

NICHES AND COMPETITION:

THE ECOLOGY OF MARKET ORGANISATION

P.J. Boxer & J.R.C. Wensley

London Business School

Sussex Place

London NW1 4SA.

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**NICHES AND COMPETITION: THE ECOLOGY OF MARKET ORGANISATION
ABSTRACT**

The ecological concept of "niche" is used in much competitive marketing and strategic analysis to imply both a passive model of consumer behaviour and also a particular form of relationship between the firm and its environment which is not sensitive to variations in individual customers' contexts. Together these approaches create a justification for N-strategic behaviour by the firm.

A more careful application of the ecological analogy suggests that more emphasis should be given to the active consumer and an attendant C-strategic approach which can support a competitive ability to couple

the firm's activities to a wide range of individual customer contexts. In understanding and applying such an approach, the nature of the organisation of the market itself becomes the key element.

INTRODUCTION

In recent years, an ecological form of discourse has acquired considerable cachet *as* an analogue for thinking about the survival and development of businesses in a competitive environment. At the centre of this lies a word discovered by the language of business strategy: the "niche". Within a marketing form of discourse, the basic definition of a competitive niche seems to have been used to do little more than to refer to particular combinations of product market characteristics. It has therefore added little to the well trodden area of market segmentation. This is unfortunate, because there is a need to reconfigure and develop such marketing approaches to help cope with current strategic priorities (Day and Wensley, 1983). We do not wish to imply that such a grafting of language onto marketing discourse is necessarily unproductive: only that the way in which it has been grafted to date seems to us to have denuded the ecologist's concept of 'niche' of much of its richness.

Our own view is that the idea of a 'niche' bears much fruit when grafted with more care. In particular the relationship between species and habitat, of which the word 'niche' speaks, carries crucial assumptions about the nature of the habitat. On careful examination of these assumptions, it is far from obvious to us that a consumer market should be regarded as a habitat for species of firms: rather they suggest a completely new series of issues to be considered in understanding the marketing strategies of firms and the nature of the relationships to markets which they engender.

In this paper, we link together some of the analytical approaches adopted by ecological forms of discourse with current evidence and experience in consumer and market segmentation studies. The primary consequence of this work is to refocus our attention away from the concept of the product market, a single or multiple resource to be exploited by producers, towards the concept of the **active** consumer: the customer who uses the various producer offerings by configuring them in such a way as to support his or her needs as best as s/he is able. Such a refocussing suggests a new view of market organisation in support of such active consumers. In this respect, we echo much of Wroe Alderson's writing, and are able develop his ideas by looking more closely at the ways in which the organisation and structure of channels of distribution are able to balance with the interests of the other two behaviour systems: those of active consumers, and those which fund channel organisation and structure (Hunt, Muncy and Ray, 1981). Our conclusion is that the word 'niche' has been used to support a view of market organisation which has done precisely that which the ecologists would wish us not to do: to encourage a relationship to our environment which does not consider the effect it has on that environment.

TO NICHE OR NOT TO NICHE

Ecological metaphors have been appearing regularly in the recent marketing literature. This development is hardly new, however, since Alderson wrote in 1957:

"Some of the key concepts in this book are drawn from the interplay of economics and biology.... ecology... (which) is currently contributing to a deeper understanding of organised behaviour systems in human society." (p.64)

Much more recently, Achrol and Appel (1983) have suggested that the related field of sociobiology offers interesting new insights into issues of marketing and corporate strategy. They are not alone: Henderson (1983), one of the most influential of the corporate strategists of the sixties and seventies, has also turned his attention to such analogies with a focus on the concept of 'fit' between the business and its environment. There have however been others who have been leading in this direction: in particular Hannan and Freeman (1978) and Aldrich (1979). Indeed as Van de Van (1979) explains in his review of Aldrich, the concept of 'fit' itself raises some difficult interpretational problems which certainly have to be resolved before any strategic prescriptions can be derived. Despite this the related concept of 'niche' strategies have been widely espoused in the strategic literature, most recently by Galbraith and Schendel (1983) as one of the identifiable strategy types, probably directly analogous to specialisation (Utterback and Abernathy, 1975; Woo and Cooper, 1981) or 'focus' (Porter, 1980).

The range of application has also been further extended by the fact that as Hannan and Freeman (1978) indicated, there are considerable options in terms of the level of aggregation of the unit of analysis. Hence whilst they concentrated on species of organisational type, Aldrich (1979) and most of the strategy writers were focussing on the individual business; and in the marketing area, Buss (1983a) was focussing on the individual marketing instruments within the business itself.

Within this context, the 'niche strategy' approach creates a problem simply in being named as such: it presents itself as one of a choice of generic strategies, whereas in ecology, there is no way in which a species can relate to its habitat that is not referred to as its niche. In ecological terms, a niche is defined as the area of constrained space in which the relevant population outcompetes all other local populations. In a competitive environment **all** strategies must involve a concept of a niche. To categorise only a subset of such strategies as 'niche strategies' is therefore highly misleading. Thus for example, within the strategic management area, there does seem to be a reasonably consistent attempt to equate 'niche strategies' solely with high cost approaches (Galbraith and Schendel, 1983). However, from the ecological point of view, any successful low cost high volume business must also have discovered a viable 'niche' for its activities.

This confusion is compounded by the way in which the related concept of 'fit' is used. For there to be a good 'fit' between the business and its environment, it needs to specialise in supporting a particular 'niche' in the market. In Porter's (1980) taxonomy of generic competitive

strategies this involves being focussed. Porter talks about focus as follows:

"In coping with (the five) competitive forces, there are three potentially successful generic strategic approaches to outperforming other firms in an industry: overall cost leadership, differentiation and focus. Sometimes the firm can successfully pursue more than one approach as its primary target, though this is rarely possible.... effectively implementing any of these generic strategies usually requires total commitment and supporting organisational arrangements that are diluted if there is more than one primary target."
(p.35)

From the ecological point of view, for a business to pursue a strategy of achieving overall cost leadership, involving achieving a low cost high volume business, the business must also have discovered a viable 'niche' for its products: a segment of the market within which its products are competitive. The business therefore must be focussed in relation to that segment. How can overall cost leadership ever involve not being focussed therefore? Equally, differentiation must also involve segments of the market in which the business' products are competitive, so again the business must be focussed. What then is focussed or focussed on in one case and not in the others?

If there are real choices for the business, as Hannan and Freeman (1977) have indicated, they reside in the extent to which the fitness function of the business is concentrated or dispersed: whether the business is a specialist or a generalist. Such a choice would in ecological terms reflect the need for the species to be able to cope with uncertainty of two kinds: firstly uncertainty as to the temporal and spatial stability of its niche; and secondly, uncertainty as to the exact domain of its niche.

SPECIALISATION IN THE PURSUIT OF EFFICIENCY

Fundamentally, the ecological point of view concerns itself with the ways in which species expend time, energy and matter in sustaining their viability as species. The particular ways in which a species apportions its time and energy reflect the particular way in which it has specialised in relation to its habitat, and therefore says something of the nature of its niche. The more specialised the species, the more efficient will be its use of time and energy in relation to its niche, and therefore its ability to compete. What then limits specialisation?

The effect of spatial or temporal instability of a niche can be understood in terms of concepts of the 'patchiness' of the habitat and the 'graininess' of the species' experience of that habitat. 'Patchiness' refers to the discontinuous nature of the distribution of particular environmental characteristics on both a spatial and a temporal basis, so that certain kinds of habitat can be very heterogenous, with their distribution of resources being both very local, and possibly also very temporary. 'Graininess' on the other hand refers to the way in which a particular species makes use of its habitat. To use its habitat in a 'fine-grained' way is to use resources in the same proportions in which they occur (i.e. the species does not select resources and/or patches in its environment); and to spend disproportionate amounts of time either in particular patches or in selecting particular types of resource is to use the habitat in a 'coarse-grained' way. Thus the 'patchiness' of a habitat determines the amount of time the species will have to spend travelling between suitable parts of its habitat relative to the amount of time spent encountering and using resources; and the extent to which it uses the habitat in a 'coarse-grained' or 'fine-grained' way will be determined by the characteristics of the species and the degree of specialisation it has in its relationship to its habitat. In general terms therefore, the larger the physical size of the species, the less patchy its habitat will be to it; and the more specialised its niche is, the more coarse-grained will be its use of its habitat. Specialisation is therefore more likely where the habitat is not patchy and where there are plenty of resources; while the patchier the habitat and the scarcer the resources, the more generalism will be favoured.

Most analysis of specialisation from an ecological point of view however starts from the logistic growth model, which contains two parameters generally denoted by 'r', the natural rate of increase of the species population, and 'K', the capacity of the habitat to support a given level of population (Hannan and Freeman, 1977). Thus in general, the r-strategist allots more time and energy to reproduction, whereas the K-strategist concerns itself more with varying how it uses time and energy in response to changes in its environment. This logistic growth model has been used to distinguish between "r-strategies" and "K-strategies", the former being a volume approach, and the latter being a specialisation approach (Weitz and Wensley, 1983). Such an approach has some appeal in that it does approximate to the evidence that in new markets the benefits first go to the high volume, high growth producers i.e. the r-strategists. As the markets mature the successful firms then tend to be those that specialise (Hall, 1978) i.e. the K-strategists. The analogy is superficial however, not only because the concept of specialisation involves the introduction of competing populations not incorporated in the

simple logistical growth model (Pianka, 1978; Buss, 1983b), but also because the ecologists' use of the distinction actually refers to the species behaviour when the population exceeds the carrying capacity of its environment. In these circumstances, the r-strategist shares resources equally amongst all members of the population, with none therefore getting enough to reproduce and as a consequence the population dying out; while with the K-strategist, this sharing does not occur, so that only a proportion get all they need to reproduce, and only the population excess to the carrying capacity of the habitat dying through lack. To the ecological point of view therefore, the former r-strategy sounds more like the strategy of the cartel in the mature market, and the K-strategy sounds more like rampant competition. The error has come from equating specialisation with behaviour adaptive to the carrying capacity of the habitat: an error not made by Schumacher in his book "Small is Beautiful" (1973).

Uncertainty about the domain of its niche encourages a species to be generalist therefore, just as does uncertainty about the temporal or spatial stability of its habitat. Set against this however will be the species' tendency to specialise as it seeks to make more efficient use of its environment, and therefore to be in a better position to compete. For a given level of specialisation however, when faced with changes, the species will be forced to adapt. If it is r-strategic, the species will tend to do this across generations by drawing on a genetically heterogeneous population (Hannan and Freeman, 1977), whereas if it is K-strategic it will tend to do this by adapting within generations by exploiting its polymorphism (Levin, 1968) i.e. by learning to vary the nature of its relationship to its habitat.

Studying the nature of the species' relationship to its 'niche' therefore leads us to consider on the one hand the ways in which the species competes for resources within its niche given the way in which it has specialised, and on the other, the ways in which it is able to adapt to changes in the nature of its environment. Both of these behaviours are fundamental to the continuing viability of businesses. It is ironic that it was precisely these competitive and adaptive characteristics of the ecological analogy which lead Anthony (1965) to dismiss it very early on as "being of no direct relevance".

WHO IS SURVIVING IN WHOSE NICHE?

Much evidence suggests that in the process of consumption, a great deal of hidden work is done by the customer between the time when the product is bought, and the time of its ultimate consumption. Such evidence includes both the continued growth in the Do-It-Yourself market, as well as the significant proportion of time given over by the 'housewife' (male or female) to what Illich (1981) has described as "shadow work" - unpaid and conventionally unproductive work which is nevertheless necessary to render products or services consumable. Some have also argued that the expansion of the black economy and the rediscovery of barter and non-market transactions represent an attempt to develop more effective means of building meaning into work. Increased leisure, voluntary or enforced, and higher levels of education combined with poorer prospects for future employment may well force the meaning of work to shift in order to include more of this 'shadow work' long before new employment can be created within the current meaning of work. There is no necessary reason therefore why we should look upon the consumer as forming the natural habitat for the producer. It is equally possible to see employees and customers alike as species living in a natural habitat formed by producing organisations. How can the ecological viewpoint help to unravel this confusion?

The species' interaction with its habitat can be defined in terms of its 'trophic level'. This is possible because the habitat is itself made up of other species which themselves interact with the habitat, and so on. The basic relationship is one of use, in which one species is providing sources of matter and energy for another. At the bottom level are the primary producers (green plants) that use solar energy to produce energy-rich chemicals. Species other than the primary producers include consumers and reducers. Herbivores are primary consumers and represent the second trophic level. Carnivores that eat herbivores are secondary consumers, or primary carnivores, and are on the third trophic level, and so on. Many materials become incorporated in higher and higher levels as the species at the respective levels are themselves consumed by the levels above. Reducers reverse this process by returning materials to lower levels. There is thus a cyclical relationship between the levels, which is further complicated by the fact that species use parts of their habitat which are themselves not all at the same trophic level.

If money is taken to be the analogue for energy, then the obvious use of the ecological analogy places the customer in the habitat of the producer. To use such a metaphor is again superficial however, not only because the essential difference between trophic levels derives from the form in which the energy manifests itself, whereas money has no form; but also because such a metaphor is so indiscriminating as to create boundless complexity in the definition of 'level' relationships between producers and customers. Further examination however of the relationship between a species at a trophic level and the forms of energy which it consumes from lower trophic levels yields far richer insights: to get these insights however, we need to reconsider the essential nature of the species.

A species is a group of interbreeding individuals with similar attributes that share a recognisable area of the habitat - their niche. The species is defined therefore in terms of its niche - the nature of its interaction with its habitat. Maturana and Varela (1980) provide a framework for defining individuals in relation to their habitats in which

a distinction is made between structure and organisation. Maturana (1981) later summarises this distinction as follows:

"A living system may be characterised as a composite system which exists in the space defined by its own components. The relations between the components that define a composite unity as a composite unity of a particular class (species) constitute its organisation. In this definition of organisation the components are viewed only in relation to their participation in the constitution of the unity (whole) that they integrate. For this reason nothing is said about the properties that the components of a particular unity may have, other than those required by the realisation of the organisation of the unity. The actual components together with the actual relations that concretely realise a system as a particular member of the class of composite unities to which it belongs by its organisation, constitute its *structure*. Therefore, the organisation of a system, as the set of relations between its components that define it as a system, of a particular class, is a subset of the relations included in its structure. It follows that any given organisation may be realised through many different structures (i.e. is polymorphic)." (p. 24)

Thus in relation to the particular way in which it has specialised, there may well be redundancy in the species' structure which enables it to adapt the way in which it interacts with its habitat. As a species enters into an interaction with its habitat therefore, the functioning of the species changes. This plasticity of structure is one of the essential characteristics of species' behaviour, in that it enables the species to adapt to changing environments:

"An organised behaviour system may survive despite severe functional disturbance resulting from environmental changes if sufficient plasticity remains so that new functions may develop or new methods may be adopted for performing existing functions" (Alderson, 1957 p.57-58)

The number and type of interactions a species is capable of is therefore limited by the plasticity of its functioning within the limitations of its structure and the constraints of its organisation, and its distinctiveness as a species will be expressed by its organisation: the particular way in which it organises the use of its structure.

Jantsch (1981) develops Maturana's ideas further to encompass function as an interaction with the environment:

"Function refers to the nature of the essential processes, the type of reactions and reaction kinetics they represent, and the reaction participants they involve. Thus function also includes the logical organisation of these processes.... Structure refers to the space-time structure, or dynamic regime, that is assumed by these processes and their participants. Function is not directly visible; structure is. Structure represents macroscopic order; its spatial aspect is form, its temporal aspect the changes this form undergoes." (p.67)

Function therefore has a dual relationship with structure in which structure defines the space-time context within which functioning occurs;

and both structure and function embody an enfoldment of organisation: not only is organisation enfolded in structure and function, but also structure and function are an unfolding of organisation. Thus when a species consumes another species at a lower trophic level, it consumes the organisation of the lower level species which is **enfolded** within its structure. The higher level species, on the other hand, has **unfolded** its own organisation in specialising in a particular form of functioning in relation to its habitat. From this point of view, the economy of producers collectively create the habitats in which consumers live; the species at the higher trophic levels are therefore the customers and not the producers; and the relationship between the levels is expressed in terms of the lower level producers enfolded aspects of their organisation in their products and services, or the higher level customers unfolding aspects of their organisation in the form of needs for particular kinds of product or service performances from producers. Insofar as the ways in which producers enfold their organisation therefore channel the range of support available to the customer, in what sense can it be said that producers are limiting or constraining the development of specialisation in the customer?

THE CUSTOMER AS AN ENDANGERED SPECIES

If we re-assert the concept of the customer and look at the choices of behaviour s/he seeks to make from his or her point of view, so that the business becomes part of the customer's habitat, then we can develop the meaning of patchiness and graininess in relation to the organisation of the market. Such an analysis of the market from the customer's point of view leads us to identify a set of situations in relation to which the customer makes choices. These are the customer's usage situations, and the producer's performance within those usage situations will be chosen by the customer on the basis that they best support what s/he wants in those situations. The best approach to defining a product field from this point of view seems therefore to be to collect customers' judgements of product substitutability directly in relation to usage situations (Day, Shocker and Srivastava, 1978).

This then gives us our concept of an 'active' consumer. By defining the market in terms of customer usage situations, we can make sense of the ways in which product groups have multiple uses. Sometimes the reasons underlying such multiple uses are obvious, such as in the case of soft drinks being used as beverages or as mixers, or, more speculatively, in situations in which the product is explicitly designed to span multiple uses, such as is the case with cars, houses or computers; others depend on the importance of the context, such as in the case of eating out (Miller and Gintner, 1978). Analysing the market in terms of the usage situation therefore becomes the necessary corollary of adopting the point of view of the active consumer. This point of view has strong echoes of Wroe Alderson's (1957) central focus on the household:

"The household is a special type of organised behaviour system providing the setting for most of the activities which are classified as consumption.. the buying function tends to centre on the housewife, and she becomes more specialised and skillful in his activity as forms of production have been increasingly removed from the home to the factory. Consumer buyers no less than marketing executives come into the market to solve problems for the behaviour systems they represent."
(p.163)

Customers do more than consume then: through 'consumption' the customer is able to support his or her expressions of meaning - his or her identity (Douglas, 1982). The producer has a 'market' in the sense that his performance as a producer supports forms of activity through which the customer can express his or her identity: the producer's enfoldment of organisation in his products or services fits the way in which the customer has unfolded aspects of his or her organisation.

Producers create an industry infrastructure however which inevitably constrains and channels the identities which can be supported through limiting the forms of performance on offer to the customer not only in terms of what is on offer, but also where it is on offer. Any individual customer faces a problem therefore every time s/he tries to buy the things s/he needs to support his or her usage situation: the customer's environment is patchy, and depending on the adequacy of the transport and distribution systems available, the customer's use of that environment may

have to be very coarse-grained. Thus the customer has to manage problems of temporal uncertainty - its not much good if the product or service is available when s/he doesn't want it - and spatial uncertainty - its also not much good if its only available outside his or her locality:

"Too frequently, marketing concepts seem to imply that the market exists in a single instance of time and that buyers and sellers are dealing with each other face-to-face in carrying out market transactions. Actually there are some difficult analytical problems in deciding just where the market is located or when a transaction begins or is completed. From the viewpoint of functional analysis, these considerations as to the dimensions of time and space may open the way to new methods of increasing the efficiency of market transactions."
(Alderson, 1957 p.315)

One of the most obvious conclusions therefore is that competition is local, be it between petrol stations, grocery stores (Kan and Ehrenberg 1984) or domestic housing developers. This is not, of course, to suggest that such local choices may not in certain instances involve national brands; rather that in each locality national and local brands compete to the extent that they are readily available. Such a view may seem obvious but, for instance, in the U.S. beer industry it has been common for strategists to suggest that there are three major strategic groupings: national, large regional and small regional brewers (flatten and Schendel, 1978). This has tended to encourage analysts to see such groups as competing more strongly with each other than in relation to other product groups, as is indeed the common assumption in the 'strategic group' approach (Caves and Porter, 1978; Day and Wensley, 1983). It comes as rather a surprise to some therefore that in fact in any local market the local brands are competing against the national ones as well as each other, and indeed in the case of beer, have often lost out in performance terms (Hatten and Batten, 1983).

Again therefore it is appropriate to reinforce Alderson's strong emphasis on the functional role of the distribution channel in matching and sorting products in response to customer demand as a key component of marketing activity (1957). The limitation on how far the groupings of product choices on offer by the producer can match those desired by the individual customer in relation to his or her usage situation, particularly when spatial factors are taken into account, create what Alderson referred to as a "discrepant market" (1965). This 'discrepant market' describes the patchiness of the customer's environment in which s/he will be forced to 'shop around' both by having to travel further or, in the case of services such as repair or health care, by having to wait.

Such coarse grained use of the environment may reflect its patchiness, or it may reflect the nature of the customer's specialisation. The customer only becomes an endangered species therefore insofar as the producer's pursuit of specialisation makes the market organisation so patchy that the customer's specialisation and therefore his or her viability is placed in jeopardy.

THE C-STRATEGIST: CAPITALISING ON PRODUCER REDUNDANCY

we criticise the present use of the ecological analogy therefore precisely because it encourages a view of the market which encourages

producer specialisation without equally encouraging the producer to support customer specialisation. Such a view not only leads to producing products in which the producer has enfolded his organisation but which only incidentally fit an unfolding of the customer's organisation, and therefore which tend to be unable to support a usage situation over any length of time; but also it forces the customer's use of the habitat formed by the collective economy of producers to be generalist, so that aggregate consumer behaviour can remain stable (Ehrenberg 1969) despite the existence of a temporally and spatially unstable domain of products and services. Perhaps it is for this reason we are faced not only with unemployed workers, but unemployed customers too - the economy of producers is unable to support either form of specialisation. We refer to this type of producer behaviour then as **Nstrategic** because it concerns itself not with the customer, **but** with a particular form of customer interaction with the producer: the niche. Hence the 'N'.

Why should it matter whether or not the producer supports the customer? Because unlike in the ecological analogy, the producer is paid by the customer, and in the long run, if the producer does not support the customer, then s/he will go elsewhere - whether by means of import substitution or emigration it matters not! As long as there is a significant shortfall in the carrying capacity of the producers, it will be in the interests of both producer and consumer that the producers choose the largest possible niches supportable by them given their capabilities, and to supply those niches as efficiently as possible - the N-strategy. In a mature economy however, that is to say in an economy where there are mature consumers who for reasons of their own competing identities wish to specialise and therefore to interact with their environment in a more coarse-grained way, such N-strategic behaviour will begin to create forms of patchiness in market organisation which are therefore counter-productive in their ability to support customer usage situations. The most obvious examples of where this has become an issue for the producer lie in the general area of services markets. Here the crucial impact of the customer's context is widely recognised as a highly significant factor in influencing customer satisfaction. In service areas, the need to consider the customer as active is evidenced by the fact that just providing self-service facilities can actually increase the value of the experience (Bateson, 1983).

In order for the producer to support customers' specialisation, the producer must be able to **couple** his enfolded organisation with unfolded forms of the customer's organisation: to pursue a C-strategy so that the tighter the coupling, the nicer the fit between the producer's product or service and the customer as context. To achieve this, the producer must learn to use what plasticity there is in his structure to support as wide a range of customers' usage situations as is viable. This plasticity of structure however is what the N-strategist refers to as redundancy. The irony therefore is that in order to pursue a C-strategy, the producer must develop the ability to capitalise on his redundancy by being able to organise the deployment of his structure of know-how and capability so as to tight-couple with as many distinct forms of customer usage situation as is possible. This requires the exact opposite approach to that adopted by the N-strategist who seeks to remove as much redundancy as possible in order to make his support of his particular market niche as efficient as possible. Hence the evidence that it was very difficult to reorganise Ford away from a "Model T" view of the customer towards the more diverse

producer organisation developed by General Motors (Abernathy and Wayne, 1974).

Being responsive to the customer in his or her context is both local and systemic, making it a factor which is difficult to manage within a traditional N-strategic framework. For example, insofar as standardisation of the customer is one of the characteristics of the N-strategy, as long as the form of such standardised procedures cannot be made variable in relation to the customer's context, then they actually prevent the producer from making his products and services more responsive to the customer's needs within a C-strategy. The difference then between the two strategies is that whereas the C-strategist shares with the customer some of the task of balancing producer capabilities with customers' needs, the N-strategist seeks to subordinate the customer's needs to his own capabilities. The key to the development of effective C-strategic behaviour lies therefore in effective coupling of organisation.

An example of this is to be found in UK Brewing. In most UK Brewery firms, the traditional product management system has been overlaid on a functional organisation. However, most Breweries also have tied outlets through theft systems of tenants, so that the functional organisation has also had to provide a means of managing the range of outlets. This has in general produced a product-function matrix as in Figure 1.

Brewery	Distribution	Managed	Tied	Free	
					Mild
					Bitter
					Lager
					Cans

Figure 1. A function/product matrix.

The explicit existence of retail outlets within the producer organisation creates stresses and strains that are often hidden for other producers who only face retail concerns via independent firms and market transactions. For instance, at the tied outlet level it is clear that customers' use of the outlet is influenced primarily by manipulating such 'intangibles' as decor, atmosphere, tenants' behaviour, and car parking. Such 'intangibles' fit uneasily into the common customer model adopted by product and brand marketing perspectives, with their strong focus on the impact of 'tangible' product-specific factors.

The need to manage this range of activities within one organisation has resulted in a range of organisational innovations amongst Brewers. Some have adopted the 'internal market' solution of separating off retailing activities from production and distribution and effectively uncoupling the producer from the customer with a surrogate (N-strategic) market based arrangement. Others have tried to reconfigure their organisation in a way which reflects channel segments rather than product segments, and have produced a service/customer usage situation matrix as illustrated in Figure 2.

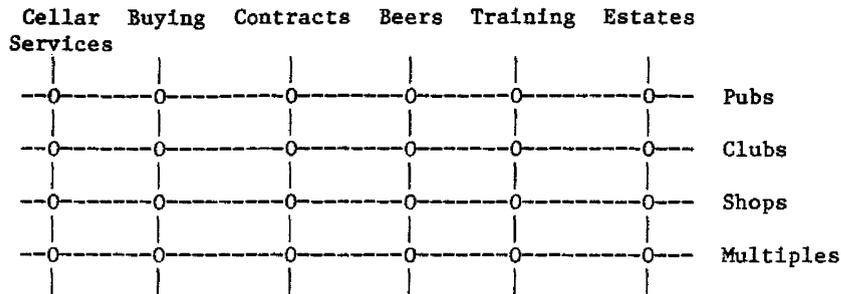


Figure 2. A service/customer matrix.

Hence what were formerly products have been treated like services, and thereby put on a par with a lot of other services which within the product/function matrix had always been regarded as of minor significance to the business' viability: overheads to be minimised. Now the interesting problem has become one of selecting which of the possible service elements the business can most appropriately provide to the outlets in an overall portfolio of services. This process of configuring an appropriate set of services in relation to a particular form of outlet is therefore the process of configuring a channel: "a particular form of outlet" has therefore become the way in which aspects of the customer's needs have been enfolded in a particular organisation of the outlet, and the Brewery has thereby found a way of tight coupling its own organisation to that of the customer.

In such a reconfiguring of a business, the issue of what services should be provided internally becomes central. If there is a well established outside supply of accountancy services, why provide them internally? Why invest to produce soft drinks when there is a ready supply of soft drinks already looking for customers? As a result of such questioning, even though the structure of services provided by the business itself may well become slimmer, the business' organization becomes far more complex as it develops the know-how to deploy a range of services flexibly and competitively in the marketplace as a result of trying to tight couple with customers' needs: to be C-strategic.

RESEARCHING MARKET ORGANISATION

What implications then does a C-strategic approach hold for the sort of market research that is done, and, more particularly, for the ways in which it is interpreted? A particular example which clearly reflects a considerable shift in market organisation is that of generic grocery brands.

There has been extensive research on such brands over the last few years which can be summarised into two broad conclusions:

(i) generic purchasers are seen as having lower incomes and being thrifty whereas in fact they are on average significantly better educated and have higher incomes (Kono, 1983; Wheatley and Jones, 1983; Evans and Beltramini, 1983).

(ii) situational variables appear to have only limited explanatory power with respect to usage of generic products (Rosen and Sheffer, 1983).

Much of this market research is predicated on a traditional economic trade-off model with generics being regarded as lower quality but cheaper. Such a preconception leads to an a priori model of quality and perceived risk in the choice between generics and leading brands that means that the first conclusion above is paradoxical. The second conclusion however is tantalising because, in identifying usage situations in terms of situational variables, they do not follow an approach which could reveal the customer's definition of situational variables, such as could have been the case had they adopted the approach recommended by Day, Shocker and Srivastava (1979 ,p17):

1. "1. Free response plus repertory grid and focused group methods are used to elicit usage situations associated with generic (sic) need.
2. A typology of usage situations is then developed from a principal components analysis of the products-by-use matrix. Both uses and products are plotted in the reduced space, and a typology of uses derived from factorial combinations of different levels of the independent dimensions of this space.
3. A new sample is employed to obtain a measure of the suitability or appropriateness of each brand or product for each of the usage situations in the typology."

Such an approach to usage segmentation would have started with a group of current users of generic products, and would have developed from their responses a set of significantly different situational variables. Without such research it is dangerous to speculate on the results, but some hints can be obtained from Wheatley, Chiu and Allen (1981) that the important distinction is much more likely to be between groupings of product categories which implied a rather different concept of usage situation. This would suggest that the overall focus of much market research into generics is misplaced.

At the heart of the difficulty in present market research lies the assumption about quality and perceived risk: an N-strategic assumption

based on the economics of production. Research on attitudes to generics has revealed considerable confusion on the issue of relative quality (Murphy and Laczniak, 1979; Wheatley, 1981). A C-strategic approach, in researching the ways in which customers define usage situations, would wish to research precisely that which N-strategic research has taken as given: the distinct ways in which customers define relative quality.

From the point of view of the producer, debate about quality is debate about standards - the ways in which organisation is enfolded in the product and/or service performance. In the long run, who sets standards for a particular product, and therefore dominates the market for that product, will depend on the extent to which individuals are in a sufficiently powerful position to influence the nature of the product. If we examine the three broad categories of grocery product - national, private label and generic - we see therefore three different loci of power over the setting of standards: the individual manufacturer over national products, the individual retailer over private label products, and the industry over generic products. The first two clearly reflect N-strategic power situations. What is happening in the third case of generic products? What kinds of balances of power are concealed behind the word "industry"? The only research which will reveal it will be C-strategic research which focuses not on attitudes and behaviours with respect to product categories, but on the distinct forms of usage situation through which relative quality comes to be defined. It is no surprise that Kelloggs' current advertising slogan is "If it doesn't say Kelloggs' on the packet it isn't Kelloggs' in the packet." The question is, does the customer think it matters?

A C-strategic approach to researching market organisation therefore begins to address a new kind of issue: **standards**. Many retailers have, over the years, developed sophisticated ways of monitoring and controlling the performance of their third party suppliers. In some instances, individual retailers' standards in some product fields have become the standards by which others are judged: the best example probably being Marks and Spencer in the UK. Similarly, in technology related areas, the commercial battle over who controls the industry standards has rightly been seen as the key issue. Again, a recent example has been the world-wide battle between VHS and Betamax formats for video-recorders, now fairly clearly won by VHS at considerable commercial cost to Sony.

The existence of agreed standards are an obvious form of market organisation which can allow the customer considerable scope in how s/he is able to configure his or her use of products or services within the context of his or her particular usage situation. The role of the individual producer in asserting standards however has not always been judged to be in the best interests of the customer. It is for this reason that areas such as telecommunications and pharmaceuticals, to name just two out of a very large number of possible candidates, have been seen as matters of public policy.

The issue of standards does not stop at the point at which it becomes a matter of public policy however. Much of the thinking underlying the formulation of public policy is itself under-pinned by N-strategic assumptions just as was argued for the case of market research into grocery products. The difficulties faced in arguing the public interest with respect to the market for micro-computers is a case in point: IBM has been moving towards 'organising' the market by not only aggressive product

marketing, but also by developing strong links with third parties with all their attendant implications for investment, exports, and employment. How is the customer's interest to be argued in this carve-up between corporate and national interest? To research market organisation therefore is to become involved in much more than a debate over the effective organisation of producers' capabilities: it is to become involved in a debate over to what ends they should be organised.

CONCLUSION

The concept of a producer 'niche strategy' depends on strong assumptions about consumer behaviour: consumers as passive recipients of products and services. The producer using such a concept becomes an N-strategist. In the long run such N-strategists will only be viable and effective on a significant scale in those market areas in which such assumptions prove valid. The continuing debate about the benefits of mass production and the growth of consumerism would suggest that at least all is not well with these assumptions.

From an ecological point of view, we find that we need to invoke the concept of the active consumer: the customer who demands not only that the producer pursues his own need to specialise in the ways in which he uses resources, but also that he learn to support and respond to changes in individually distinct niches created by customers who are also pursuing a strategy of specialisation. This would appear to be what Child (1972) was arguing for in his conception of "strategic choice" for the firm although he did not distinguish between the issue of choice and that of the level in relation to which it was being exercised. This is not surprising, in that ecology has concerned itself both in its theories and practice more with how the higher trophic levels adapt to habitats created by the lower trophic levels, than with adaptation of the lower trophic levels to the higher - which it *sees* mainly in terms of *species* developing escape tactics.

A C-strategic approach then defines the business primarily as organisational rather than structure/functional in nature. In the context of customer demand, a C-strategic business will inevitably have to develop ways of coupling with specific localities and sets of particular usage situations. The business will have not only to **span** a variety of small scale niches therefore but **also** need to be able to respond to **changes** in such needs at the micro-level. Such coupling will raise difficult problems for the centralist tendencies in many current conceptions of business and marketing strategy: local management will need to develop the skill to organise and reconfigure the nature of products and services they provide in ways which are responsive to the context of local market demand (Boxer and Wensley, 1983). In so doing, they will be challenging what is seen as the last area of absolute authority for the centre: the design of organisation.

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