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Teacher view



(https://intercom.help/kognity)



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The big picture

Crepes and Waffles, a Colombian for-profit social enterprise, is a French-style crêpe restaurant that actively employs single mothers. The restaurant also promotes climate-resilient farming practices in Colombia. It is most famous for its brunch menu. The business, founded in the 1980s, now has a total of 120 restaurants in Brazil, Panama, Mexico, Chile and Venezuela.

The marketing mix of the Crepes and Waffles business has evolved over the years. Before the first restaurant opened in 1980, there were virtually no brunch restaurants in Colombia. The owners spotted a gap in the market, which enabled them to find a niche for their unique product.

The company then differentiated itself further by becoming a positive stakeholder in the community. Crepes and Waffles hires mostly women, who are often the heads of households, thus supporting the social foundation ([Section 1.1.2 \(/study/app/business-hl/sid-351-cid-762729/book/the-doughnut-economics-model-id-36500/\)\)](#) through the social enterprise values. The business takes care of its employees by providing stable employment contracts, health benefits for staff and their families, and education and art programs. These policies support workers, but also differentiate the business from its competitors. Customers know that the people who serve the food at Crepes and Waffles are treated and paid fairly; they are more likely to eat at Crepes and Waffles because of the social values of the business.

Most recently, the business has turned towards sustainable environmental practices. It is sourcing its products locally and serving seasonal food to both promote and benefit from Colombia's biodiversity.



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The business has achieved a well-developed and resilient marketing strategy. Some customers come to the restaurant for its unique menu. Some customers come for its sustainable and regenerative social and environmental practices, as confirmed through its B Corporation status – a certification for social and environmental performance (see [Section 1.2.3](#) ([/study/app/business-hl/sid-351-cid-762729/book/forprofit-social-enterprises-id-36510/](#))). And some customers come to support a local business.



Figure 1. Crepes and Waffles introduced the idea of brunch to the Colombian market.

Credit: Nattaya Chanvithee, Getty Images

Concept

Creativity

Crepes and Waffles is not following the profit-maximising path of a for-profit commercial enterprise. The business treats its employees with care and respect, taking a creative approach to build a sustainable corporate culture.

The business has taken some creative steps in its operations. For example, when the founders first realised that some of its workers were illiterate, not only did they take steps to promote literacy, but they also created a system of communications through symbols to serve in the meantime. And when the idea of a French crêperie was not yet popular in Colombia, the founders worked to develop unique recipes that would attract potential customers. This desire to innovate allowed the business to keep up with the ever-changing tastes of their customers. Eventually, the creative approach paid off in shaping a sustainable business with a positive regional reputation.



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Crepes and Waffles provides just one example of how a marketing plan can evolve. In this subtopic, you will learn how businesses decide what product to sell, who to sell it to and how to sell it.

Learning objectives from the IB DP Business Management guide with assessment objective level:

- **Explain** the role of marketing planning (AO2)
- **Explain** segmentation and targeting (AO2)
- **Explain** positioning and **construct** position maps (AO2, AO4)
- **Distinguish** between niche market and mass market (AO2)
- **Explain** the importance of having a unique selling point/proposition (USP) (AO2)
- **Discuss** and **recommend** how organisations can differentiate themselves and their products from competitors (AO3)
- **Apply** Porter's Generic Strategies in a given context (HL only) (AO2)

4. Marketing / 4.2 Marketing planning

The role of marketing planning

The role of marketing planning The role of marketing planning

Marketing planning

A marketing plan is a document that outlines the entire marketing process of a business (see **Figure 1**). It begins with identifying corporate business goals which, in turn, inform the marketing objectives. The business should conduct a marketing audit – a look at where the company is and where it wants to be – and establish marketing objectives based on the current position and goals. The business should then look at its budget and determine the appropriate level of spending on its marketing goals. Once the budget is established, the business should conduct market research and determine the target market. Subsequently, the marketing mix will be developed with the aim of meeting the needs of the target market and achieving the overall marketing objective. Finally, control tools will be selected so that the success of the marketing mix can be evaluated.



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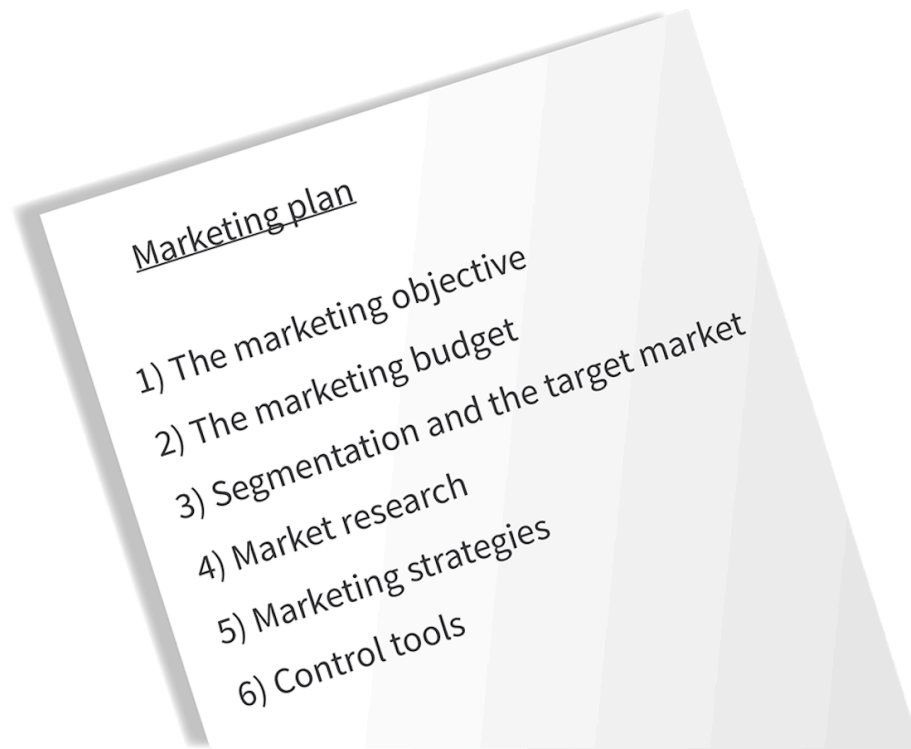


Figure 1. Elements of a marketing plan.

The marketing plan is a plan of action. The main elements of the marketing plan include:

- the marketing objective
- the marketing budget
- segmentation and the target market
- market research
- marketing strategies
- control tools

The marketing objective

The marketing objective will provide direction for the marketing function. If achieved, the marketing objective should help the company achieve its overall business objectives. In [Subtopic 4.1 \(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-37435/\)](/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-37435/) you learned about different marketing objectives for for-profit commercial and social enterprises and non-profit social enterprises.

Section

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The marketing budget

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A budget is the amount of money that has been allocated to a task. The finance team will set the marketing budget for the marketing team, but in many ways it is the marketing team's activities that determine how much money there is to work with. There are different ways in



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which a business can set its marketing budget. The way in which the budget is set could be:

- objective based, where an estimate is made of the budget needed to achieve the marketing objective
- sales based, where a fixed percentage of the company's sales revenue is allocated to marketing
- incremental based, where the previous year's marketing budget is used as a guide, with a percentage increase to cover inflation

Objective-based budgets are the most flexible because they do not limit spending to achieve the objective. The other two budget types set limits for spending based on historical or current performance information.

Segmentation and the target market

Market segmentation involves breaking consumers into groups that have similar characteristics and needs. Examples of how companies may segment their markets are covered in Section 4.2.2 (</study/app/business-hl/sid-351-cid-762729/book/segmentation-and-targeting-id-37445/>).

Market segmentation allows a business to analyse the most profitable market segments to serve with its product. Once target markets have been identified, the business can develop marketing strategies to fulfil those needs.

Market research

Market research involves gathering information about consumers' needs, tastes, habits and preferences in order to aid marketing decisions. For market-oriented companies, market research is the basis of all decision making. Effective market research allows companies to identify new opportunities, which can lead to increased sales. Market research is covered extensively in Subtopic 4.4 (</study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-38995/>).



Theory of Knowledge

A successful marketing plan requires managers to gather information about consumers and their behaviour. However, consumers' needs and wants are not always predictable.

- Are consumers too unpredictable to study scientifically? (IBDP Business Management guide)



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Marketing strategies

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Marketing strategies are long-term actions that aim to achieve the marketing objective. In [Subtopic 4.5 \(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39004/\)](#) you will learn about the elements of the marketing mix – product, price, place, promotion, people, processes and physical evidence. These are often referred to as ‘the seven Ps’.



Figure 2. Price is one of the components of the marketing mix.

Credit: Patcharanan Worrapatchareeroj, Getty Images

Control tools

Control tools allow managers to assess whether marketing strategies have been successful. This involves gathering quantitative and qualitative data to see whether the objectives of the business have been met. Data can be gathered from a number of sources, including:

- sales revenue and profit data ([Subtopic 3.5 \(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39042/\)](#) - Coming soon)
- the number of repeat customers
- surveys and focus groups (you will learn more about these research tools in [Subtopic 4.4 \(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-38995/\)](#))



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Figure 3. The chief marketing officer will use control tools to assess the success of a marketing plan.

Credit: Kiyoshi Hijiki, Getty Images

More information for figure 3

A person in a suit and red tie is seated at a desk analyzing printed pie charts and graphs. The person is holding a pencil, pointing towards the graphs that are laid out across the desk. Next to them is an open laptop, and in the background, there is a small green plant. The scene suggests a business or office setting where the individual is reviewing marketing or business data in graphical format.

[Generated by AI]



Concept

Change

A business will constantly update its marketing plan as the external factors (STEEPLE factors, [Section 1.1.6 \(/study/app/business-hl/sid-351-cid-762729/book/tool-business-plan-id-36505/\)](/study/app/business-hl/sid-351-cid-762729/book/tool-business-plan-id-36505/)) change. What might have happened to Netflix if it had stayed with its original marketing plan of delivering DVDs? Or to your local bank if it did not develop a digital platform? The products that these businesses provided would not have met consumers' changing needs and expectations over time. A marketing plan needs to be flexible in order to keep up with innovations and change.



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Marketing should be viewed as an ongoing process and marketing plans should be continually updated. Control tools not only provide information about whether an objective has been met, but also help provide the basis for the next set of objectives. It is therefore useful to view the marketing plan as a continuous cycle (see **Figure 4**).



Figure 4. Marketing planning can be thought of as a continuous cycle.

More information for figure 4

The image is a flowchart depicting the continuous cycle of marketing planning. It consists of a circular sequence of steps, starting with "Marketing objectives set." The next step is "Target market identified," followed by "Market research carried out." After that, the flow proceeds to "Marketing strategies developed and implemented." The cycle continues with "Control tools used to assess the success of the campaign," and finally, "Adaptations made depending upon success," which leads back to the first step, completing the cycle.

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3 section questions ^



Question 1

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The marketing budget can be set in different ways. What is an objective-based budget?



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- 1 An estimate of how much will be needed to achieve the marketing objective ✓
- 2 A budget that is set in line with competitors' marketing spending
- 3 A fixed percentage of the company's sales revenue, which is allocated to marketing
- 4 A budget based on the previous year's marketing spend, with a percentage increase added to cover inflation

Explanation

Objective-based budgets are set without financial constraints. An estimate is made of how much money is needed and this is how much is allocated to the task. Because of the lack of restrictions, objective-based budgets will be unsuitable for smaller businesses, such as sole traders.

The other options all restrict the budget rigidly, as a fixed percentage, using the previous year's budget, or a using competitor's spend.

Question 2

Which of the following is **least** likely to be included in a marketing plan?

- 1 Production capacity ✓
- 2 Market research
- 3 Control tools
- 4 Distribution strategies

Explanation

Marketing plans are customer focused. Internal factors such as production capacity are unlikely to be included (although it is possible). However, a company's capacity limit could influence sales targets and pricing strategies, which would be included in the plan.

Control tools will be included to give success criteria to the strategy. Anything in marketing must be directed by market research. And the distribution of the product will be planned for by the marketing team.

Question 3

Which of the following is **most** likely to be used as a control tool?



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- 1 Sales data
- 2 Dividend amounts
- 3 Productivity data
- 4 Employee turnover



Explanation

Marketing objectives often relate to the overall achievement of sales targets. To know whether these objectives have been achieved, quarterly or annual sales figures will need to be analysed.

Productivity data has to do with how efficient the manufacturing process is and is not very helpful as a control tool for marketing. Likewise for dividend amounts, which are the amounts that shareholders get paid out of the company's profits. Employee turnover is the concern of human resources, not marketing.

4. Marketing / 4.2 Marketing planning

Segmentation and targeting

Segmentation, targeting and positioning Segmentation, targeting and positioning

Segmentation

Segmentation involves splitting a population into groups of people with similar needs or characteristics (see **Figure 1**). A target market is the consumer segment at which a business aims its marketing messages. For example, a clothing store may segment the population by age and gender. However, its target market may only consist of females aged between 16 and 25. The main methods of segmentation used by businesses can be split into three broad areas:

- geographic segmentation
- demographic segmentation
- psychographic segmentation



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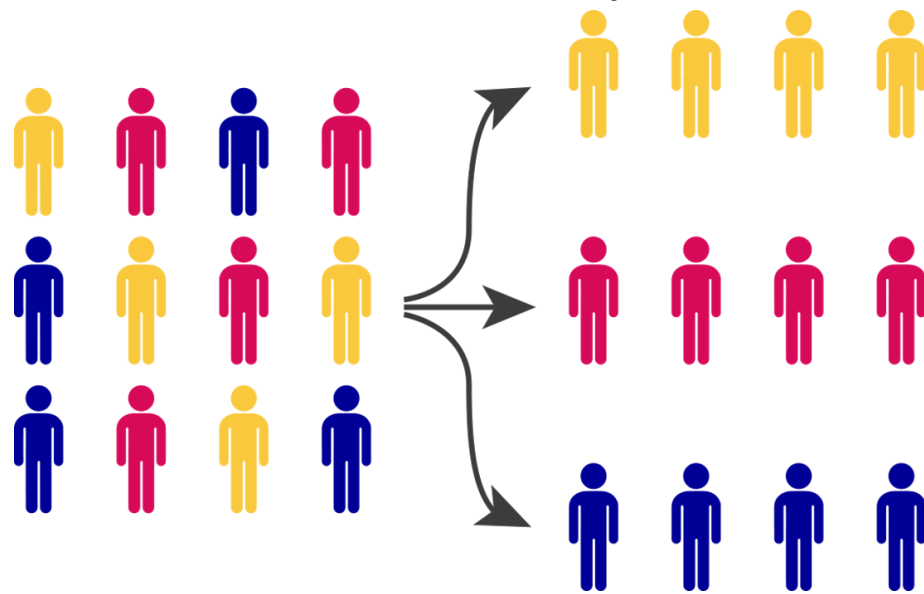


Figure 1. Segmentation involves splitting a population into groups with similar characteristics.

More information for figure 1

The diagram illustrates a process of population segmentation. On the left, there is a grid of 15 figures representing a population, arranged in 5 rows and 3 columns. These figures are in three different colors: yellow, pink, and blue, indicating different characteristics or group identifications.

From this population grid, three arrows point to groups on the right: - The top group contains 5 yellow figures, aligned in a single row. - The middle group contains 5 pink figures, also in a single row. - The bottom group has 5 blue figures in a row.

The arrows show the division process, suggesting how individuals from the initial grid are categorized into distinct groups based on certain similarities or traits.

[Generated by AI]

Geographic segmentation

Geographic segmentation involves dividing potential customers based on their geographic location. This can include country-based or regional segmentation.

Region and continent

In order to lower per unit marketing costs, businesses often aim to target not just one country, but an entire region.



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For example, the 2017 hit song *Despacito* was adapted for an English-speaking market by the Canadian singer, Justin Bieber. This song was originally performed by two Puerto Ricans and marketed mostly to Latin America and Spanish-speaking North America. The adaptation allowed it to reach a new geographic segment.

Country

Once businesses grow significantly in size, they may want to expand overseas. Segmenting consumers by country involves recognising different languages and cultures. Companies have to make very careful adjustments to their marketing approach to ensure that everything translates well.

Watch the video below, created by Nestlé's brand Maggi, targeting the Indian market.



Video 1. A Maggi commercial aimed at the Indian market.

More information for video 1

1

00:00:00,080 --> 00:00:00,920

[vessel sound]

2

00:00:01,000 --> 00:00:03,000

Juhi Chawla: Mr. Captain, your cap.

3

00:00:03,560 --> 00:00:04,720

son: What captain?

4

00:00:04,800 --> 00:00:07,760

Only rain can save us today.



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We are a very ordinary team.

5

00:00:07,840 --> 00:00:09,480

Very, very ordinary!

6

00:00:09,560 --> 00:00:11,360

[vessel sound]

7

00:00:11,720 --> 00:00:12,960

Cauliflower?

8

00:00:13,040 --> 00:00:15,000

Today is just a bad day.

9

00:00:15,080 --> 00:00:16,880

Juhi Chawla: Just taste it once

and see how it is?

10

Section
00:00:18,280 --> 00:00:20,240

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Feedback



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[chewing sound]

11

00:00:20,440 --> 00:00:21,280

son: Amazing!

12

00:00:22,200 --> 00:00:23,760

Juhi Chawla: Actually cauliflower

is also ordinary.

13

00:00:23,840 --> 00:00:27,080

But it is in the captain's hands

to make it amazing!

14

00:00:27,160 --> 00:00:30,240

[soft music plays]

15

00:00:30,320 --> 00:00:31,320

son: Hmmm!

16

00:00:32,400 --> 00:00:34,040



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narrator: Makes the

ordinary extraordinary.

17

00:00:34,120 --> 00:00:35,280

Made of 10 select roasted spices

18

00:00:35,360 --> 00:00:37,720

with MAGGI MASALA-ae-MAGIC cook

something good.

19

00:00:37,800 --> 00:00:39,960

Nestle. Good food, good life.

State and country region

Regions within a country are populated by different groups. Most countries can be split by geographic or linguistic characteristics. Canada, for example, has a French and an English speaking region, while Russia is a multiethnic state with a variety of languages and religions, as well as different regional climates, from those with very cold winters to those with mild winters.

Urban and rural settings

Businesses will want to differentiate between these two settings because consumers in rural areas and urban areas may have different incomes, family life and availability of transport.

In countries such as the US, supermarkets typically have large stores in rural areas – because customers are able to drive there – and smaller stores in urban settings, where commuters might make purchases on their way home from work.

Watch the video below to see how Dollar General has been mostly targeting a rural population in the US by placing its stores away from commercial centres.



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Behind Dollar General's Strategy to Dominate Rural America | W...



Video 2. How Dollar General has targeted a rural population.

Demographic segmentation

Demographic segmentation involves dividing consumers according to characteristics such as age, gender and occupation. Some of the most common methods of demographic segmentation are explained below.

Age

In almost every market – including music, fashion, food, financial services, holidays and hobbies – people’s tastes change as they get older. Therefore, it makes sense for many companies to segment their markets by age.



Figure 2. Many companies segment their markets by age.

Credit: Ariel Skelley, Getty Images



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In an attempt to classify the characteristics and needs of different age groups, marketers in the USA developed the generational categories, such as 'Millennials' (born between 1980 and 2000), 'Generation Z' (born between 2001 and the early 2010s) and 'Generation Alpha' (born between 2010 and the mid 2020s).

By using the generation-based method of segmentation, a company can quickly build up a broad profile of its age-segmented target market and develop products to meet their needs.



Figure 3. Generation Z is an important target market for many fashion brands.

Credit: RgStudio, Getty Images



International Mindedness

The generational classifications mentioned above are used around the world. Some countries use other generational classifications depending on national history.

Gender

Another way to segment a target population is by gender. You may see many products in your local store targeted at men and women. These might be razors, creams, deodorant or vitamins, for example. There has, however, been a pushback against what some people perceive to be stereotyping.



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Figure 4. Vitamins are often targeted at men, women, pregnant women, children and seniors.

Credit: LaylaBird, Getty Images

Socio-economic group

Socio-economic segmentation divides the population using the interlinked factors of occupation, income and level of education. For example, in Peru, the polling firm Ipsos divides the population into classes A to E based on income level (see **Table 1**).

Table 1. Socio-economic distribution in Peru.

Socio-economic level	Monthly income in PEN (Peruvian sol)	Percentage of income spent monthly (%)
A	12 660	62
B	7020	68
C	3970	75
D	2480	80
E	1300	87



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Making connections



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If you take IBDP Economics, you may be familiar with the concept of 'marginal propensity to spend'. Looking at **Table 1**, you can see that those in the lower income brackets spend a larger portion of their income than those in higher income brackets. In other words, those with a lower income have a higher marginal propensity to spend.

So to whom do you think banks and financial institutions should promote their services? It would be more reasonable to promote investing, insurance and financial services to the higher earning group, as this group is more willing and able to spend on these services.

Psychographic factors

Psychographic segmentation divides the population according to lifestyle and personal interests. Customer profiling can lead to targeted direct marketing campaigns where customers are offered goods that marketers believe they will be interested in.

When you look at a magazine stand, for example, you will see magazines that are targeted towards those with interests in history, fitness and yoga, travel, cooking, knitting, etc. These are all examples of psychographic segmentation.



Figure 5. A magazine stand has magazines targeted at readers with different interests.

Credit: Busà Photography, Getty Images

Advantages of segmentation

Advantages of segmentation include being able to:

- identify gaps and opportunities in markets



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- design suitable products for specific groups in order to increase sales and profits
- reduce the waste of resources
- diversify and spread risks targeting different consumer segments



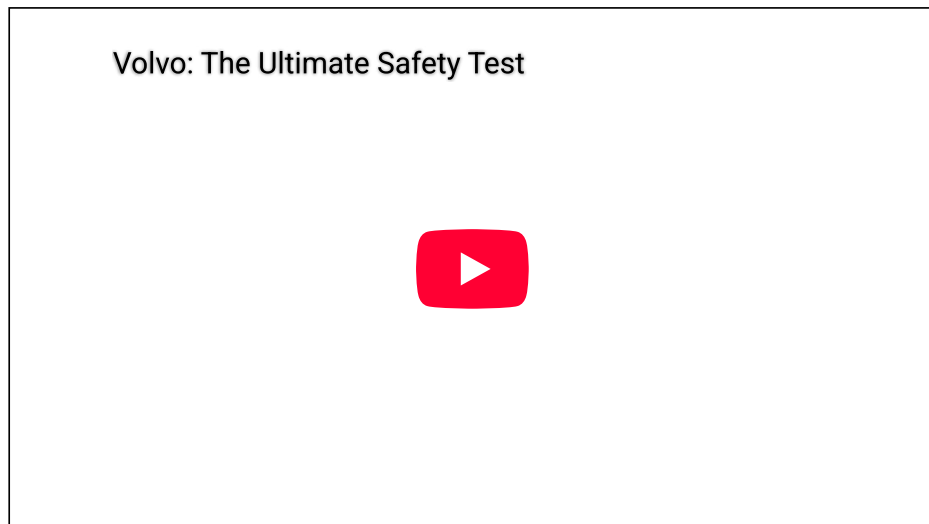
Activity

Learner profile: Thinkers

Approaches to learning: Research skills (media literacy)

Watch the Volvo commercial below and find evidence of segmentation by:

- age
- socioeconomic group
- geography



Video 3. A commercial for Volvo; in search of the ultimate safety test.

Targeting

Targeting refers to selecting the most appropriate segment for a marketing campaign. Often this will be obvious, with a specific age group, or a group with a particular set of tastes, being the most appropriate. But the selected segment can also be a larger group of individuals, especially when mass market products such as milk or crisps are marketed. The segment will be much smaller for more exclusive or niche markets such as high-end fashion.

New and small companies will have limited marketing budgets, and this may force them to target niche markets. These markets have less competition and a well-defined target market. Therefore, more cost-effective below the line promotional messages can be used. Larger



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companies can afford above the line promotional activities, such as television advertising, aimed at mass markets. You will learn more about these promotion methods in Subtopic 4.5 (</study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-39004/>).



Figure 6. K-Pop music producers target teenage fans through above the line promotion by advertising on TV, radio, billboards and social media.

Credit: Sunwoo Jung, Getty Images

Product Positioning

To compete against other brands within a market, companies need to differentiate themselves, positioning their brand to meet the needs of their selected target market. This limits potential competition and increases the chances of establishing customer loyalty. In other words, although companies may sell the same product category, there may be many factors that make what they sell slightly different. Their target audiences end up being different.

Product positioning maps

Product positioning maps are visual representations of how various competitors might attempt to position their brands in the eyes of the consumer (see **Figure 7**). A product positioning map usually displays two attributes, such as price and quality, or price and age. More complicated maps can include more than two attributes.



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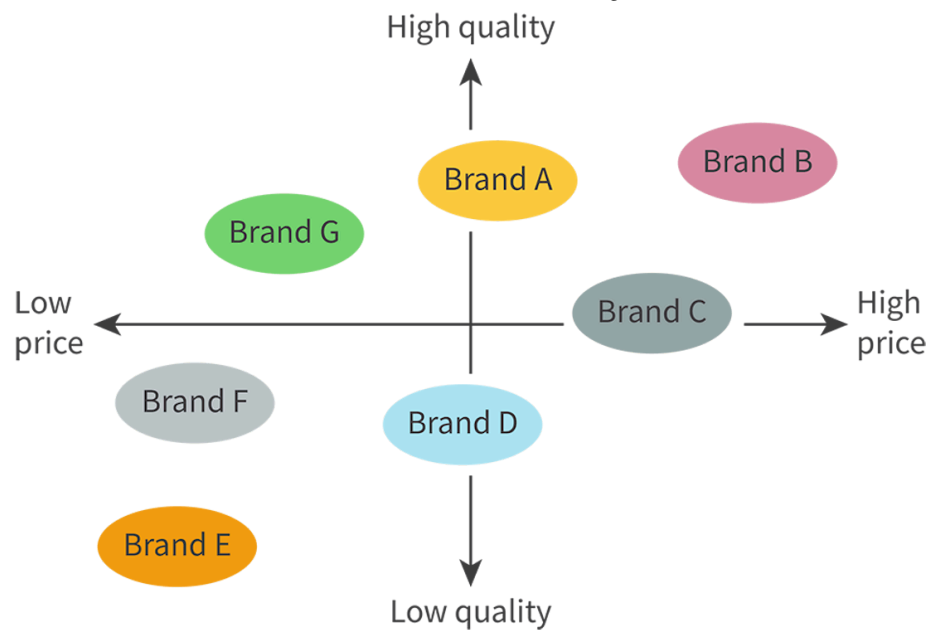



Figure 7. A product positioning map.

 More information for figure 7

The image is a product positioning map displaying various brand segments labeled as Brand A, Brand B, Brand C, Brand D, Brand E, Brand F, and Brand G. These segments are color-coded to distinguish different positions that represent their individual market spaces. Each brand occupies specific areas on the map, indicating their relative positioning in terms of market characteristics such as quality and price. Brand A is shown in the center, surrounded by other brands, suggesting a central market position. Brands are grouped tightly, reflecting their positioning strategy and competitive landscape within the market.

[Generated by AI]

In **Figure 7**, the two axes chosen are price and quality. However, there are no set rules about how the information is displayed. Other common axes include product range or average store size.



Activity

Learner profile: Thinkers

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

Think of a local market for a good or service that has a variety of providers. It could be an airline market, a car or bike market, a restaurant or hairdressing market, or something similar.



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Construct a product positioning map for the businesses using price and quality as its axes. Make sure you justify where you position a specific product. For example, for restaurants, you may use their menus and restaurant reviews or stars as indicators of price and quality.

As a tool, a product positioning map is a useful for:

- identifying market segments whose needs and wants are not fulfilled
- establishing gaps and opportunities in the market for launching new products
- helping a business to understand who and what their closest competitors and threats are, and to use this information to target the market appropriately

3 section questions ^

Question 1

A global restaurant chain wants to design menus that appeal to local customers' tastes. Which method of segmentation could it use?

- 1 Geographic segmentation
- 2 Psychographic segmentation
- 3 Demographic segmentation
- 4 Psychological segmentation



Explanation

As the name suggests, geographic segmentation divides consumers according to their location. The restaurant chain could segment its stores by country, then tailor its menus to meet the local tastes of that country.

Demographic segmentation aims to categorise people by their age, gender, family status and socio-economic group. Psychographic segmentation groups people according to their interests and lifestyle. Psychological segmentation is not one of the methods the restaurant chain needs to know.

Question 2

Why do companies need to select a target market?



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- 1 Because of all three reasons given in the other options ✓
- 2 So that they know what specific needs their goods are attempting to fulfil
- 3 So that the marketing budget can be spent effectively
- 4 To provide focus for the marketing team

Explanation

Consumers only spend money on goods and services that fulfil their needs and wants. If a product fails to meet the needs of its target market, there will be little reason for anyone to purchase it. Selecting a target market provides the marketing department with a focus so that it can work towards achieving the overall marketing objective.

Question 3

Which of these is **not** a use of a product positioning map?

- 1 To help establish the marketing budget ✓
- 2 To identify a market segment whose wants and needs are not fulfilled
- 3 To understand the competitors and threats
- 4 To identify gaps and opportunities when launching a product

Explanation

Product positioning maps do not help establish the marketing budget. The marketing budget is set as part of a marketing plan once marketing objectives are identified. The other three answers are correct.

4. Marketing / 4.2 Marketing planning

Niche markets and mass markets

Niche market and mass market Niche market and mass market



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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

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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.

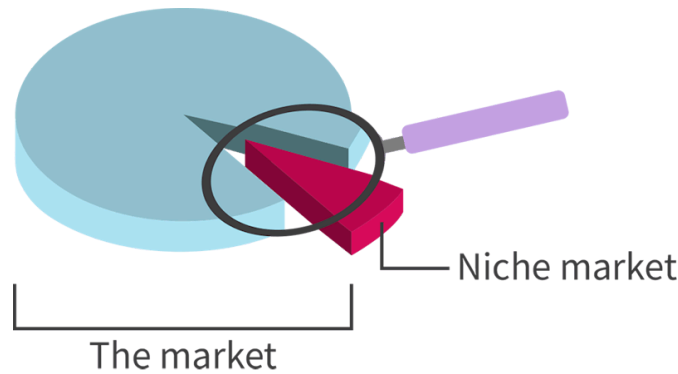


Figure 1. A niche market is a small section of a larger market.

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 \(/study/app/business-hl/sid-351-cid-762729/book/promotion-below-line-id-39010/\)\)](#)).



Student
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Mass markets

Overview

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promotion-above-
line-id-39009/))

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

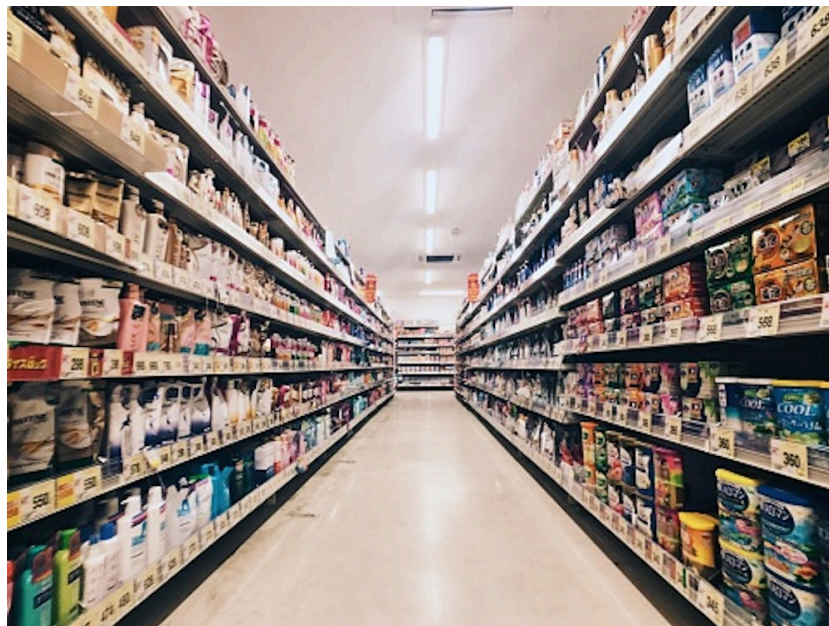


Figure 2. Supermarkets tend to carry mass market products.

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 \(/study/app/business-hl/sid-351-cid-762729/book/promotion-above-line-id-39009/\)\)](#)). Mass-market brands are also likely to sponsor global sporting events, such as the Olympic Games and the FIFA World Cup.



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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



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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.

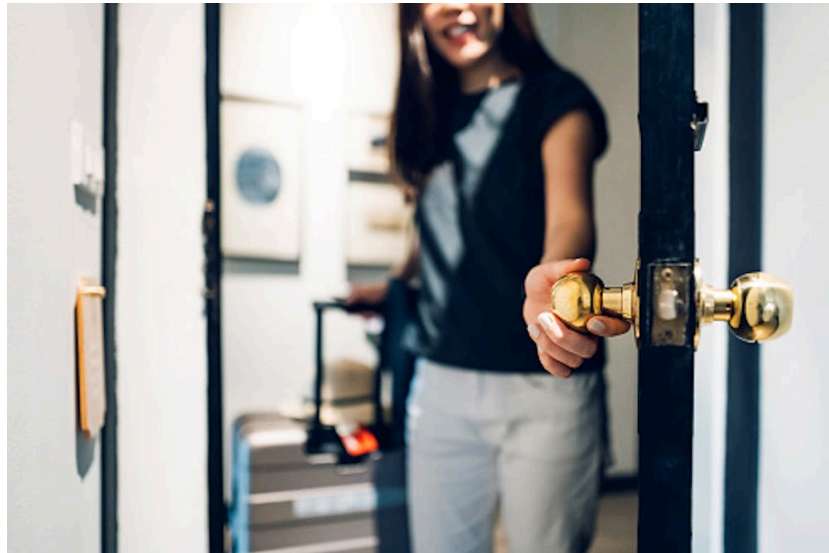


Figure 4. Airbnb has been a success story, giving people the opportunity to rent out unused spaces in their homes.

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]

Question 1

A niche market is a small part of a larger market, which usually has specialised needs or wants that are different from the larger market. Airbnb's early market could be characterised as a niche market, as the company initially targeted young, tech-savvy, budget-conscious travellers who were looking for short-term



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rentals in mostly urban areas. This group was a niche market. In addition, the case study mentions the market for people with disabilities, which is also a niche market.

Explain is an AO2 level command term, requiring a detailed account including reasons or causes. Explain *why*, explain *how*.

- Only one point needs to be made. Other responses are possible and would be rewarded if appropriate.
- To achieve full marks, you must always include theory and application to the case study in your responses.

Question 2

Segmentation is the process of dividing a broad market group into various segments (such as age, interests, additional needs or location). Airbnb is currently segmenting the market by income (campsites to villas), by geography (urban and rural areas), and by accessibility (accommodation for individuals with mobility needs).

Identify is an AO1 level command term, requiring students to identify an answer from presented possibilities.

- One mark is given for correctly identifying one type of segmentation from the text.
- Two marks are given for correctly identifying two types of segmentation from the text.
- To achieve full marks, you must always include theory and application to the case study in your responses.

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.



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	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>
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>

2 section questions ^

Question 1

What is the problem of targeting a niche market?

- 1 The number of potential customers is low. ✓
- 2 Competition is low.
- 3 Economies of scale can be gained.
- 4 It may be possible to charge a high selling price.



Explanation

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By definition, niche markets target a small number of customers. This makes them unattractive for large mass-market businesses, which may see targeting them as a waste of resources. The other options are not necessarily true for niche markets.

Competition can be immense, even between small businesses.

There has been a return to smaller independent retailers, such as coffee shops, and there will be fierce rivalry between the large numbers of shops that operate in major cities.

Although it is common, it is not necessarily true that companies targeting niche markets sell at a higher price.

Economies of scale are achieved when the company can produce at lower average costs due to its increased size.

Question 2

What is an advantage of using a niche market strategy?

- 1 A lack of competition may result in large profit margins. ✓
- 2 A large target market can lead to very large revenues.
- 3 Purchasing economies of scale may be gained.
- 4 Global marketing campaigns can lower average marketing costs.

Explanation

Niche markets tend to have less competition, low sales volumes and high production costs. However, they also allow larger profit margins to be charged.

In contrast, mass markets are profitable, but not because they allow companies to earn large profit margins. In fact, the opposite is normally true. The huge customer base attracts many competitors, which may be forced to compete on price. This can drive down prices and profit margins.


Producing on a larger scale means that things like advertising and purchasing from suppliers can be more cost effective. If the product is well marketed and large quantities are sold, significant revenues can be achieved.

4. Marketing / 4.2 Marketing planning

Product differentiation and unique selling point



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 Overview (/study/app/business-hl/sid-351-cid-762729/0)

Unique selling point/proposition (USP) Unique selling point/proposition (USP) Differentiation Differentiation

Section Student... (0/0) Feedback Print (/study/app/business-hl/sid-351-cid-762729/book/product-differentiation-and-usp-id-37447/print/) Assign

Differentiation highlights the differences between a product or service and its rivals. A unique selling point (USP) is the feature that marks a product or brand out from its competition. Without a USP, there is little reason for a customer to select one company's brand over that of a competitor. The best USPs are those that add value to the consumer and are difficult to copy. A company's USP can come from any part of its marketing mix. Below are some examples of how businesses differentiate their products or services using various unique selling points.

Differentiation by product USPs

Product-oriented businesses ([Section 4.1.2 \(/study/app/business-hl/sid-351-cid-762729/book/market-product-orientation-id-37437/\)](/study/app/business-hl/sid-351-cid-762729/book/market-product-orientation-id-37437/)) spend years developing unique and innovative ideas that they hope will become successful products. Being the first to create a product – or having a so-called ‘first mover advantage’ – is often a way to differentiate. The verbs ‘xerox’ and ‘google’ come from the names of the businesses that launched the first widely used versions of those respective products (copy machines and search engines).

Patents are another way to ensure product leadership. Medical drugs take years to develop and cost pharmaceutical companies large sums in research and development. If a new drug is discovered, the company that brings it to market is granted a patent for a number of years. As it has an exclusive product, prices can be set high. This allows the business an opportunity to recoup its investment costs and make considerable profits.

Businesses often try to differentiate their product through so-called ‘attribute ownership’. For example, Crest toothpaste is marketed to prevent cavities, while Volvo has built a reputation as a safe car. Heritage is yet another way to position the product as unique. Silk from China and rugs from Iran have a long-established reputation of quality.

Designing or updating a product to appear relevant can be another way to appear unique. Recently, the shoe brand Crocs successfully repositioned itself by collaborating with brands and celebrities such as Balenciaga, Post Malone, Bad Bunny and others.





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Figure 1. Crocs added a unique selling point to its brand by collaborating with designers and celebrities.

Source: Katsuuu 44 <https://www.flickr.com/photos/kyaabo/254051861/in/photolist-jBfmz-bn7Ed-5BukpY-2jP4KuS-2abp4gN-7vziiN-2NEZF8-2mMf3yi-KTrED-8w2Nsa-3L76XZ-2NKmR1-7adunW-2kw2otw-nwso1-2pM4Q-2m5uwf2-BnVNg-2H5Wh-rFVRK-2j4URZc-daToyN-asoNqu-3zjAEw-62w7uN-gj6HdX-gpAMCJ-6JiJYS-L3RJN-8taYiJ-gpB45H-3qQZkz-EkFH6-7ug1XF-2m396Pi-7ufJxT-ACwD1E-mjfb4-6KhuTg-9nbf8D-7ubFVE-7Vxdez-6RT9mL-34acGu-bDjJdy-VHxDym-5WtNcM-os5Lv-WJMMjr-mKvbeK>, CC BY-ND 2.0 <https://creativecommons.org/licenses/by-nd/2.0/>, via Flickr

Section Student... (0/0) **Feedback** **Print** (/study/app/business-hl/sid-351-cid-762729/book/niche-and-mass-markets-id-37446/print/) **Assign**

~~A social enterprise may differentiate its product by addressing an unaddressed human need.~~

For example, a Mexican baby food brand La Huerta de Elisa saw a gap in the market for baby food and created local, organic, no-added-sugar baby food. (You can learn more about how the baby food start-up spotted a gap in the market at [La Huerta de Elisa](https://www.foodnavigator-latam.com/Article/2018/11/01/Mexico-baby-food-startup-La-Huerta-de-Elisa-expands-into-organic-takes-on-Gerber) <https://www.foodnavigator-latam.com/Article/2018/11/01/Mexico-baby-food-startup-La-Huerta-de-Elisa-expands-into-organic-takes-on-Gerber>.)



Activity

Learner profile: Inquirers

Section Student... (0/0) **Feedback** **Print** (/study/app/business-hl/sid-351-cid-762729/book/niche-and-mass-markets-id-37446/print/) **Assign**

Approaches to learning: Research skills (information literacy); Thinking skills (transfer)

Look at [this list of the world's 50 best restaurants](https://www.eater.com/worlds-50-best-restaurants-awards/23767356/the-worlds-50-best-restaurants-2023-the-list-so-far) <https://www.eater.com/worlds-50-best-restaurants-awards/23767356/the-worlds-50-best-restaurants-2023-the-list-so-far> and choose a restaurant that you are interested in learning more about.

Consider the following:

- What is the restaurant's target market?
- What is the restaurant's unique selling point?



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Differentiation by price USPs

Overview

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Only companies with the lowest operating costs can afford to offer the lowest prices to their customers. This is usually achieved by gaining significant economies of scale (see [Subtopic 1.5 \(/study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-36532/\)](#)). This is perhaps the most difficult USP to maintain, since competitors can also lower their prices and take away the advantage. Examples of companies that differentiate by price would be Costco, Dollar General, Dollar Tree or budget airlines such as SpiceJet and IndiGo.

Occasionally, some businesses can differentiate by setting a higher price, especially with products where it is difficult to differentiate the quality, such as olive oil. In this case, a higher price signals higher quality and exclusivity.

Differentiation by promotion USPs

If a company can promote a product effectively, it can lead to customer loyalty. This can be considered a USP for a business as it gives customers a reason to select a particular brand over rivals. In the long run, creating a long-term positive brand image should focus on setting a product apart from rivals by adding value for the consumer. Some companies that use promotion as their unique selling point include:

- **The Coca-Cola Company.** Coca-Cola has spent millions of dollars in an effort to associate the Coke brand with Christmas and Santa Claus. The company has even changed people's perception of Santa. The jolly, rounded image we see today first appeared in Coke advertisements in 1931, although it is not true that his clothes are red because of Coke's marketing. Many people look forward to seeing the new Coke 'Christmas trucks' commercial each year, and the company enjoys an annual sales boost as a result.
- **Gym Shark.** This brand of sports clothing has grown mainly through a promotion strategy involving social media influencers becoming ambassadors and promoting the brand. This below the line advertising approach resulted in the revenue of the business growing more than 200% from 2017 to 2018.
- **Patagonia.** The brand's 2011 shock advertising campaign, mentioned in [Section 1.3.4 \(/study/app/business-hl/sid-351-cid-762729/book/ethical-objectives-and-corp-social-resp-csr-id-36520/\)](#) famously presented the consumer with the message, 'Don't buy this jacket'. This slogan, unlike typical advertisements, targeted Patagonia's consumers who are known to be concerned with sustainability. Shock advertising uses shock tactics to attract the consumer.

Student
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Activity

Learner profile: Inquirers

Approaches to learning: Communication skills

Do a quick web search for innovative promotional campaigns.

Select one that catches your attention and produce two or three slides to share with the class. Your slides should answer the following:

- How do businesses use creativity to differentiate?
- How do the advertisements convince the consumer their products are adding value?

Differentiation by place USPs

This element of the marketing mix is concerned with the distribution of a product. This can be as simple as having a store in a convenient location, or as complex as offering a global distribution network. If you have ever been to an airport, for example, you may have noticed that you can often see neck pillows and headphones sold in duty free shops. Placing a product in the correct distribution channel is often key to its success.

Differentiation by people USPs

Positive interactions with business employees can lead to repeat business. The grocery chain Trader Joe's is well known for its exceptional customer service. This is one of the factors, in conjunction with products and prices, that has helped the company to build a cult following. The quality of customer service at Trader Joe's is partially a result of high employee motivation, as employees receive competitive salaries and benefits.

Watch the short video below to learn more about how Trader Joe's employees help differentiate the brand.



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Why Trader Joe's? | It's Not a Secret, It's People



Video 1. How the employees at Trader Joe's impact customer experience.

Differentiation by physical evidence USPs

Physical evidence refers to the physical environment of the business. It includes things like layout, interior design and temperature. Cosmetics store Sephora, for example, has changed the way make-up is presented, from a traditional presentation by brand to a presentation by type of make-up. At the same time, customers are allowed to test the products freely. This has enabled customers to compare brands easily, without the need to go from one department store counter to another. The change in the physical experience is a unique selling point that draws in a loyal customer base.



Case study

IKEA is a multinational company, originating in Sweden, that has revolutionised the way in which furniture is sold. Its unique selling points are:

- **Product.** By selling furniture in flat, easily transportable boxes — which means customers have to assemble the furniture themselves — the brand has managed to generate what is now called the 'IKEA effect', or the pride a person takes in assembling a piece of furniture themselves.
- **Price.** Selling disassembled furniture in large warehouse-like stores allows for significant cost cutting and, as a result, a more affordable price.
- **Physical evidence.** IKEA stores are laid out in a way that guides the customer through all of the aisles, which becomes an experience. In addition to this, having a mini-playground and restaurant with unique food items makes it easier to make a family day out of the shopping trip.

Watch the video below about IKEA's layout and its marketing and pricing strategies.



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The 'IKEA Effect:' Behind the Company's Unique Business Model...



Video 2. How IKEA's unique strategies have contributed to its success.

Questions

1. Using IKEA as an example, explain the importance of having a unique selling point . [2 marks]
2. Identify two USPs used by IKEA. [2 marks]

Question 1

A unique selling point is the feature that marks a product or brand out from its competitors. You should apply your answer to one of the USPs based on product, price or physical evidence listed in the case study above.

Explain is an AO2 level command term, requiring a detailed account including reasons or causes.

- One mark is given for a definition of USP and a superficial application.
- Two marks are given for a definition of USP and a detailed application to the case study.
- To achieve full marks, you must always include theory and application to the case study in your responses to AO2 level questions.

Question 2

Potential answers may relate to pricing, physical evidence of store layout, product presentation and packaging, reference to the assembly of products or the ability to test out beds.

Identify is an AO1 level command term, requiring you to provide an answer from a number of possibilities.

- One mark is given for identifying one USP.
- Two marks are given for identifying two USPs.



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Differentiation by process USPs

Efficient process could be a way to differentiate a business. Excellent customer service and speed of service can ensure that customers continue purchasing from the business. Qatar Airways, for example, has a reputation for providing the best customer service in the airline industry. A company providing poor customer service – for example by making the refund process difficult, by having long shipping times, or by making customer service difficult to access – may find itself losing customers.

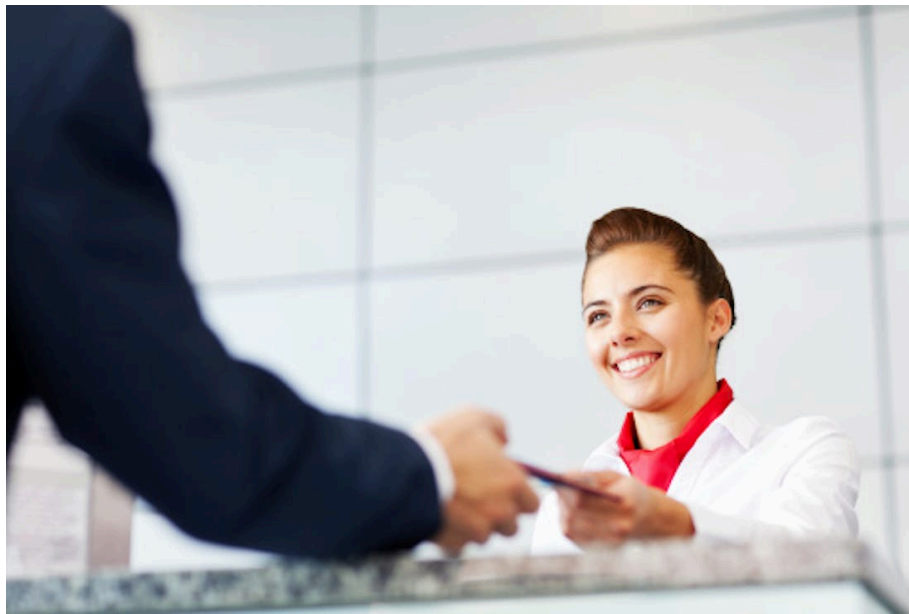


Figure 2. Good customer service ensures customers continue to purchase from a business.

Credit: Neustockimages, Getty Images



Activity

Learner profile: Thinkers

Approaches to learning: Thinking skills (transfer)

This section on differentiation has been written mainly with for-profit commercial enterprises in mind. However, it is important to remember that for-profit and non-profit social enterprises need to differentiate themselves too.

- Consider how a for-profit social enterprise might be able to differentiate itself from its for-profit commercial competition — or other for-profit social enterprises — offering the same products. Which of the Ps might be particularly important to focus on and how?



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- Consider how a non-profit social enterprise might be able to differentiate itself from other non-profits engaged in similar activities. Which of the Ps might be particularly important to focus on and how?

3 section questions ^

Question 1

A successful coffee shop has launched a TV and social media campaign showing celebrities drinking the brand's coffee. Which area of the marketing mix has likely led to the coffee shop's success?

1 Promotion



2 Product

3 Place

4 Price

Explanation

A TV and a social media campaign is part of the brand's promotional strategy. The other options focus on portions of the marketing mix that do not involve promotion.

Question 2

The leading pizza delivery company in Sydney is successful because it guarantees to deliver orders to customers within 30 minutes. On which area of the marketing mix is its USP based?

1 Process



2 Price

3 Product

4 People

Explanation

If customers are choosing a brand because of its delivery service, then process is the most important element of the marketing mix for that company.



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Question 3

Which area of the marketing mix may be the least stable as a basis for a unique selling point?

1 Price



2 People

3 Promotion

4 Product

Explanation

It is possible to build a marketing strategy based solely on being the cheapest brand. However, only one company in each market can do this and needs constantly to be updating the price based on the competitor pricing. In a competitive market, only the most efficient company, with the lowest costs, can achieve this. If a rival begins to undercut on price, the USP is quickly lost, leading to price-sensitive customers defecting from the brand.

4. Marketing / 4.2 Marketing planning

Terminology exercise

Section

Student... (0/0)



Feedback



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Check that you understand the terminology used in this subtopic by dragging the correct word into each space.

To create a _____ plan means to create a document that outlines the marketing process.

To _____ the product appropriately, it helps to _____ the market based on geographic, psychographic or demographic characteristics. Businesses need to be aware that a product to the incorrect segment would likely result in failure.

The large retail store H&M provides an example of a business selling _____ products, where there is little _____.

Custom made jewellery, on the other hand, could be an example of a _____, where products are highly differentiated and often offer a _____ point.

- targeting
- niche market
- segment
- marketing
- position
- mass market
- unique selling
- differentiation

✓ Check

Interactive 1. Terminology Exercise: Marketing Planning Essentials.

4. Marketing / 4.2 Marketing planning

Tool: Porter's Generic Strategies (HL)

Tool: Porter's generic strategies (HL) Tool: Porter's generic strategies (HL)

Section

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Feedback



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Competitive advantage

Most businesses face competition from other businesses that offer the same or similar products to consumers. If there is more competition in a particular market, it is more difficult for a business to earn profits. Consumers will have many choices among products, so that any one company will likely earn lower revenues and profits.



Student view



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Concept

Economic sustainability

Economic sustainability refers to the ability of a business to earn profits. Profits enable the business to continue operating because the profits can be used to make investments or adapt to the changing needs and wants of consumers.

Competition from other businesses offering the same products can result in lower profits for a business or can even lead to losses, which threaten the sustainability of the business. Sustaining business activity is important when businesses are providing for human needs, supporting the wellbeing of diverse stakeholders in the community and providing tax revenue to support public services and infrastructure.



Figure 1. Does your product stand out in a competitive market?

Credit: Richard Drury, Getty Images

In highly competitive markets, businesses will look for a competitive advantage over other businesses offering the same product. A competitive advantage is a condition in the business that enables it to offer better products, or products at lower production cost, than its rivals. If a business can offer better products, then consumers may choose those products over others offered by competing businesses. As a result, revenues and profits may rise. And if a business can produce the product with lower costs, then profits may also increase.



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Exam tip

For students taking IBDP Economics, it is important not to confuse the business concept of competitive advantage with the economics concept of comparative advantage.

Competitive advantage in the IBDP Business Management course refers to a situation where a business is able to offer better or lower-cost products in a market.

Comparative advantage in the IBDP Economics course refers to a situation where a country or economy is able to produce a product at a lower opportunity cost.

Strategies

Michael Porter, a professor and researcher of competition theory, developed a matrix of four general strategies to help businesses consider how to respond to their external competitive environment. Porter's Generic Strategies matrix (see **Figure 2**) considers two broad competitive strategies: lower cost or differentiation. Differentiation means that a business has made its product different or better than its rival's product. The matrix also considers whether a business is targeting a broad market of consumers or a narrow niche market.

The Generic Strategies mix can apply to both for-profit commercial and for-profit social enterprises. A description of each strategy is given below in **Figure 2**.

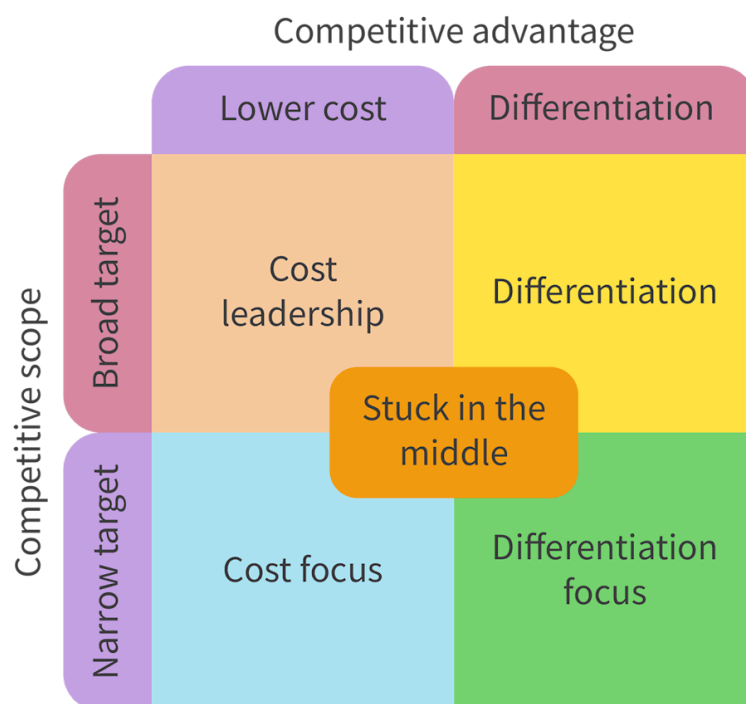


Figure 2. Porter's Generic Strategies.

Source: Adapted from Porter 1980, Competitive Strategy.



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More information for figure 2

The image is a diagram representing Porter's Generic Strategies model. It consists of a square divided into four quadrants, each representing a different strategy. The left side of the square is labeled "Lower cost" and the right side "Differentiation." The top is labeled "Broad target" and the bottom "Narrow target."

The quadrants are arranged as follows: - Top-left quadrant is labeled "Cost leadership," indicating a strategy focusing on offering products at the lowest cost across a broad market. - Top-right quadrant is labeled "Differentiation," indicating offering unique products targeting a broad market. - Bottom-left quadrant is labeled "Cost focus," indicating offering low-cost products aimed at niche markets. - Bottom-right quadrant is labeled "Differentiation focus," indicating offering unique products tailored to niche markets.

In the center, a label "Stuck in the middle" indicates businesses that have no clear strategic direction. This diagram visually represents strategic options based on cost and market focus differentiation.

[Generated by AI]

The cost leadership and differentiation strategies apply to businesses that are selling their products to a broad target market. A broad target market is a large group of people with different characteristics and preferences, likely in a wide geographical range.

Cost leadership

A cost leadership strategy means that the business becomes the low-cost producer in the industry. If the business is very large, it may reduce unit costs of production through various economies of scale ([Section 1.5.2 \(/study/app/business-hl/sid-351-cid-762729/book/internal-and-ext-economies-id-36534/\)](/study/app/business-hl/sid-351-cid-762729/book/internal-and-ext-economies-id-36534/)). The business may also reduce unit costs of production through specialised technologies or more efficient supply chains.

A cost leadership strategy is most suited to a market where the products are standardised and there is less opportunity to differentiate through product quality, branding or promotion. An example of a company that uses a cost leadership strategy is Bic which is best known for its inexpensive, robust pens and markers. However, the company also makes shavers and lighters. Its small range and economies of scale keep costs of production low as it serves a broad market.



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Figure 3. Cost leadership is an appropriate strategy for a business that produces products that are hard to differentiate.

Credit: Fabio Magni / EyeEm, Getty Images

Differentiation

A differentiation strategy means that a business is able to make its product better or different from competitors in the industry. The business will usually identify a special characteristic of the product – its unique selling point (USP) – and aim to make the product the best in the industry on that point. As you learned in Section 4.2.4 (</study/app/business-hl/sid-351-cid-762729/book/product-differentiation-and-usp-id-37447/>), products can have a unique selling point in any of the seven Ps: product, price, place, promotion, people, processes or physical evidence.

For example, you learned in Section 4.2.0 (</study/app/business-hl/sid-351-cid-762729/book/the-big-picture-id-37443/>) that the Colombian for-profit social enterprise Crepes and Waffles was able to differentiate itself in a broad market. Its food products found a gap in the market. Its hiring practices, which focused on women who are heads of households, meant that it had a unique selling point through its people. The business has grown over time and now has outlets in many countries.

If it is successful, the business should sell more products and could even charge a premium price, both of which will increase revenues. Profits may also increase, but only if the business keeps the production and promotion costs related to the differentiation under control.



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Figure 4. Differentiation allows a business to make its product better or different from competitors in an industry.

Credit: Peter Dazeley, Getty Images

The next two strategies focus on a smaller market segment called a niche market. A niche market is a small part of a larger market. In niche markets, customers have very specialised needs or wants that are different from the larger market.

Cost focus (niche market)

A cost focus strategy means that the business becomes the low-cost producer in a niche market. A business that is pursuing a cost focus strategy will usually be producing a product that is relatively basic, perhaps a lower-cost copy of a popular and higher-priced product. An example of this could be a career coach who offers low-cost online coaching and support services for people looking to enter a particular field. In-person career coaching can be quite expensive, but if a coach can develop a range of services at lower cost, the coach could also charge lower prices to customers.

Differentiation focus (niche market)

A differentiation focus strategy means that the business is producing a specialised, or differentiated, product for a niche market. The differentiation could be that the product is very high quality, that it is very exclusive or that it provides some kind of special characteristic that the niche market wants. A shoemaker who makes custom shoes for clients would be an example.



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A business must understand the needs and wants of the niche market very well for this strategy to work. The business should be able to charge premium prices to increase revenues and compensate for the small market size.



Figure 5. Differentiation focus means to offer a specialised product, such as very large shoes, to a niche market.

Credit: Holly Wilmeth, Getty Images

Stuck in the middle

A business is 'stuck in the middle' when it is not differentiated enough to convince consumers to buy its product. Also its costs of production, and likely its prices, are too high relative to those of competitors. These businesses are probably earning low profits or may be experiencing losses.

Businesses that are stuck in the middle need to change strategies. To increase profits, they need to either cut costs of production, or they need to work on differentiating themselves. They also need to determine whether they are focused on a broad or narrow market. Confusion about the scope of the market can also make marketing strategies unclear.



Activity

Learner profile: Knowledgeable

Approaches to learning: Thinking skills (transfer)



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Consider a business and a product with which you are familiar. This could be a widely known product from a multinational company, or it could be something produced locally. If you are attending a school that charges fees and faces competition, you could select that business.

- What strategy does the business seem to be using to compete with its rivals? Identify an appropriate strategy and use evidence from your experience and observations to support your ideas.
- If you think the business is 'stuck in the middle', what change in strategy may be best for the business to improve its profits and become more economically sustainable?

4. Marketing / 4.2 Marketing planning

Checklist

Section

Student... (0/0)



Feedback



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Assign

762729/book/checklist-id-37450/print/)



What you should know

By the end of this subtopic, you should be able to:

- define the following terms: (AO1)
 - marketing plan
 - segmentation
 - targeting
 - positioning
 - niche market
 - mass market
 - unique selling point
- explain the role of marketing planning (AO2)
- explain segmentation and targeting (AO2)
- explain positioning and construct position maps (AO2, AO4)
- distinguish between niche market and mass market (AO2)
- explain the importance of having a unique selling point/proposition (USP) (AO2)
- discuss and recommend how organisations can differentiate themselves and their products from competitors (AO3)
- apply Porter's Generic Strategies in a given context (HL only) (AO2)





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Reflection

Section

Student... (0/0)

 Feedback

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Assign

Teacher instructions

The goal of this section is to encourage students to pause at the end of the subtopic and to reflect on their learning. Students can use the questions provided below to guide their reflection. The questions encourage students to look at the bigger picture and to consider how the subtopic’s contents might have impacted the way they view the subject.

The following table shows you how each prompt aligns to the DP *Business management guide*:

Prompt #	Syllabus alignment
1	Concept: Ethics
2	Learner profile: Reflective
3	Learner profile: Open-minded

Students can submit their reflections to you by clicking on ‘Submit’. You will then see their answers in the ‘Insights’ part of the Kognity platform.

Reflection

In this subtopic you learned about marketing planning.

Take a moment to reflect on your learning so far. You can use the following questions to guide your reflection. If you click ‘Submit’, your answers will be shared with your teacher.



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1. Is segmentation in essence an unethical market practice, as different consumers receive different treatment?
2. After reading this subtopic, what insights do you have about how businesses position their products using USPs?
3. Mass markets sometime have a poor reputation. Can you think of examples that overturn this thinking?

⚠ Once you submit your response, you won't be able to edit it.

0/2000

Submit

Rate subtopic 4.2 Marketing planning

Help us improve the content and user experience.



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