

Introduction:

Dial-a-mattress cooperation is one of the leading telemarketing companies in the United States of America. They primarily deal with beds, box springs, mattresses and some house hold furniture's. Their primary channel of marketing is done through direct marketing. This company was founded by Napoleon Barragan in 1976. In 1988 the company bought an 1800 toll free number. This was the beginning of a new business concept. Primarily printed advertisements were placed in news papers. Later inexpensively produced television commercials were telecasted in the late night slots. Sales began to soar as the television commercial was moved around different time slots on the cable stations.

In 1994 the sales rose to an estimated 65 million which was up from 41 million in 1993. Dial-a-mattress Company covers distribution through out United States of America. The company primarily deals in products like Sealy, Simmons, Serta, Tempur-pedic, King Koil and Nation's Pride. The company claims to provide all these top brands at a 60% lower price than the retail prices. The only thing the customer has to do is dial the toll-free number and place the order and specify the time of delivery. The requested mattress would be delivered to their doorstep within the time frame mentioned by them.

Their main channel of advertising is through television and radio. They spend 10% of the gross revenue on advertising. 80% of the advertising is done through the television which is the primary source of direct marketing. The company provides their customers with a value for money pricing which is 60% cheaper than the retail price. This is made possible because of their reduced cost in show rooms establishments and precise direct marketing.

Q.1. Describe the consumer markets, and identify the types of segments the company is targeting?

Ans. The market segment is defined as *“the process of dividing a market into distinct subsets of consumers with common need or characteristics and selecting one or more segments to target with a distinct marketing mix.”*(Schiffman et al, 2001,p.54). this is mainly done to allow marketers to target distinct groups of consumers with the appropriate product or service. The major classification of the market segment are based on the following.

1. Geographic segmentation: based on regions, states, cities, suburbs etc.
2. Demographic segmentation: based on age, sex, race, income, occupation, education, household status etc.
3. Psychological segmentation: based on personality, needs, motivations, perceptions, learning involvement and attitude of an individual.
4. socio-cultural segmentation: based on the social and cultural back ground of an individual.**(study guide, marketing management, p.3-5).**

In reality segmentation involves a combination of these methods and many more.

Dial-a-mattress targets a broad audience of buyers. According to the statistics, in 1994 the company targeted women aged between 25-44 years of age with an annual income over 40,000 dollars. This is due to most mattress buyers were women. This particular age group was the target because they had growing families. The annual income of 40,000 dollars or more plays a big role as the average price of sale per day is 450 dollars. targeting customers below this income level will result in poor sales as the target customers would not have sufficient funds to purchase these mattress or products.

The biggest threat to dial-a-mattress Company is to compete with its copy cat competitors. To stay a head in the race the company has sorted other means of distribution and communication channels. The company entered cyber space by launching two websites through CompuServe and Bloomberg. In the first month of launching the website 104 people purchased beds online with an average cost

of 557 dollars which was higher than the 450 dollars through television stations. After entering the cyber space the company realized that they are now looking at a totally different target customer as the majority of the buyers were males with an annual income of 150,000 dollars. This was now a new data base when compared to their existing data base. This was due to men use computers more than women. As a result of this the consumers all over the United States were targeted. Company also established franchises and warehouses all over the country so they could deliver almost everywhere in the country.

After analyzing the web site it is clear that the company is targeting 'shop goers' who likes to see and feel their product before buying it by introducing show rooms. The selling strategy is to get the customer to visit the show room and then place the order online. This has attracted the people who like to see their product before buying it and also built the confidence of the company in the market.

Q.2. What are the direct marketing advantages for this company by having a web presence?

Ans. Direct marketing is a part of marketing. Direct marketing has evolved due to the demassification of mass markets, resulting in an ever greater number of fragmented market segments with specialized needs and wants.(study guide, selling and direct marketing, p.8-3). It is an interactive way of marketing where a company directly reaches its target audience. Direct marketing uses one or more different channels to advertise their products, services or goods. This type of marketing helps in understanding and gathering data of the responses and analyse them. A response can be in the form of a purchase or order, inquiry and a visit to the show room. All these help in developing data base which is very precious. Respondent can do the following by seeing an advertisement on a direct mailer, television, radio, print or any electronic media. One of the most important electronic media is currently the internet. Research shows a substantial amount of people are purchasing online. It is one of the most cost effective and reachable sources of advertising channel. . All of the information necessary for the prospective buyer to make a decision to purchase and complete the transaction

are provided in the advertisement. The purpose of direct marketing is to produce customers who spend substantially more money with your business than spending more to acquire them (**www.marketingprinciples.com**).

According to the case study the company uses 10% of its sales revenue on advertising. Out of which 80% on direct response television, 15% on direct response radio and 5% on direct mailer as direct marketing channel. Dial-a-mattress started online marketing through contracts with CompuServe and Bloomberg. Using the Internet enables a company to make its organisation more efficient and identify new source of business with an edge over the competition. Yet, while the payoff is evident, many organisations face real problems with the transition to a new technology. (www.ltt.de). The case study clearly indicates the new advantages dial-a-mattress company achieved by launching itself on the internet. A new market segmentation was added to its data base which was men with higher annual income (98% male with annual income 150000). The other advantage is clearly shown by the increase in price of average order size from \$450 to \$557 and the cost per lead ranged from \$2.6 to \$5.75 which is competitive with TV advertising. It is very clear internet users are increasing every second. It is very important to reach these people through their preferred channel which is the cyberspace. By doing so we can target different segments in the market and capture more market share.

Through the internet consumers could get more information not only about the product but also about the company which is not possible through any other marketing channels. This creates confidence among the buyers and builds a state of loyalty. Another important feature of going online is that it is very cost effective. It is much cheaper than making television advertisements and relaying

them indifferent time slots. It also allows the buyer or the consumer to take his or her time in understanding the product and specification which is available online unlike a television ad which passes in a flash. Credit card payments are tied up with reliable and secure companies which ensure safe trading online. This will allow people to feel safe making payments online. Overall, the company had a lot of advantages by going online.

Q.3. In what ways would this company's direct marketing strategy need to be altered if it decided to change its media approach?

Ans. Direct marketing is an interactive system. There is a two way communication between the marketers and the prospective customers.(study guide, selling and direct marketing). According to Pearson “ direct marketing is an integrated system of marketing that uses one or more advertising media to effect a measurable response and / or transaction at any location, with this activity stored on a database”.(Pearson 1996,p.17). a few of the advantages of direct marketing are as follows:

1. communicates directly to the target customer or prospect.
2. can personalize communication between the customer and the company, ie by name or variable messages.
3. promotional programs are relatively invisible when compared with general marketing.
4. specific actions are requested by the target audience. Eg purchase, inquiry.
5. most important is that a comprehensive database of the target audience drive the marketing programs.
6. this form of marketing is measurable hence highly controllable.

Dial-a-mattress Company follows direct marketing of their products. Statistics show that 80% of their advertisements are done through direct television

marketing, 15% direct response radio and 5% direct mailers. Direct response broadcasting includes television and radio being used by direct marketers to sell their products or services. The main advantage of advertising on the television is the immediate response. The advantage of radio advertising was that it was cheaper in cost and successful in reaching consumers. Listeners developed strong loyalty towards particular programs and radio personalities. One of the major successes for the company by using radio advertising has been the launch in Chicago after a successful launch in New York city. In this Part of the country television advertising did not create an impact on the consumers and they were skeptical in ordering mattresses over the phone. As there was no credibility for the company in Chicago, famous radio personalities were used to introduce the company's name and products. This was a good marketing effort which brought good fortune for the company. The other channel used for direct marketing is through Direct mail, in which promotional materials are sent to the target consumers through regular postal service. This allows the marketers to send their message across to a specific group of consumers and persuade the reader to respond either by an enquiry or a purchase or by visiting a show room near them this response will allow the marketers to measure and control their marketing approach. (Study Guide, selling and direct marketing, pg. 9-4).

To ensure success in the future the company must venture in to other channels of direct marketing. The internet has become one of the most popular sources of media. Millions of people use the net for gathering information, communication, purchases and selling. It is a convenient way to shop and sell in regards to sales and marketing. It is less cost effective compared to other media. Dial-a-mattress Company was largely dependent on the television advertisements as they could reach a large audience and their product could be displayed visually. But that had time constrain as the advertisement was for a limited time and each advertisement had a life span. This meant that new advertisements had to be made which was expensive. Another disadvantage was that discount coupons and order cards could not be printed and used later by the customer. the internet

could improve these problems. More specific data can be given to the target audience about the product as well as the company hence building a level of confidence among their customers. coupons and order cards can be printed and used later.

By launching it self in to cyber space marketing the company has already found a new market segment. The internet can provide a unlimited access to marketers. The no of internet users are increasing every day. E- commerce is very cost effective when compared to traditional form of direct marketing. It is cheaper to maintain and a valuable source of database can be obtained. Database of market segment is very important as it allows marketers to directly communicate with their target audience. With respect to expense incurred per transaction, the internet has the lowest cost. It is also very effective in marketer's consumer's communication as it allows e mail correspondence or a direct purchase online. Any company that can serve its customers for less usually gains customers and market share away from its competitors. This fact was readily adopted by Dial-a-mattress and this helped a lot in building brand loyalty and generating profits with a much lower investment. At present the company uses direct response television, direct response radio, direct mailers and internet marketing. These are coupled with in bound telemarketing. By moving into internet marketing the company has to build a reliable relationship with credit card payment companies ensuring safe transaction online, by building up the company's reputation and confidence as it enters in to new technology and by analysing and catering for new and different market segment. To ensure success the company should continue with this strategy until further change in the external environment takes place.

Q.4.examine the site given at the URL above, and explain what selling mechanisms exist to ensure that people visit the site.

Ans. The given URL was carefully examined and studied. The selling mechanisms used in these URLs were examined. One of the selling mechanisms used to promote this site was by providing online discount coupons. These

discount coupons are not available for other customers who want to buy products by placing a telephone order. These special discount coupons are introduced to attract customers and to encourage people to use the internet to place orders or make an enquiry. This in return will reduce cost for the company as it can cut down its expenses in telemarketing work force. The overall appearance of the website is very user friendly and informative. Details about the products and their specifications are clearly mentioned. The step by step procedure to buy online is clearly mentioned. It also provides information of certified bedding consultants to help independent enquires regarding bedding problems. The choice of colour for the web site is very claming and impressive.

One of the more technical aspects of the URL is that it has incorporated meta-tags. This means than when a person is looking or searching for a product online to purchase or to get information through a search engine, dial-a-mattress shows up on the search list. Research shows that dial-a-mattress is listed first on the Lycos search and second in the yahoo and google search engines respectively. The website design also has a key word or key phrase recognition concept incorporated in it. The company also has four different domain names for the same website in order to divert customers searching for mattress to their website. The four domain names are www.mattress.com, www.dial-a-mattress.com, www.dialamattress.com and www.dialamattress.net. This is one of the most important selling mechanisms that the company is using to attracting people to their web-site.

Conclusion:

Research has clearly shown that Dial-a-mattress is one of the leading companies in the bedding products sales in the United States of America. One of the most important features of this company is that it focuses more on service to its customers rather than any other organisation in that industry. It was one of the pioneers in direct marketing through direct response television, direct response radio and direct mailers during the 90's.

To keep up with its competitors and technology, dial-a-mattress went online in 1994. It proved to be quite a success initially. Before venturing in to the internet marketing the company was targeting a market segment consisting of women between the age group of 25-44 and who had an annual income of \$ 40,000 and more. When the company went online it found a new market segment which consisted of males with an average annual income of 150,000. This led to direct increase in the company's average cost per unit and increased the company's sales. The presence of the company online also strengthened the company's confidence and loyalty among its customers. Going online has proven to be cost effective and convenient. The company has offered discount coupons for online buyers and created a user friendly web page to attract customers. It also has linked its domain with major search engines in order to attract customers and establish its presence among the major online competitors. Going online will ensure the company to be successful among its competitors.