

Niche marketing assignment

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Definition Niche market is the subset of the market on which a specific product is focused. The market niche defines the product features aimed at satisfying specific market needs, as well as the price range, production quality and the demographics that is intended to impact. It is also a small market segment Niche marketing is a portion of market that you have identified as having some special characteristic and that is worth marketing for. On the other words, niche marketing is to concentrate all marketing efforts on a small but specific and profitable defined segment of the market.

While niche markets are focus, they are not necessary small. Many niche brands already represent several million dollars in annual sales. Capturing a portion of the market for a product or service that appeals to only 11% of the U. S. Population can be huge. As a strategy, niche marketing is aimed at being a big fish in a small pond instead of being a small fish in a big pond. Within each general product category there are commonly several consumer groups that could be better served with more specialized products.

Major brands often create brand extensions to serve these niches. For example, in term of Coca-Cola Company, the Coca-Cola Classic is most popular one but the brand serves those with special dietary or taste preferences with such beverages as Caffeine Free Diet Coke, Cherry Coke, Coke Zero, Diet Coke with Lime, Diet Black Cherry Vanilla Coke, Caffeine Free Coke Classic, Black Cherry Vanilla Coke, Diet Coke with Splenda, Coke CA, Coke Blab, Vanilla Coke, Diet Vanilla Coke, and Diet Coke with Lemon. Similarly, niche products appear around our life in many aspects.

For example, for food buyer aspect, organic food is the example of niche reduces because they are more expensive, but better quality and better for environment. From here, there are many people misunderstand that ' All expensive products are niche'. They are wrong about this, because the price of an item depends on many factors like materials, technology applied or versatility of the items. In economics, price is calculated by total of fixed cost and variable cost. Fixed costs are costs that are independent of output.

These remain constant throughout the relevant range and are usually considered sunk for the relevant range (not relevant to output decisions). Fixed costs often include rent, buildings, machinery, etc. Variable costs are costs that vary with output. Generally variable costs increase at a constant rate relative to labor and capital. Variable costs may include wages, utilities, materials used in production, etc. Thus, we should say ' All niche products are expensive' because those products are specialized and very unique. Depending how unique the product, the price change differently.

The more unique product is, the more money customers have to spend. However, products' quality must be secure in order to avoid some companies try to sell different type and also different use. To sum up, because niche products are fulfilling a particular specialist demand, we find that demand tends to be more price inelastic. This enables a firm selling niche products to generate a higher mark-up and profit margin – this can compensate for the lower volume. Like marketing segments, Niche markets consist of groups of consumers within the larger marketplace who have similar demographic, buying behavior, and/ or lifestyle characteristics.

For example, food buyers prioritize quality assurances and source of production, and consumers who seek an easy preparation entered available in convenient form. Even consumers with the same buying behavior may have differing motivations (which are essential elements to know for marketing and promotion). For example, organic consumers used to be identified by their concern for their environment, but now there are entirely different segments of consumers who buy organics because they perceive those foods as having higher nutritional benefits.

Understanding target consumer segments is a crucial factor in determining whether an operation has the resources, interests, and business elements necessary to meet the needs of prospective customers. 2. Condition for an Ideal Niche Market. The first condition for a niche market is ideal is if the market is large enough to be profitable for businesses. The fact that the niche market's size is too small to offset the cost to the business. In this case the "exploring" a niche market have no meaning for business anymore.

Secondly, niche markets have to grow potentially. Once businesses have chosen a niche market, the growth of niche markets synonymous with the growth of the company. In fact if holding a niche businesses can not afford to expand business will bring a lot of risks, no assurance market segment that will not shrink. The third reason is niche market is not ideal anymore to exist due to too many competitors. Even though the opponent is not too strong a threat to enterprises – pie will become less tasty if it is divided for too many people.

Once you have identified a niche market to satisfy all three conditions, then on the 4th reason, it now needs to do is to determine their ability to meet that segment or not. If the potential of the small businesses that require large customer, the exploit that niche will become meaningless. The last thing. Whether the company has the ability to protect themselves against the attacks of the main competitors or not? This is an important factor to ensure the company can stand on its niche market find. Want to survive long enough to force the company to the resiliency and preparedness against all competitors.

To be successful in niche market strategy, businesses must clearly identify niches which satisfy these conditions or not. Knowing their abilities as well as the difficulties of the external factors will help enterprises more comprehensive look at before deciding on any investment strategy 3.

Advantages of the growth of niche markets a. More choice for consumers. In many products, such as clothes, food, drink – choice s as important as factors like price. Economists may place great stress on price. But, if price was the only factor, we would all shop at Primary and other general stores.

A more important feature is the ability to choose so the strongest about this perhaps is in terms of food and drink. For example, McDonald's or Struck besides formulaic and popular signature dishes like Cheese Burger or Cappuccino, people will appreciate the ability to order Bigamy or Production. B. Quality. An attraction of multinational brands is that they can guarantee to customers a certain minimum standard of service. If you go to any country a well known brand gives a guarantee of certain standards.

However, many believe that this multinational scale prevents the product from being very high quality – or there is a lack of a personalized, individual service. This is where niche companies can improve on more generic brands – they can offer improvements based on region, personalization and greater individuality. C. Competitive pressures on brand names. Many brand names can develop monopoly power through their extensive brand loyalty. This can lead to the abuses of monopoly power, such as higher prices and less incentives. The growth of niche companies is an additional competitive pressure on the big multinationals.

It can force them to think about better individualized service and be more responsive to particular niche needs. Often big multinationals can end up doing niche products better than initial small firms. E. G. They can use their economies of scale to offer more sizes and choice of options. D. Greater specialization within consumer product industries. One thing that may happen is we get a greater number of sub-markets. Previously we had a fast food industry dominated by the like of McDonald's, Burger King – now there is much greater choice with sub-sections like healthy eating fast food, vegetarian fast food.

Local product fast food. E. Labor markets. Niche products offer more opportunities for entrepreneurs who wish to run their own business and not just work for a large multinational. This may lead to increased labor productivity as people feel more connected working for a niche which they feel a greater attraction to. 4. Disadvantage of Niche Companies a. Lack of economies of scale. Niche companies will not have the same economies of

scale, and so it could lead to higher prices for consumers. In some industries like coffee, this may not matter too much.

Many consumers may prefer the higher prices, if quality is better. But, other consumers may end up paying higher prices they don't particularly want to.

B. Quality may suffer. Big brand names are successful because they have concentrated on an efficient way of delivering a desired product, Smaller niche firms may be more inefficient and not as good quality. However, if they are not as good quality, it is hard to see how they would be able to break the stranglehold of bigger brand names. With a niche product you have to be good or you won't be able to establish a market. II. Niche vs. Mass Market. 1 .

Concept and differentiation. According to Kettle, " Niche marketing involves targeting a specialist area of the market. Mass marketing is typified by a product or production-oriented business which uses shotgun marketing tactics rather than more precise targeted activities (Kettle et al. , 1999)" In marketing, there is a product continuum from " niche" to " mass market. " If you have a large market share selling niche products, you likely realize good margins and have a viable business model. Your volume of sales is probably less than a mass market reseller, who likely sells more products in higher quantities.

But your gross margins are likely higher. The mass market reseller has a much larger target market. The drawback to the mass market segment is that gross margins tend to be very slim. Nonetheless, mass market retailers with a high market share also have a very viable business model. The companies that typically struggle to fall somewhere in the middle. They end

up in feature and price competition with mass market resellers. At the height of a product lifecycle, when the demand is highest, all retailers –?? niche and mass market –?? promote the same item.

You see this every day on Amazon, where the price competition is intense. There are many price changes done on Amazon. Com every hour by thousands of vendors on mass market items. Retailers of niche products tend to target a smaller market segment and frequently offer features that are not found in a mass market product. They tend to be higher priced, sold in more limited distribution, and branded. Niche products lend themselves to specialized stores that understand their customers and are able to develop loyalty to their store brands. III. Mission of entrepreneur when entering niche marketing.