

NICHES AND CLUSTERS:
THE AESTHETICS OF MARKET ORGANISATION

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November 1987.

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ABSTRACT

The concept of "niche" is used in much competitive marketing and strategic analysis to imply both a passive model of customer behaviour and also a particular form of relationship between the firm and its environment which is not sensitive to variations in individual customers' contexts: a niche approach.

This paper suggests that more emphasis should be given to the active customer and an attendant cluster approach which can support a competitive ability to couple the business' activities to a wide range of individual customer contexts. In understanding and applying such an approach, the choices made organise the market. The paper concludes by considering the aesthetics of such choices.

INTRODUCTION

At the centre of the language of business strategy lies the word: "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 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 the business and its environment, of which the word 'niche' speaks, carries crucial assumptions about the nature of the environment. On careful examination of these assumptions, it is far from obvious to us that a customer market should be regarded simply as an environment for businesses: they suggest additional issues to be considered.

In this paper, we link together some of the current evidence and experience in consumer and industrial 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 businesses, towards the concept of the active customer; 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 customers. In this respect, we echo much of Wroe Alderson's writing, and are able to develop his ideas by looking more closely at the ways in which channels of distribution are able to balance with the interests of the other two systems: active customers; and those businesses who source channels (Hunt, Muncy and Ray, 1981). Our conclusion is that the word 'niche' has been used to support a view of market organisation which has encouraged a relationship between businesses and customers which does not consider the effect business has on its customers.

TO NICHE OR NOT TO NICHE

The 'niche' metaphor has 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 Ven (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 types of business, 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. And yet how can a business relate to its environment in a way which is not referred to as its niche?

We define a niche as the set of customer relationships across which the relevant business outcompetes all other local businesses. In a competitive environment therefore 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 arena, there does seem to be a reasonably consistent attempt to equate 'niche strategies' solely with high cost approaches (Galbraith and Schendel, 1983).

However, from our 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 our 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 (1978) 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.

SPECIALISATION IN THE PURSUIT OF EFFICIENCY

Analysis of specialisation starts from the logistic growth model, which contains two parameters generally denoted by 'r', the natural rate of growth of the business, and 'K', the capacity of the environment to support a given level of business (Hannan and Freeman, 1978). Thus in general, the r-strategic business allots more time and money to reproducing its business formula, whereas the K-strategic business concerns itself more with varying how it uses time and money 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, 1980) i.e. the K-strategists. The analogy is superficial however because the concept of specialisation involves the introduction of competing businesses not incorporated in the simple logistical growth model (Pianka, 1978; Buss, 1983b). The distinction is of interest however because it refers to the business' behaviour when the size of the business exceeds the carrying capacity of its environment. In these circumstances, the r-strategist shares resources equally amongst all members of the business, with none therefore getting enough to reproduce and as a consequence the business as a whole 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 parts of the business excess to the carrying capacity of the environment die through lack. The r-strategic business therefore is indiscriminating in how it manages the deployment of its internal resources; whereas the K-strategic business does discriminate. Thus on this basis to call a business r-strategic is paradoxical: it is a business which has no strategic capability. If all strategic behaviour is K-strategic then, are there different forms of K-strategy?

Fundamentally, competitive strategy concerns itself with the ways in which businesses make choices about how to expend time, money and resources in sustaining their viability. The particular ways in which a business apportions its time and money reflect the particular ways in which it has specialised in relation to its environment, and therefore says something of the nature of its niche. The more specialised the business, the more efficient will be its use of time and money in relation to its niche. What then limits specialisation?

The effect of spatial or temporal instability of a niche can be understood in terms of the concepts of the 'patchiness' of the environment and the 'graininess' of the business' experience of that environment. 'Patchiness' refers to the discontinuous nature of the distribution of customers on both a spatial and a

temporal basis, so that certain kinds of environment can be very heterogenous, with the distribution of customers being both very local, and possibly also very temporary. 'Graininess' on the other hand refers to the way in which a particular business relates to its environment. To relate to its environment in a 'fine-grained' way is to relate to customers in the same proportions in which they occur (i.e. the business does not select customers and/or patches in its environment); and to spend disproportionate amounts of time either in particular patches or in selecting particular types of customer is to use the environment in a 'coarse-grained' way. Thus the 'patchiness' of an environment determines the amount of time the business will have to spend finding suitable parts of its environment relative to the amount of time spent encountering customers; and the extent to which it uses the environment in a 'coarse-grained' or 'fine-grained' way will be determined by the characteristics of the business and the degree of specialisation it has in its relationship its environment. In general terms therefore, the larger the size of the business, the less patchy its environment will be to it; and the more specialised its niche is, the more coarse-grained will be its use of its environment. Specialisation is therefore more likely where the environment is not patchy and where there are plenty of customers, while the patchier the environment and the scarcer the customers, the more generalism will be favoured

Uncertainty about the domain of its niche encourages a business to be generalist therefore, just as does uncertainty about the temporal or spatial stability of its environment. Set against this however will be the business' 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 business will be forced to adapt. If it is a specialist, the business will tend to develop a particular niche in the form of a particular relationship with its customers (Hannan and Freeman, 1978 [? not original context for reference...]); whereas if it is generalist, it will tend to develop multiple ways of relating to its customers (polymorphism: Levin, 1968), or learn to vary the nature of its relationship. This can be summed in in the following figure:

Distribution of customers	patchy		generalist
	not patchy	specialist	
		fine-grained	coarse-grained

Selection of customers

Studying the nature of the business' relationship to its 'niche' therefore leads us not only to consider the ways in which the business competes for customers within its niche given the way in which it has specialised; but also the ways in which it is able to respond to discontinuities 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 adaptive characteristics of the ecological analogy which lead Anthony (1965) to dismiss it very early on as "being of no direct relevance".

WHO IS 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 use. 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 usable. 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.

Business interacts with other businesses which themselves interact with other businesses, and so on until the chain of businesses reaches an end-use. Looked at from the point of view of a business, it is natural to place the customer in the environment of the producer.

Business can be defined therefore in terms of its niche - the nature of its interaction with its environment. Maturana and Varela (1981) provide a framework for defining businesses in relation to their environments in which a distinction is made between structure and organisation. Maturana (1981) later summarises this distinction as follows:

"A business 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 of business constitute its organisation. In this definition of organisation the

components are viewed only in relation to their participation in the constitution of the business that they integrate. For this reason nothing is said about the properties that the components of a particular business may have, other than those required by the realisation of the organisation of the business. The actual components together with the actual relations that concretely realise a system as a particular member of the class of businesses to which it belongs by its organisation, constitute its structure. Therefore, the organisation of a system - 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)

The distinctiveness of a business will be expressed by its organisation: the particular way in which it organises the use of its structure.

In relation to the particular way in which it has specialised however, there may well be redundancy in the business structure which enables it to adapt the way in which it interacts with its environment.

There is no necessary reason therefore why we should look upon the customer as forming the natural environment for the producer. The economy of producers also collectively create the environments in which consumers live, so that it is equally possible to see employees and customers alike as living in an environment formed by producing organisations. Thus customers are an organisation of producers as much as producers are an organisation of customers. Insofar as the ways in which producers organise the range of support available to the customer, in what sense can it be said that producers are limiting or constraining the development of organisation 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 environment, 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' customer. 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 customer. 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 her 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 organisation supports the customer's organisation just as the customer's organisation supports that of the producer.

Producers create an industry infrastructure however which inevitably constrains and channels the identities which can be supported through limiting the forms of product and service on offer to the customer not only in terms of what is on offer, but also where it is on offer. Producers organise the market. Any individual customer faces a problem 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 (Hatten 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, 1977; 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 Hatten, 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 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 CLUSTER: CAPITALISING ON PRODUCER REDUNDANCY

We criticise the niche approach therefore precisely because it is based on 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 tends to be unable to support the customer's usage situation over any length of time; but also it forces the customer's use of the business environment formed by the collective economy of producers to be generalist, so that aggregate customer 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 niche behaviour because it concerns itself not with the customer, but with a particular form of customer interaction with the producer: the niche.

Why should it matter whether or not the producer supports the customer? Because 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 customer that the producers choose the largest possible niches supportable by them given their capabilities, and to supply those niches as efficiently as possible - the niche approach. In a mature economy however, that is to say in an economy where there are mature customers 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 niche behaviour will begin to create forms of patchiness in market organisation which is therefore counterproductive in the producer's 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 organisation with the customer's organisation: to pursue a cluster so that the tighter the coupling, the nicer the fit between the producer's product or service and the customer's 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 niche approach refers to as redundancy. The irony therefore is that in order to pursue a cluster approach, 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 couple with as many distinct forms of customer usage situation as is possible. This requires the exact opposite approach to that adopted by the niche approach which seeks to remove as much redundancy as possible in order to make its relationship to its 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 relational and systemic, making it a factor which is difficult to manage within a niche approach. For example, insofar as standardisation of the customer is one of the characteristics of the niche approach, 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 cluster approach. The difference then between the two approaches is that whereas the cluster approach shares with the customer some of the task of balancing producer capabilities with customers' needs, the niche approach seeks to subordinate the customer's needs to the producer's capabilities. The key to the development of an effective cluster approach 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 their 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

Functions

Brewery	Distribution	Tied	Managed	Free	
					Mild
					Bitter
			13		Lager
					Cans

Products

produced a product-function 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 solution of separating off retailing activities from production and distribution and effectively uncoupled the producer from the customer with a surrogate niche 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:

Services							
Cellar Services	Buying	Contracts	Beers	Training	Estates		
							Pubs
							Clubs Usage
							Shops situation
							Multiples

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 become the way in which aspects of the customer's needs have been coupled to a particular organisation of outlet, and the Brewery has thereby found a way of 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

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services provided by the business itself may well become slimmer, the business' organisation becomes far more complex as it develops the know-how to deploy a range of services flexibly and competitively in relation to its customers as a result of trying to couple with customers' needs to adopt a cluster approach.

RESEARCHING MARKET ORGANISATION

What implications then does a cluster 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. 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: a niche 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 cluster approach, in researching the ways in which customers define usage situations, would wish to research precisely that which niche 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 products and/or services are organised in relation to the customer. 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 niche 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 cluster 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 cluster 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 worldwide 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

the provision of health services, 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 niche assumptions just as was argued to be the case for 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: the aesthetics of market organisation.

CONCLUSION

The concept of a producer 'niche strategy' depends on strong assumptions about customer behaviour: customers as passive recipients of products and services. The producer using such a concept is described in this paper as specialising in relation to its niche. In the long run such niche specialisation 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.

In this paper we have invoked the concept of the active customer: the customer who demands that the producer learn to support and respond to changes created by customers who are pursuing a strategy of specialisation: clustering. 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 aesthetic in relation to which it was being exercised.

A clustering approach defines the business primarily as organisational rather than structure/functional in nature. In the context of customer demand, a cluster business will inevitably have to develop ways of coupling with customers: 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 the nature of these niches. 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

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services they provide in ways which are responsive to the context of local market demand (Boxer and Wensley, 1981). In so doing, they will be challenging what is seen as the last area of absolute authority for the centre: the aesthetics of market organisation.