

■ GLOBAL PERSPECTIVE

## ***A Taste of Small-Island Success: A Case from Prince Edward Island\****

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### ***Island Studies***

Smallness and insularity have been traditional markers for the absence of economies of scale, viable markets, labor power and expertise, and business know-how. Loaded with such structural handicaps, small-island societies often are seen as clearly doomed by the accident of geography to eke their way as bastions of protectionism and as targets of interventionist bale-out and hand-out programs.

Substantial evidence is now available to shatter this impression. Small-island territories have achieved spectacular rates of economic growth, knocked down the obstacles of geographical circumstance, and indeed have transformed these into precious marketing assets. Many small islands have excelled in small-scale, high-value product- and service-niching, in banking and finance, as well as in tourism, transport, brokerage, and hospitality. To accomplish this feat, the island identity has been put to good use, in more ways than one (Baldacchino and Milne 2000).

One unlikely assemblage of features in small-island business is the combination of

local entrepreneurial flair with small-scale manufacturing activity and export orientation. Each of these qualities is rare in small-island territories. Investors are likely to be outsiders; manufacturing is likely to be noncompetitive since both raw materials and markets must be sourced from off the island; and most local business ventures deal in the “safe” and low value-added activity of wholesale and retail trade. In this way, small islands have gravitated toward becoming consumption centers for products made elsewhere. Finding a product that was developed by an island-based business and manufactured in a small-scale operation on a small island and sold elsewhere is truly exceptional.

The purpose of this study is to explore these exceptions. A micro-based focus is applied, concentrating on the evidence of one particular local enterprise that has demonstrably avoided the “triple trap” mentioned above. The study builds on the insights of an earlier article (Baldacchino 1999) and thus serves to consolidate case material on this underresearched topic.

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## ***The Island***

Prince Edward Island (PEI), with its relatively paltry 5,660 km<sup>2</sup> and 137,000-resident population, is Canada's smallest province. It developed historically as a peripheral resource-based economy, supplying agricultural staples to imperial (and later, national) metropolitan markets (Milne 2000). In recent years, however, the island's economic profile has undergone a radical change. Agriculture remains the foremost industry, but farm consolidation has followed from the rationalization of production and usage of cutting-edge technology, while the opportunities of adding value from knowledge in this sector appear promising (Paterson 2000). Fishery is now a major resource industry, spearheaded by aquaculture-based mussel farming. And with over a million visitors per year, tourism is now a significant, albeit seasonal, revenue generator, strongly branded around the *Anne of Green Gables* script and steeped in a pastoral sense of timelessness, natural beauty, and civic courtesy. Reliance on federal transfers and public sector jobs, while still substantial, is being reduced. Food processing, construction, and commercial services have been on an upbeat trend in recent years, a dynamism possibly boosted by a controversial fixed link (the Confederation Bridge) joining PEI to New Brunswick, which was completed in 1997 (Beaudin 1998).

The tourism boom on PEI has spawned a number of manufacturing concerns that depend on the tourist traffic to sell their products. This is contradictory to the mainstream evolution of service activities emerging from manufacturing, an economic phenomenon suggestively particular to small-island sites (Baldacchino 1998). The Prince Edward Island Preserve Company (PEI PreserveCo) is one such small firm.

## ***The Firm***

PEI PreserveCo is now one of the largest locally-owned and locally-based manufac-

turing operations on PEI. It employs 50 persons and generates an annual revenue of some US\$1.2 million. It operates a city store in Charlottetown and a factory, retail outlet, and gourmet restaurant on the River Clyde at New Glasgow. It practices a "just in time" inventory, using a labor-intensive manufacturing process (Lynch 1996).

## ***The Core Product***

The association of PEI PreserveCo with the island is a deliberate one, since the firm seeks to package and sell the island to its clients. This is the crucial selling point, and the real product, of the firm. The basic idea is to build on the island's tradition of fruit and vegetable canning, pickling, and drying, using these and similar traditional skills to produce a natural product. Add then the culinary heritage repertoire of the products themselves, most of which are locally sourced. The products are processed on site within full view of any visitors in the New Glasgow "factory" (actually a small room with minimal equipment). This strengthens the association of the product with the island and its people in a manner that is transparent and visible to all through a clear window, tantalizing enough to be video-taped by visitors (Beamish 1991).

The low-sugar, high-fruit content is compatible with the current consumer trend against sugar additives, while emphasizing the freshness of good and wholesome island produce (MacAndrew 1985). The gourmet products "preserve" the association of PEI with good food, offering clients the opportunity to enjoy the raw material "off island" and for much longer time stretches than the perishable raw material would otherwise permit.

## ***And Beyond***

For these reasons, the core product of the company consists of its line of original preserves, accompanied by speciality foods, cakes, jellies, mustards, cookies,

pies, and honey. However, more than the food items themselves, their association with PEI and what it stands for is the real “product” that places the company in a superior market position. This deliberate island connection is what enables the firm to stand out, maintain an up-market niche, and sell its products. PEI PreserveCo probably manages to extract some of the highest value-added possible from its agricultural raw materials, and it does so precisely by *not* selling them as just any other food products.

### ***A Complete Relationship***

The firm is unabashed in applying a marketing philosophy that seeks to expose the visitor and potential client to a full relationship with its products (Wightman 1991). The marketing approach involves appealing to the sense of sight (the quaint decor of the shops and restaurant; the carefully studied livery of all products; the window-dressing and landscaping of the New Glasgow outlet, the owner’s own garb); smell and taste (customers are encouraged to smell and taste, without obligation, any product in the range); touch (customers are encouraged to handle and examine every item on sale); hearing (the background music consists of traditional songs); and, of course, emotion (which should result from the ensemble of the above, a commitment to quality and dedicated customer service, along with the courtesy of the company staff). This sense orientation confirms the relevance of the “marketing of identity” (Fairbairn 1988), a common strategy among successful firms in small islands. There is a deliberate effort to cash in on the small-island profile, cultivated and circulated by tourist literature and government agencies and forming the backbone of the tourist and hospitality industry. Thus it is the island’s carefully groomed identity, hopefully confirmed by the tourist’s own experience, that triggers the disposition to purchase such products as those of PEI PreserveCo.

Such a disposition, much like a conditioned stimulus-response link, causes substantial changes in consumer behavior. Objectively worthless or cheap objects are metamorphosed into expensive desiderata because they are “souvenirs.” In this way, labor-intensive production with minimal technological input (and resulting higher production costs *per capita* and diseconomies of scale) is actually transformed into a key selling asset, riding on the bandwagon of the island’s appealing profile. Many small islands have cashed in on such opportunities (Baldacchino 1993, 2000).

### ***Export Capability***

It is this same carefully built association that enables such labor-intensive, low-end-technology products as those of PEI PreserveCo to make it to the lucrative export market. Indeed, the actual transportation of such products also may be passed on to the clients themselves. Volume tourism can serve as the unwitting carrier for a whole range of products, saving the producer time, effort, and expense in organizing freight, insurance, handling, and other inevitable charges.

Most importantly, the producer knows that the product is already sold. This is also one great advantage of selling products via the internet. Through its own website ([www.preservecompany.com](http://www.preservecompany.com)), PEI PreserveCo places its range of products at the disposal of two main sets of potential clients: those who know about or have been to PEI and who are interested in purchasing a “taste” of the garden province and those web surfers who may be interested in purchasing and ordering gourmet food items online irrespective of the island label. Both sets of clientele are taking advantage of PEI PreserveCo’s location on the internet. This reduces the need to publish and post attractive catalogues or send samples overseas, an expensive proposition with minimal return. Another advantage to the company is that its

web presence effectively allows it to divorce itself from the very seasonal tourism industry on PEI: orders can and do come in during the whole year (Des Roches and Turner 1999).

### ***Romancing the Brand***

The game for PEI PreserveCo thus depends mainly on getting the potential client to the product and not the other way round. This is why the sale of products through other retail outlets is not actively encouraged. This makes sense, considering that it is not the product, in the tangible sense of the word, that is being sold but rather a complete relationship; for this to get established, the total environment must be carefully “themed.” The company thus cannot relinquish or delegate the responsibility for such a “romancing” of its brands; it would do so at the grave peril of losing control of all but the tangible product itself to other businesses with other interests, including the promotion of their own corporate images.

This is also why the firm depends so much on getting patrons to visit either its physical or electronic locations. This is why the site of the factory/outlet/restaurant at New Glasgow has been aggressively promoted as a “must stop” for coach tours; this is why this same site is so carefully and delicately fashioned.

As Bruce MacNaughton, the president and founder of PEI PreserveCo, stated, “I learnt the importance of location when I was still taking my product to market. When you enable the market to come to you, then you can control both your product and its emotion.” This is why MacNaughton welcomes visitors to the site wearing a traditional Scottish kilt. Bruce visits his suppliers, speaks to hotel bus drivers, waves to passing cars . . . in his tartan. He is a walking advertisement, who provides live entertainment and is an unusual gimmick about whom to get noted and talked (Beamish 1991). He is deliber-

ately part of the same PEI history and heritage that he is trying to sell.

Bruce MacNaughton was born and raised in New Brunswick. He first came to the island at age 16, attracted by “the island way of life”: “I read in the papers that a farmer had lost everything in a fire. Barn, equipment, animals. His neighbors baled him out. So I said to myself: that’s how life is supposed to be . . .” Drawing in expatriates with the tantalizing lure of a better quality of life serves as a rich source of expertise and new ideas to a small-island economy. The survival of PEI PreserveCo depends on Bruce’s ability to build an enduring relationship between his products and the allure of PEI.

### ***Sourcing Locally***

Relationship marketing is multidimensional. The focus has been on its demand side, where success is a function of the satisfaction and patronage of customers who tune in to the total product experience. It also exists on the supply side, where the firm seeks to source its items locally even when there are price disadvantages (Cody 1986). Although this is partly a function of adding more local value to the product (keeping it as “PEI-made” as possible), it is also a strategy based on the conviction that it is easier to develop a good and steady relationship with a local supplier than with a distant, nonlocal one. And a local supplier is more likely to actively promote the firm and identify potential clients. In MacNaughton’s words, “A distant person is not going to bring me visitors.”

For similar reasons, PEI PreserveCo recruits its staff from PEI and does not mind recruiting members of the same family—often an unavoidable characteristic of employment on small islands. PEI PreserveCo has had parents and children, husbands and wives, even a mother and five daughters at one time, on its payroll. Such practices facilitate a family orientation at the firm, with the extended family of each

employee serving as an ambassador for the firm and its products. "When I hire someone," says MacNaughton, "I jokingly ask: 'How many people in your family?' If, for example, the answer is 14, then that means 14 billboards for the company."

Finally, it should be noted that PEI PreserveCo sees itself as having an obvious interest in, if not a responsibility to, the wider 200-strong community of New Glasgow.

## Conclusions

There are 93 distinct entries in the Yellow Pages section of the latest PEI telephone directory that start with the word "Island." The word certainly remains evocative, conjuring up mystical and romantic associations, while remaining the popular way to refer to Prince Edward Island. However, beyond such usage, the term island has not been an item of serious analysis. This article may compensate somewhat for this deficiency, while promoting positive thinking about how small, locally-owned and export-oriented manufacturing firms based on small islands like PEI can become financially viable. Clearly, for such economic viability to materialize, certain imaginative business management practices have to be deployed. In the case of PEI PreserveCo, these have included:

- the deliberate commercial exploitation of the small-island myth
- the attraction and domestication of expatriate entrepreneurs
- the utilization of tourism traffic and information technology as vehicles for low inventory and "just in time" export
- the transformation of a manufacturing facility into a service outlet
- the deliberate embedding of the manufacturing operation within the local and immediate environment, for both raw material and human resource inputs.

Further comparative, cross-island research is required to assess the gener-

alizability of such observations, which suggest themselves as idiosyncratic to small-island territories. If this is indeed confirmed, then it would be most pertinent to explore how these insights should feed into how training, consultancy, and other supports are incorporated into small business development initiatives in small islands elsewhere.

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