

## QUESTION ONE: PROPOSED SOLUTION

### Direct Marketing vs. Mass Marketing

- A good starting point may be to define the two terms given so that the examiner realizes you know what you're talking about!

Eg. Direct Marketing is the use of consumer-direct channels to reach and deliver goods and services to customers without using marketing middlemen. Examples include direct mail (junk mail), catalogs, websites etc. Mass Marketing, on the other hand, is where the seller engages in the mass production, mass distribution and mass promotion of one product for all buyers.

NOTE: Be careful not to confuse direct marketing with micro marketing...they are not the same! Direct marketing refers to the channels used, while micro marketing refers to various types of segments.

- The first part of the question requires you to discuss the pros and cons of using these two types of marketing. Remember you need to apply the pros and cons to CellUSave even though little information regarding the company is given – use what you have.

Eg. Should CellUSave wish to use direct marketing it should take into account the following pro's and con's. Direct marketing is one of the *fastest growing ways* to serve customers as it allows companies such as CellUSave to obtain a *measurable response* as a result of their media channels used. This would be very useful and enable CellUSave to build *long-term relationships* with its customers through the use of award programs and various personalized items. CellUSave may find it difficult to break into the market, as there are already three existing cellular service providers, thus building long term relationships (CRM) with customers is important. The *Internet* is a valuable tool to reach consumers as it allows for home shopping, saves time, and can provide customers with extra benefits (similar to current service

providers). CellUSave would thus be able to *accurately target* chosen segments of the population. However, direct marketing also has its disadvantages.

CellUSave must realize that direct marketing can be *irritating* – junk mail, phone calls at night etc. It can also be seen as *unfair* as it takes advantage of less sophisticated buyers by claiming price reductions and special offers. In addition, CellUSave must prevent *deception and fraud*, another problem with direct marketing, so that they don't mislead their customers by exaggerating product size, performance or price. Another problem is that some customers may see direct marketing as an *invasion of privacy* – personal information being added to the company database, which can be used unfairly or even sold to other companies.

Should CellUSave wish to use mass marketing, the following should be noted. Mass marketing would allow CellUSave to create the *largest potential market* thus *lowering costs*, which enables them to charge *lower prices*, or enjoy *high profit* margins. However, lots of people already make use of service providers and thus by using mass marketing, a lot of it is falling on deaf ears. Only people who are unhappy with their current service providers may take note, but using mass marketing makes it impossible to identify such individuals. Therefore, greater segmentation of the market makes mass marketing very difficult and similarly the *increase in* the number of *advertising media* and *distribution channels* makes it difficult and expensive to reach a mass audience.

- The second part of the question requires you to state which promotional tools are most likely to be effective, should a mass marketing approach be adopted. Describe and debate.

There are five above-the-line promotional tools, which could be used:

TV, Radio, Print (e.g. newspapers, magazines, yellow pages), Outdoor (e.g. billboards) and Cinema.

The pro's and con's of each can be found in the textbook, however you must argue which ones you would choose and why, considering the situation CellUSave finds itself in (i.e. competing with Vodacom, MTN and CellC).