

4.12: Differentiated, Mass, and Concentrated Marketing Strategies

Learning Objectives

- Explain why a retailer would select a differentiated marketing strategy over a mass or concentrated one

At its most basic level, a firm's strategy begins with decisions around how it will compete in the marketplace. Will it compete with products that are differentiated from the rest of the competition, leveraging technology to innovate in ways that provide additional value for consumers? Or, will it compete on price, optimizing its supply chain and operations to eliminate costs, so that it can offer the lowest landed cost possible for customers? Will it produce items with broad appeal, playing in the mass market? Or, will it target smaller, niche markets where sales are concentrated among a smaller number of consumers.

These strategic decisions—differentiated versus low cost and mass versus niche—have a tremendous impact upon how the firm will ultimately manage the marketing mix (4P's- product, place, price and promotion). Obviously, product will be directly influenced by decisions to differentiate, as this requires firms to dedicate resources to support product innovation through research & development. Similarly, niche items may require unique product development to suit consumer needs.

Place is also influenced by these strategic decisions. Differentiated products may be so innovative that they merit their own channels of distribution. Alternatively, niche items might be so unique that they struggle to secure distribution or hold onto it, given slow or lower turns, relative to other items on the shelf. This is an issue that won't be experienced by items with mass appeal.

Price is also affected by decision about differentiation. Certainly, if a firm selects to compete as a low cost provider, it's self-evident that they'll have less pricing flexibility than differentiated competitors. However, it is also worth noting that firms with differentiated products may be able to demand higher prices, especially if their innovation is especially valued by consumers. The same is true for products in the niche market. Consumers may be willing to absorb higher prices for getting products that are uniquely suited to their specific needs. Think about Kombucha Teas, which have probiotics and associated health benefits. Though niche, these demand higher premiums than typical tea products.

Promotion is the final factor affected by these basic strategic decisions. Of course, low cost items will not likely merit promotion, discounts having already been embedded in the low price. But, highly differentiated products may not be promoted significantly either. True, some firms might promote them to encourage initial placement or trial. But, if the item is uniquely different from other items in the competitive set, there is little reason to discount the product to capture share. The merits of the item should be sufficient. A similar logic applies to niche items. Again, because these suit unique consumer needs, they may not merit promotion or discounting.

Practice Questions

<https://assessments.lumenlearning.co...essments/9177>

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