

Direct marketing business model assignment

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In rolling back from department store outlets and relying on catalog and online shopping, Littlewoods is adopting a different strategy from other leading online and direct mail-order companies, such as Lands' End. Discuss the advantages and disadvantages of Littlewoods' approach. Both Littlewoods and Lands' End have a similar business model i. e. they are both direct marketing by mail-order retailers with the internet as an added distribution channel. However, Lands' End is a click-and-mortar retailer in that they provide both a physical retail presence and have an online transactional capability aswell.

Littlewoods decided to sell off all their high street stores in 2005 and rely solely on catalog and online shopping without maintaining a physical retail presence. The advantages of Littlewoods' approach are: Higher profits due to lower overhead costs (e. g. paying for a physical store and staff) and more streamlined processes; General e-tailers, such as Littlewoods sell a vast range of goods online, they can capitalize on the internet to offer such variety to a diverse group of customers geographically without the need to maintain a large physical retail (storefront) network;

Easier to expand server capacity and distribution facilities than a physical expansion; Supply chain costs are lower; Rapid ability to change and adapt to market trends and demands; and Price changing and price discrimination is inexpensive and can be done at any time. The disadvantages of Littlewoods' approach are: Lack of established infrastructure (or back office) to support the online front-office activities; Customer relations are less stable due to anonymous contacts and less tolerance for disputes due to invisibility;

Customers shift loyalty easier therefore more resources are needed to create customer loyalty; Customers cannot touch, feel or try on an item like in a physical store; and Competition is moreso on a global level rather than a local level. If Littlewoods is to remain a successful catalog and online retailer, what factors do you believe will be essential to its success? What will Littlewoods have to do to survive and prosper in this competitive market space? As the number of online shoppers reaches saturation, the rate of increase will begin to slow down.

Successful e-tailers will be those who are able to increase the spending of existing customers rather than focusing solely on attracting new customers (Jupitermedia, 2006). Innovative marketing strategies and a deep understanding of online consumer behavior (buying behavior, marketing research & advertising) and preferences will be required for sustained success in a competitive online environment. Understanding customer behavior and preferences will help Littlewoods achieve better convergence between technological capability and customer desires.

Appropriate infrastructure which is both stable and scalable is also an important factor for sustained success. Littlewoods could enhance its business model by expanding its product selection, improving the customer experience, and adding services and alliances. The need and opportunity to integrate offerings across all channels and to seek incentives for cross-channel sales will be an important development far into the future (Mulpuru, 2006). They should also continue to recognize importance of order fulfillment and warehousing. Another trend that should be considered in B2C is the use of rich media online.

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For example, virtual reality is used in an online mall (Lepouras & Vassilakis, 2006). Adobe, with its Scene7 product (scene7.com), is a leading vendor in this area. Finally, the use of cell phones to shop online is increasing rapidly. For example, in Japan about 25 percent of all B2C is done from cell phones. Long-run success requires financial viability so each marginal sale should lead to a marginal profit. Sound business thinking and visionary leadership are also vital to continued success. References Lee, J. , Liang, T-P. & Turban, D. (2010) Electronic Commerce 2010: a managerial perspective. Upper Saddle River: Prentice Hall.