

4.2 Marketing planning

Niche markets and mass markets

When markets are characterised based on size, they are often divided into niche and mass markets. A niche market targets a small segment of the population, while a mass market refers to selling undifferentiated products to a large segment of a population.

Niche markets

A niche market is a small part of a larger market (see **Figure 1**). Customers for niche markets have very specialised needs or wants that are different from the larger market. Examples include dietary products – such as wheat-free bread – within the larger food market, or a specialist clothing store that only stocks clothing for very tall people.

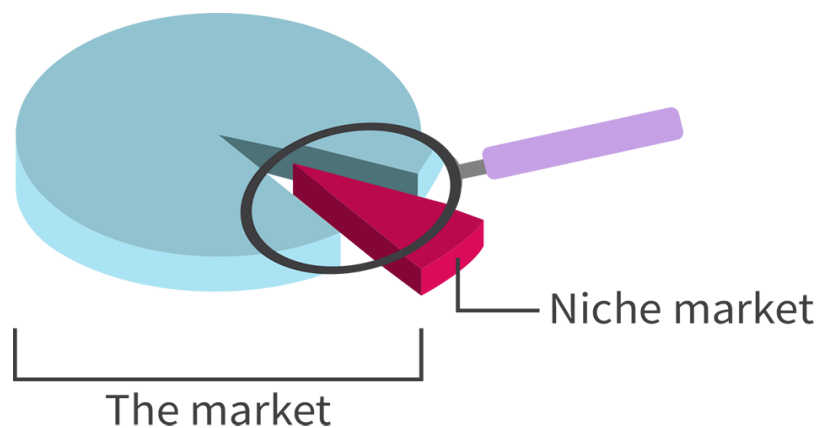


Figure 1. A niche market is a small section of a larger market.

To be successful in niche markets, businesses must listen to the needs of their target markets and then design products that meet those specific needs.

Targeting niche markets will never lead to a high quantity of sales. However, the lack of competition means that customer loyalty is more likely, so the business can charge higher prices.

Other examples of niche markets include:

- luxury goods within the larger clothing market
- niche sports, such as wakeboarding or horse riding

- equipment designed for people who are left-handed (such as left-handed golf clubs)
- local shops that have a close relationship with their customers

Because of their specialised market, niche companies are more likely to use below the line promotional techniques, such as direct marketing (see [Section 4.5.6 \(/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/promotion-below-line-id-39010\)\)](https://study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/promotion-below-line-id-39010)).

Mass markets

A mass market is a market for goods that are produced in very large quantities. Because of economies of scale, products sold in mass markets are less expensive than in niche markets, and the same marketing mix is used to target all consumers. Target markets are likely to be large and may even include an entire population. If companies are successful, mass-market products can lead to incredibly high quantities of sales. However, the attractiveness and size of these markets mean that competition is intense, which can lead to price competition and low profit margins.

Supermarkets are full of mass-market products. Examples include:

- Colgate toothpaste
- Nescafé coffee
- Pantene shampoo
- Lay's crisps
- Dove soap
- Oreo cookies
- Tide detergent



Figure 2. Supermarkets tend to carry mass market products.

Credit: Shoma Terai / EyeEm, Getty Images

Because of their global audience, mass-market companies are likely to use above the line promotion, such as television (see [Section 4.5.5 \(/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/promotion-above-line-id-39009\)\)](#)). Mass-market brands are also likely to sponsor global sporting events, such as the Olympic Games and the FIFA World Cup.



Figure 3. Mass market brands often support large global sporting events.

Source: François Goglin (https://commons.wikimedia.org/wiki/File:Paris-FR-75-open_de_tennis-2-6-14-Roland_Garros-04.jpg), CC BY-SA 3.0 (<https://creativecommons.org/licenses/by-sa/3.0/>), via Wikimedia Commons

Activity

Learner profile: Thinkers

Approaches to learning: Thinking skills (critical thinking, transfer)

Look around your home. Identify one item that you think is a mass market product and one that is a niche market product.

For each product:

- Identify the segment of the population that you think the business has targeted.
- Identify your own characteristics of this segment that the business has tried to target.

Case study

Airbnb is a business providing a web-based platform that enables owners of apartments and houses to rent their properties out per day, per week or per month. The business was started by two friends, who began by renting out air mattresses in their apartment in San Francisco as a way of offering bed and breakfast accommodation. The founders soon saw a gap in the temporary accommodation market. The gap was the ability to rent a larger living space for a shorter period of time, at a reasonable price.

The friends then built their own platform and, in 2020, Airbnb became a publicly held company valued at 47 billion USD. Most of the rentals were initially located in urban areas and targeted 'tech-savvy' young travellers. By targeting this small market segment, Airbnb was able to carve out its own niche early on.

Over time, Airbnb expanded to many other countries. The business now serves urban and rural markets, from campsites for budget travellers to villas for more wealthy customers. Thus, Airbnb is segmenting the market to serve different groups of consumers by geography and income. The platform essentially serves many different niches at once.

In 2017, Airbnb attempted to expand its services to people with disabilities. The company purchased a travel startup for people with special mobility and access needs. The Airbnb story is one of seeing opportunity in underutilised existing living space. It is now one of the key businesses in the sharing economy.



Figure 4. Airbnb has been a success story, giving people the opportunity to rent out unused spaces in their homes.

Credit: D3sign, Getty Images

Questions

1. Explain how Airbnb's market could be characterised as a niche market. [2 marks]
2. Identify two ways in which Airbnb is now segmenting the rental market. [2 marks]

Niche marketing versus mass marketing

The advantages and disadvantages of niche and mass marketing are shown in **Table 1**.

Table 1. Advantages and disadvantages of niche and mass marketing.

	Advantages	Disadvantages
Mass marketing	<p>Large market. Large target market and potentially higher revenues.</p> <p>Low per unit production and marketing costs. Mass production leads to low per unit costs (economies of scale). Also, as only a single marketing mix is needed to target a global audience, the marketing cost per unit is relatively low.</p>	<p>High cost. To reach a larger number of customers, businesses need to use the more expensive above the line promotion, requiring a higher upfront investment.</p> <p>More competition. Since a mass market product is more difficult to differentiate, businesses will experience more competition.</p>

	Advantages	Disadvantages
Niche marketing	<p>Less competition. There is a low level of competition, leading to potentially high profit margins.</p> <p>Suitable for small businesses. May be attractive to new or small companies that do not yet have resources to compete in mass markets.</p>	<p>High per unit cost. Businesses using niche marketing may not experience economies of scale and thus have higher per unit marketing costs.</p> <p>Less reach. Since goods are produced in smaller batches, quantities sold are small. If the profit margins are moderate, this will lead to smaller profits.</p> <p>Little growth potential. As the market is specialised, there is less growth potential for businesses.</p>