). This idea of specialization when related to the US textile and apparel industry means that companies need to move their resources from processes in which the US no longer has a competitive advantage to processes in which the US does have a competitive advantage (Parrish, Cassill & Oxenham, 2002). Research results indicate that US textile and apparel companies in this study concur with this statement.

Based on the survey and interview results, US textile and apparel companies which have specialized markets/products, a loyal consumer base, a strong brand portfolio, and few competitors are more likely to be successful in the fight with lower priced imports. These are the characteristics of a niche market. On the other hand, those companies which manufacture commodity and basic products and lack specialization will be much more vulnerable to import competition, as predicted in the trade theories.

2. To determine how certain niche markets are identified and what variables need to be in place for them to be successful

Finding 1: A majority of respondents from both Phase I and Phase II of the research indicated that *market research* is the most commonly used methodology for identifying a niche market. Other research methods utilized by both upstream and downstream manufacturers include *customer interviews*, *interaction with retailers*, *brand* *expansion,* and *analysis of the competition*. These methods have a stronger relationship with a "pull marketing approach".

Finding 2: In addition to *market research, customer interviews, interaction with retailers*, and *analysis of the competition*, upstream manufacturers indicated they also use *trial and error, research and development*, and *innovation* when developing a niche product. These research methods have a stronger relationship with a "push marketing approach".

Finding 3: Overall, the results indicated that most important variable needed to be in place for a niche market to succeed is *understanding to consumer*. A company must know what that market wants and/or needs in order to make sure that there is demand for that product. What is important to the consumer could be a variety of attributes including quality, brand, service, distribution channel, price, and/or innovation. The most important aspect of a successful niche market is that a company knows what the consumers want and delivers that particular product to them.

Finding 4: Also, textile product issues (quality, brand image) were indicated as more important in the success of a niche market when compared to market issues (barriers to entry, percentage market share). However, for a company's niche strategy to be successful, the product issues had to match the market issues. For example, quality means different things to different people. To offer a quality textile product to a specific consumer base, the company must understand what that market perceives as quality and how much they are willing to pay for it. If the product issues do not match the market issues, the niche strategy has a limited chance of succeeding.

3. **To determine what role niche markets will play in the globalization of the US textile and apparel industry, including strategic benefits**

Finding 1: A majority of companies in this study are currently using a niche strategy in some way to compete with imports. This strategy has results in increased profits and market share, as well as some degree of protection from lower priced competition. However, a niche strategy is most commonly used with a combination of other strategies, including forming strategic alliances and shortening lead times.

Finding 2: Despite the potential offered to US textile and apparel companies through the use of a niche strategy, it in no means ensures success. There are certain advantages that US companies do have over foreign suppliers. These include but are not limited to 1) proximity to market, which means reduced lead times, lower transportation costs and the ability to know the market better than foreign companies; 2) the ability to offer consumers mass customization; 3) higher product development and innovative design capabilities compared to foreign suppliers; and 4) trade agreements which allow for outsourcing labor and duty-free entrance back into the US. A company that utilizes these advantages, particularly in relation to a specialized product and/or market will be better positioned to compete with lower priced imports.

4. **To develop 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**

This final model for a niche strategy based on the results of Phase I and Phase II is illustrated in Figure 21.

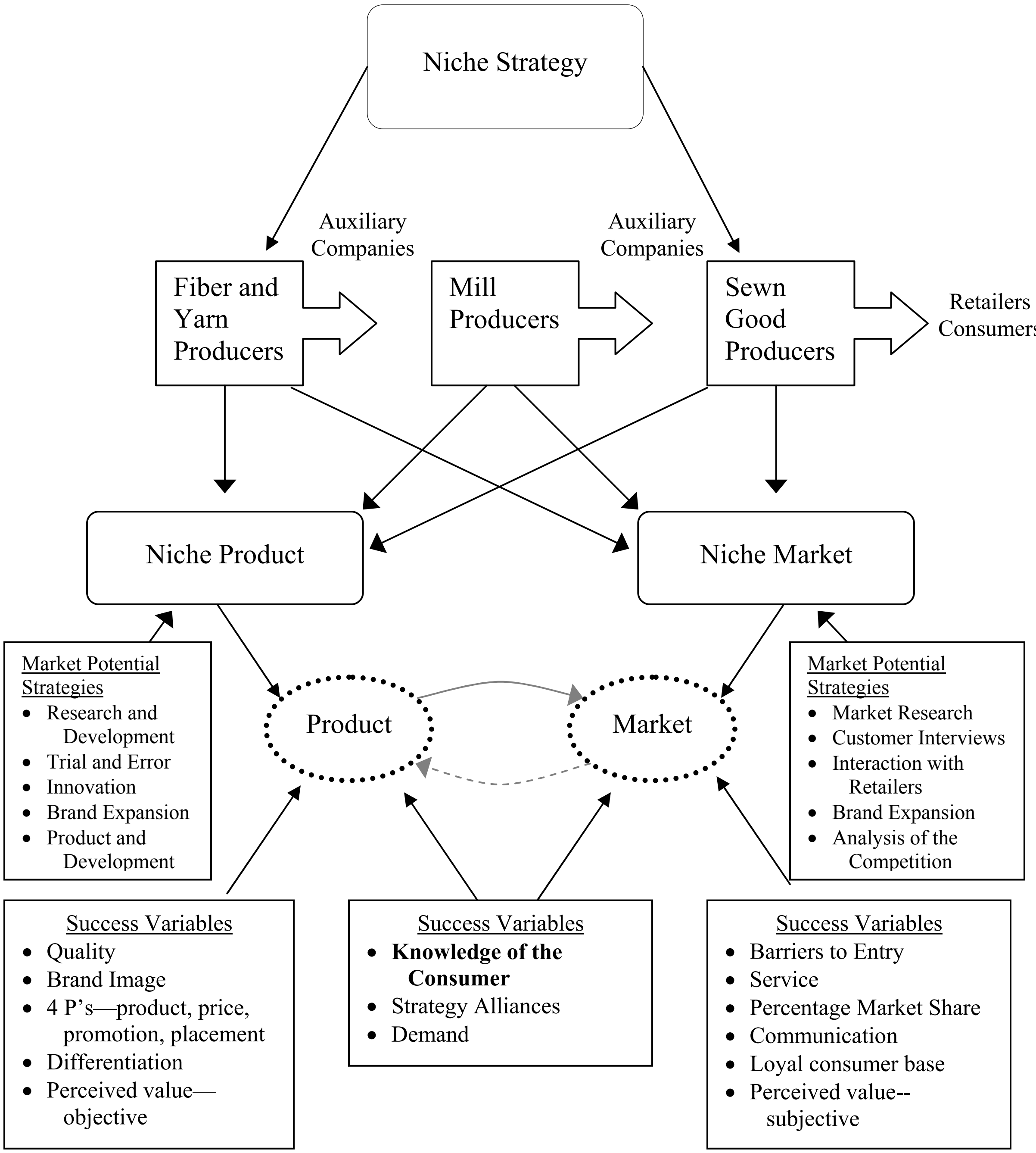

Figure 21: Niche Strategy Model

Push Marketing
Pull Marketing
indicates a weaker relationship
indicates importance

CHAPTER V

CONCLUSIONS, IMPLICATIONS, LIMITATIONS AND RECOMMENDATIONS

Summary

The purpose of this research was to analyze how a niche strategy can be used by US textile and apparel companies to compete with lower priced imports. With the increasing globalization of the industry, it has been suggested (Standard and Poor's, 2003) that companies focus on products that offer a competitive advantage over commodity products. One way of doing this is to focus on specialized, or niche, products. A niche approach consists of three aspects: strategy, product and market. A company, as a whole, can adopt a *niche strategy* in which they choose to focus on specialized markets and/or products. If choosing a *niche product* approach, a company develops a product either through research and development or trial and error and then tries to find a market for that particular product. This is similar to a push marketing approach. If a company chooses a *niche market* approach, the company's personnel finds a market through market research or customer interviews, and then develop a product specific to that particular market's needs or wants. This is similar to a pull marketing approach. This research sought to analyze and differentiate between these different aspects of a niche approach.

The conceptual models used in this study provided a framework for specialization within trade. The trade theories examined were 1) Ricardo's Comparative Advantage Theory (Ricardo, 1817), 2) Heckscher-Ohlin Trade Theory of Factor Proportions (Heckscher & Ohlin, 1991), 3) Posner's Technology Trade Gap Theory (Posner, 1961), 4) Vernon's Theory of the Product Life Cycle of Trade (Vernon, 1966), and 5) Porter's Model of Competitive Advantage (Porter, 1998). Each of these trade theories predicts specialization as a result of trade. This means that as trade barriers decrease, a country's resources will focus on those processes in which it has a competitive advantage. For the US textile and apparel industry, this means moving away from basic textile items used in apparel production, such as basic fabrics, and moving towards more focused and specialty products, which includes niche products.

The methodology used in this study consisted of two phases. Phase I used a deductive research design (quantitative). The deductive phase aimed to clarify niche strategy issues and provided breadth on the topic. The instrument utilized in this phase was an online survey, which was developed by the researcher and contained three sections: company information, niche markets and globalization. Because of the limited literature on niche markets, the survey was used to obtain information to develop Phase II of the study. The initial sample for Phase I was made up of 63 companies from five sectors in the US textile and apparel industry. These were fiber and yarn producers, mill producers, sewn goods producers, retailers, and auxiliary companies. The final sample was 19 companies from four of the five sectors (no response from retailers). This resulted in a 30.2 percent response rate.

Phase II used an inductive research design. The inductive phase consisted of a case study methodology. The two-page interview questionnaire was developed by the researcher and was used to provide depth via qualitative data to the issues uncovered in Phase I. The sample consisted of two companies from each of the following four sectors: fiber and yarn, mill products, sewn goods, and auxiliary. The information gathered through the case studies presented additional insight into how a niche strategy is implemented and thereby how it is utilized by US textile and apparel companies in order to compete with imports.

Summary of Results

1. Define niche market strategy for the US textile and apparel industry

a. to compare *academic definitions* (gathered from the literature review) with *industry definitions* (gathered through surveys and case studies)

Overall, companies defined a niche market strategy as market segmentation, which concurs with the academic definition. However, this definition, while accurate, is much too simple. A niche market definition not only depends on the company, but also the viewpoint of the person interviewed. It can be defined by the *market segment*, the *specialized product*, or the *product (brand) image*. Regardless, there are certain characteristics of a niche market. These were: a strong, loyal consumer base; a specialized segment of the market; a higher price point; and a unique product.

b. to relate the theory of specialization predicted by trade economists to the definitions of niche markets today

Overall, US textile and apparel companies who have specialized markets/products, and therefore, fewer competitors are more likely to be successful in the fight with lower priced imports. On the other hand, those companies which manufacture commodity and basic products will be much more vulnerable to import competition, as predicted by the trade economists.

2. Determine how niche markets are identified and what variables need to be in place for them to be successful

Overall, companies utilized *market research* to identify a potential niche market. Other methodologies utilized include *customer interviews*, *interaction with retailers*, and *analysis of the competition*. When identifying a potential niche product, companies utilize *research and development*, *trial and error*, *innovation*, and *brand expansion*.

Overall, companies agreed that the most important variable in the success of a niche market was *knowledge of the consumer*. This was followed by product issues, such as quality, brand image, pricing strategies, and objective perceived value. Market issues, such as service, barriers to entry, and subjective perceived value, were generally not as important as product issues, however, for a company's niche strategy to be successful, the product issues have to match the market issues.

3. Determine what role niche markets will play in the globalization of the US textile and apparel industry, including strategic benefits

Overall, US textile and apparel companies are utilizing a niche market strategy in order to compete with imports. The use of this strategy has resulted in increased profits, increased market share, and some degree of protection from lower priced imports, which validates the literature (Linneman & Stanton, 1991). However, a niche strategy is most commonly used with a combination of other strategies, including forming strategic alliances and shortening lead times, which is not included in the literature.

4. **Develop 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**

Both quantitative and qualitative results were used to develop a niche strategy model for each sector (Figures 16, 17, 18, 19), leading to the development of an overall industry model (Figure 22). The industry model illustrates the research results that each sector of the industry uses both a pull and a push marketing approach. A pull marketing approach is demonstrated using a dashed line, and a push marketing approach is demonstrated using a solid line. Another important research result illustrated in the industry model is the importance of a company's knowledge of the consumer in the overall success of a niche strategy. This is shown using bold letters.

Market potential strategies are shown for both a product first (push marketing) and a market first (pull marketing) approach. Also included in the model are those variables important in the success of a niche market strategy and a niche product strategy, as revealed in the research.

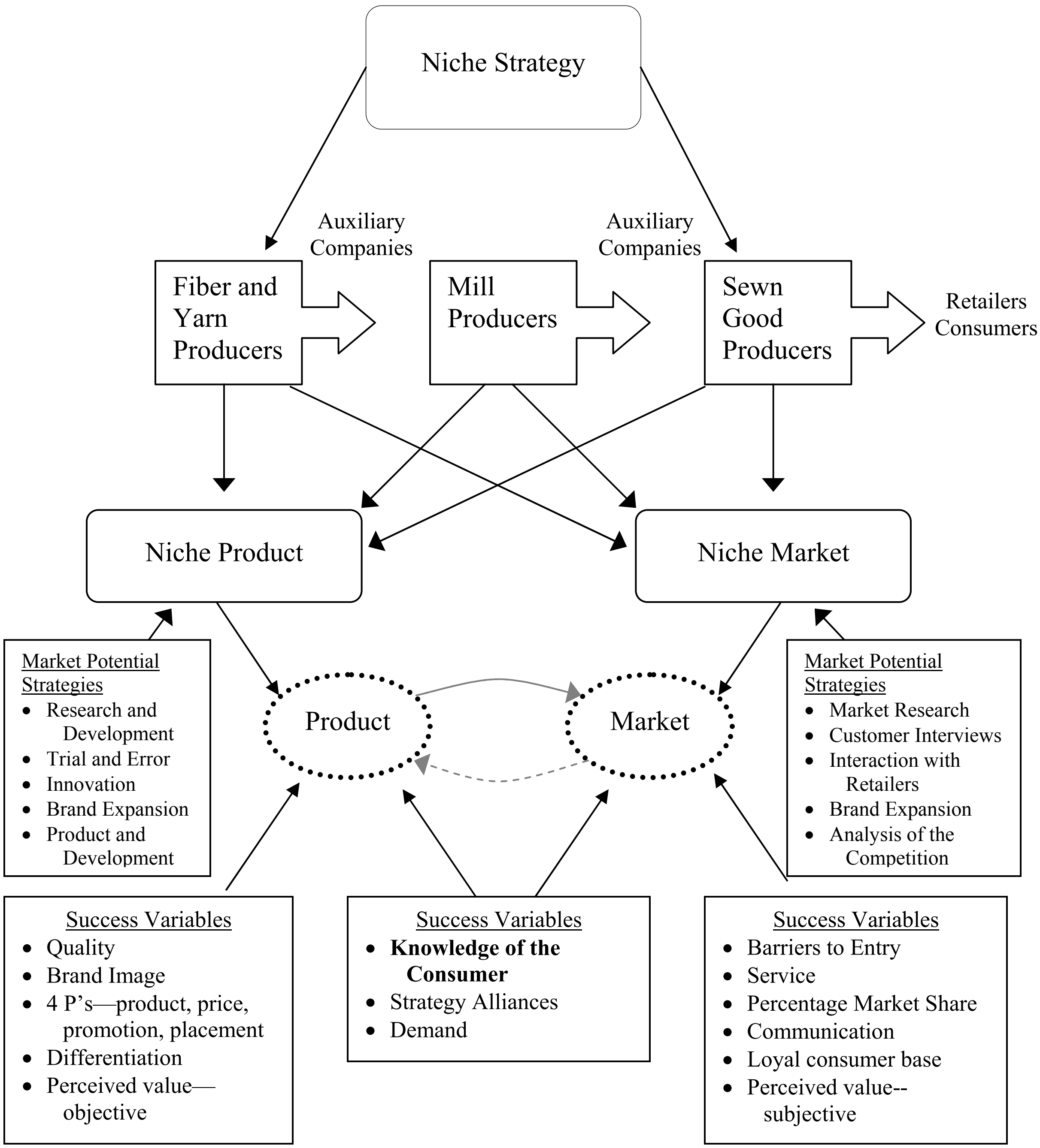

Figure 22: Model for the Identification and Implementation of Niche Markets

Push Marketing
Pull Marketing
indicates a weaker relationship
indicates importance

Conclusions

1. The concept of niche is a complex issue, made up of three main components: strategy, product and market. This information provides depth to the concept of niche marketing and contributes to the available literature.
2. The *academic definition* of niche marketing as market segmentation concurred with the *industry definition* of niche marketing, as defined by the sample.
3. The niche marketing strategy characterized as a *pull marketing approach* in the literature is similar to the niche marketing strategy used by industry. However, industry also uses a *push marketing approach*.
4. More commonly, upstream manufacturers (fiber/yarn, mill products) used both a push and pull marketing approach, whereas downstream manufacturers (sewn goods) tend to concentrate on a pull marketing approach.
5. The sample of US textile and apparel industry in this study are specializing their processes and products in response to reduced trade barriers. This progression is consistent with the theory of specialization as a result of free trade that is predicted by the trade economist.
6. Research shows certain similar characteristics of a successful niche market. These were product issues, such as a unique product and a higher price point, and market issues, such as a strong, loyal consumer base and a specialized segment of the market.
7. *Market research* is the most commonly used method for the identification of niche markets by US textile and apparel companies.

8. The most important variable in the success of a niche market is *understanding the consumer*, also referred to as *knowledge of the market*. This included the notion that a company's product must match the market's needs.
9. *Product issues*, such as quality and brand image, were considered more important variables in the success of a niche strategy when compared to *market issues*, such as barriers to entry and percentage market share. However, the product issues *must match* the market issues.
10. A relatively large percentage of US textile and apparel companies surveyed are currently utilizing a niche market strategy. All of the US textile and apparel companies interviewed are currently utilizing a niche market strategy.
11. As identified in the literature (Kotler, 1989; Linneman and Stanton, 1992) some of the benefits of a niche market strategy include increased profits, increased market share, and some degree of protection from imports.
12. A niche strategy is most commonly used in combination with other competitive strategies, such as forming strategic alliances and shortening lead times.
13. Development of a niche strategy model provides a framework for the identification and implementation of niche markets that can be used for both industry and academic research.

Implications

1. A niche strategy is a promising global competitive strategy for the US textile and apparel industry that can be used to compete with lower priced imports.
2. There are two ways for US textile and apparel companies to initiate a niche strategy: one is to create the product first and then find a market for that particular product (push

marketing), and the second is to identify a market first and then develop a product based on the market's needs (pull marketing).

3. With trade liberalization, a first step for US textile and apparel companies is to focus on specialization, which includes niche marketing.
4. The US textile and apparel industry is currently responding to the progression of trade liberalization by focusing on specialization, which includes niche marketing.
5. The niche strategy models, for each sector and for the industry, created as a result of this research can be used by US textile and apparel companies for the identification and implementation of niche markets and/or products.
6. The niche strategy model can also be used for further academic research.

Limitations

1. Due to the limited sample size, both the survey and case study results can only be generalized to those companies that participated in the study and not the entire US textile and apparel industry.
2. While branding emerged as a key product strategy, caution should be taken in the interpretation since there was no retailer, particularly private brand retailer, participation.
3. Since an online survey was used to collect data, it was imperative to have the right person and email address (rather than a mailed survey which can be addressed to a title versus a specific person).
4. During data collection, problems arose due to the use of an online survey instrument. Some companies were not able to access the website due to company firewalls. Sometimes, these companies contacted the researcher in order to get a faxed copy of the

survey. In these cases, the survey responses were received. However, other companies that were not able to access the website may have chosen not to contact the researcher. In these cases, respondents who were willing to participate in the study did not due to internet difficulties.

Recommendations

Future Research Methodologies

1. Due to the problems associated with an internet survey, further studies could use a different research instrument, such as a mail survey or interviews.
2. Future studies, which chose to utilize an online survey, could pilot test the survey with companies that have firewall protection. Options include working with the information technology departments within the company or within the university. It is also advised to alert companies of the difficulties (CGI—common gateway interface) in the initial cover letter.
3. Due to the difficulties associated with a survey methodology, a case study/interview methodology could be used in future research endeavors.

Future Research Studies

4. Further research could include the niche marketing strategies of retailers with private branding.
5. Because this study only focuses on US textile and apparel companies, future research could include companies outside the US.

6. This study had a limited research sample, and therefore, additional research could expand on the sample size.
7. Future research could focus on the successful niche markets/products that were identified by the companies in the survey and interviews in this study.
8. Further research could focus on the importance of branding as a global competitive strategy, which was a common theme throughout the case study phase of this research.
9. Further studies could test the niche strategy model developed as a result of this research. The model could be applied to companies that have implemented a successful niche strategy in order to see how their framework compares to the framework suggested in the model.
10. Future studies could focus on international competition, specifically other countries and markets, US products in foreign markets, and foreign products in US markets.
11. Additional research is needed to expand on the market and product perspectives of a niche strategy.
12. Further studies could modify the contents of the survey. Modification could be the measurement of the variables [Q18] and other questions, in addition the inclusion of additional product, market and strategy questions. Also suggested is the use of fewer open ended questions.
13. Further research could include having the respondents specifically identify manufacturing information such as if the components of the product is sourced or the location of the manufacturing facilities.

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APPENDIX A : QUESTIONNAIRE

1 PART I: COMPANY PROFILE

Q1. What is your company name?

Q2. What is your company address?

Street address

City State Zip Code -

Q3. What is your position within the company?

Q4. How long have you been employed with this company? *(Select one.)*

less than 1 year

Q5. What type of products does your company produce? *(Check all that apply.)*

- Fiber
- Yarn
- Woven Fabric
- Knitted Fabric

☐ Nonwovens
☐ Textile Machinery Manufacturer
☐ Apparel
☐ Other sewn goods (Please specify)
☐ Other textile products (Please specify)

Q6. What was your company's gross sales for 2001? *(Select one.)*

less than $500,000

Q7. How many employees does your company have? *(Check one.)*

○ 0-500 employees
○ 501-1000 employees
○ 1001-1500 employees
○ 1501-2000 employees
○ over 2000 employees

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2 PART II: NICHE MARKETS

Q8. Which of these, in your opinion, best describes a niche strategy?

○ Creating a product with an emphasis on a particular need
○ Creating a market for a particular product

Q9. Does your company currently utilize a niche market strategy?

Yes
No (skip to Q12)

Q10. If yes, please list 3 to 5 specific niche products.

Q11. If yes, how does your company determine the market potential of niche products?

Q12. If yes, what effect has the niche market had on your company? *(Check all that apply.)*

Increased market share
Decreased market share
Increased profitability

☐ Decreased profitability
☐ No effect
☐ Other (Please specify)

Q13. How would you rank the following factors in their importance in the success of a niche market? *(with **1** being the **most** important and **5** being the **least** important)*

☐ Quality
☐ Brand Image
☐ Customer Service
☐ Percentage of Market Share
☐ Barriers to Entry (Lack of Competitors)

Q14. In your opinion, which other companies/products (including competitors and noncompetitors) have successfully created and maintained niche markets in the textile and apparel industry? Please list 3 to 5.

---

3 PART III: GLOBALIZATION

Q15. Does your company own manufacturing facilities?

- Yes
- No (Skip to Q18)

Q16. If yes, where are the manufacturing facilites located? *(Check all that apply.)*

- Within the U.S.
- Outside of the U.S.

Q17. If your company has manufacturing facilities outside of the U.S., where are they located? *(Check all that apply.)*

- North America (e.g. US, Canada, Mexico)
- South America (e.g. Brazil, Argentina, Bolivia, etc.)
- Central America (e.g. Costa Rica, Guatemala, etc.)
- CBI (e.g. Jamacia, Dominican Republic, etc.)
- Africa (e.g. South Africa, Kenya, Nigeria, etc.)
- Western Europe (e.g. UK, France, Italy, etc.)
- Eastern Europe (e.g. Poland, Chezh Republic, etc.)
- Middle East (e.g. India, Pakistan, Turkey, etc.)
- Far East (e.g. Taiwan, China, Hong Kong, etc.)
- Other *(Please Specify)*

Q18. Does your company source materials from outside manufacturers?

- Yes
- No (Skip to Q20)

Q19. If yes, what type of materials? *(Check all that apply.)*

☐ Cotton
☐ Synthetic fiber
☐ Yarn
☐ Woven fabric
☐ Knitted fabric
☐ Trim
☐ Other (Please specify) ____________

20. What strategies has your company utilized in order to compete with lower priced imports? *(Check all that apply.)*

☐ Lowering prices
☐ Increasing quality
☐ Shorter lead times
☐ Forming strategic alliances
☐ Developing niche markets
☐ Other (Please specify) ____________

21. What strategies do you think will be the most successful for competing with imports?

☐ Lowering prices
☐ Increasing quality
☐ Shorter lead times
☐ Forming strategic alliances
☐ Developing niche markets
☐ Other (Please specify) ____________

22. Comments concerning niche markets:

23. What is your email address?

24. Would you like to receive a summary of the results of this survey?

- Yes
- No

Submit Reset

Contact eldodd@unity.ncsu.edu for any questions.

APPENDIX B: FIELD TEST QUESTIONNAIRE

SURVEY EVALUATION FORM

Please use this form to give your critical reaction to the questionnaire once you have completed it.

1. Was there anything special that made you want to or not want to fill out the questionnaire?

2. What problems, if any, did you have in answering the questions? Please indicate which question(s) (question number) and the problem(s) you had.

3. If there were questions for which you did not find an appropriate answer give and no opportunity to list your won, please indicate which question(s) and your answer(s).

4. Did you find the questionnaire easy to fill out?

5. Was it easy to read and understand?

6. Do the sections of the questionnaire come in an appropriate order?

7. If you have received this questionnaire in an email, would have completed it? If not, what would make you want to complete the questionnaire?

8. About how long did it take you to fill out the questionnaire?

9. Please give any other suggestions or comments that would improve the questionnaire?

THANK YOU VERY MUCH!!!

APPENDIX C: SAMPLE COVER LETTER

College of Textiles
Department of Textiles and Apparel,
Technology and Management
Campus Box 8301, NCSU
Raleigh, NC 27695-8301
(919) 515-6449 (office)
(919) 515-3733 (fax)

Dear ……… :

I would like to request your participation in a research study about the use of niche marketing as a competitive strategy in the global textile and apparel industry. This study is part of an effort to learn why certain niche markets are profitable and which factors are critical in their success. The results of this study will benefit the US industry by providing a model that companies can utilize for the creation, implementation and maintenance of niche markets.

You have been selected to participate in this study due to the nature of your company and your role within the company concerning the development of niche markets. If you are not the most qualified person, please forward the survey to the most appropriate person.

The survey is available online at the web address below. Simply select the link and follow the instructions. The survey will take approximately 5 to 10 minutes to complete.

http://www4.ncsu.edu/~eldodd/

I emphasize that all information is **confidential**. All data will be reported in aggregate form to ensure that no individual companies will be identified. An executive summary of the survey results will be sent at no cost per your request.

Your cooperation is greatly appreciated. If you have any questions concerning this study, or if you do not desire to participate, please let us know by sending an email to the contact email address.

Thank you very much for your help in this study.

Sincerely,

Erin Parrish
Doctoral Candidate

Nancy L. Cassill
Professor and Project Co-Chair

William Oxenham
Associate Dean and Project Co-Chair

APPENDIX D: FOLLOW-UP LETTER

College of Textiles
Department of Textiles and Apparel,
Technology and Management
Campus Box 8301, NCSU
Raleigh, NC 27695-8301
(919) 515-6449 (office)
(919) 515-3733 (fax)

Dear ……… :

Recently you received an email indicating that your company had been selected to participate in a research study focusing on the use of niche marketing as a competitive strategy in the global textile and apparel industry. Your cooperation in completing this survey is greatly appreciated.

The survey is available online at the web address below. Simply select the link and follow the instructions. The survey will take approximately 5 to 10 minutes to complete.

http://www4.ncsu.edu/~eldodd/

Your answers will remain strictly confidential. An executive summary of the survey results will be sent at no cost per your request. If you have any questions concerning this study, or if you do not desire to participate, please let us know by sending an email to the contact email address.

Thank you very much for your help in this study.

Sincerely,

Erin Parrish
Doctoral Candidate

Nancy L. Cassill
Professor and Project Co-Chair

William Oxenham
Associate Dean and Project Co-Chair

APPENDIX E: INTERVIEW QUESTIONNAIRE

INTERVIEW QUESTIONS

<u>Contact Information</u>

Name____

Company____

Title____

Telephone #____

Date of Interview____

Email address____

<u>Questions</u>

1. How would you define a niche market?

2. How would you differentiate a between a niche strategy, market and product?

3. What is marketing important? Examples?

4. Does your company utilize a niche market strategy? Why? How?

5. If yes, what effects has a niche strategy had on your company?

6. How does your company find a niche market and/or product?

7. Are their differences in the methodologies used for finding a niche market and product?

8. What factors are important in the success of a niche market strategy?

9. How do your niche markets/products compare to other markets/products within your company?

10. What do you see as currently successful niche markets and/or products?

11. Do you see a niche strategy helping with pressure from import competition? In export markets?

12. What other strategies do you think will be helpful for competing with imports? In and export market?

13. Do you have any other comments?

14. May I re-contact you with additional questions if necessary?

15. Do you have any recommendations for other people that I should speak to about niche markets?

    Name____

    Title/Company____

    Contact Information____

APPENDIX F: COPYRIGHT PERMISSION

Copyright permission was verbally granted by Sage Publications on June 19, 2003.

Erin,
Yes, you have my permission, but you also need to write to Sage Publications (sagepub.com) and obtain their permission. They hold the copyright to this work. Best luck on your dissertation.
John Creswell

At 11:42 AM 5/12/03 -0400, you wrote:

Dr. Creswell,
I'm a doctoral candidate at North Carolina State University. I would like to garner permission to use the Deductive Approach--Figure 7.4 (Research Design, 2003) and the Inductive Design--Figure 7.5 (Research Design, 2003) as the design framework for my dissertation research. Would you be willing to grant me permission to reprint these figures in my dissertation? Once it is complete, I would be happy to send you a link to the full text. My research is about niche marketing strategies for the US textile and apparel industry. I am doing a two phase study. Phase I is quantitative (deductive) using a survey, and Phase II is qualitative (inductive) using a case study methodology. Please let me know if you have any questions.
Thank you very much for your help,
Erin Parrish