Case study: a strategic analysis of amazon.com in 1997

Case Study: A Strategic Analysis of Amazon.

com in 1997 Amazon has grown admirably from its initial beginnings as a small online bookseller to a giant superstore company. During this process of rapid growth, it has incurred significant losses and it becomes more expose to a greater competition and threats. Cutting costs and achieving profitability remain Amazon’s greatest challenges. However, there are key factors such as a strong brand, providing customers with outstanding value and a superior shopping experience, massive sales volume and realizing economies of scale which contribute a lot to the success of this company. Amazon took advantage of the growing market by capitalizing on a concept covered in the book by Kim Warren, entitled Competitive Strategy Dynamics, rivalry. Amazon used various tactics covered in Warren’s version of rivalry.

Amazon began during the dotcom boom initially selling just books, but slowly expanding to more items. This demonstrates how they began to capture new customers, especially in growing markets. Not many companies offered purchasing services online so Amazon seized the opportunity and capitalized on it. This leads into the second type of rivalry stated in Competitive Strategy Dynamics, stealing customers from competitors, especially in mature markets. Amazon started doing that with the book market then slowly ventured into other markets. For example, CDNow.

com was the CD purchasing website that was doing well, but perhaps not doing as well as they could. Amazon saw this and began a simpler and more convenient way to but CDs online and eventually bought out CDnow. com, becoming the premier site to buy CDs. Founded as Cadabra.

com by Jeff Bezos in 1994, Amazon. com was launched in 1995. It is an American electronic commerce company based in Seattle, Washington (Wikipedia 2006). It is one of the first major companies to sell goods over the Internet and one of the most recognized and respected online businesses. It has become the number one online retailer by steadily building its reputation and brand, beginning its operation in July of 1995 (cited in Haddad & Sheth 2001).

Moreover, it has expanded from its existing business of selling books to selling a wide variety of products such as DVDs, music CDs, computer software, video games, electronics, apparel, furniture, food and more (Wikipedia 2006). Similarly, Amazon aside from its domestically shared market also set up four other separate online stores in the United Kingdom, Germany, France and Japan, thus shipping globally on selected products (cited in Haddad & Sheth 2001). With its rapid growth and continuing expansion, Amazon. com has begun selling MP3s and has even expanded into movie production and is currently funding a film. Along with the new products and services being offered, Amazon has setup separate sites for Canada and China.

Overview of the Online IndustryThe population of the Internet and World Wide Web has raised fast since 1990s with the development and advancement of computer technologies. Many firms have launched their business through the Internet because of this technology innovation. This resulted in various and widely sales of products in the Internet business. Online buying grows at an amazing rate. Therefore, companies that carry out Internet based business have great opportunities to succeed. Conversely, there is a greater competition and threats are all around considering that many companies had entered the online business (cited in University of Texas at Dallas.

om n. d.). Corporate Partnerships Amazon now host many websites as well as power them. Some of the sites include Borders, Waldenbooks, Virgin Megastores, CDNOW, and HMV.

Amazon. com currently powers and operates retail web sites for Target, Mothercare, Lacoste the NBA, Sears Canada, Sears UK, Benefit Cosmetics, Bebe Stores, Timex Corporation, Marks & Spencer and Bombay Company (Wikipedia 2008). Amazon. com vs. Other Online Bookstores Book retailing is one of the flourishing industries. Barriers to entry into this industry are quite high and suppliers have modest influence over booksellers.

The introduction of the internet has brought about many changes to this industry because it has increased rivalry, buyer power and substitutes (American Booksellers Association 2002). The largest market for books is the United States. Before, book publishing is still fragment, thus high percentage of publisher’s sales occurs through the wholesalers. However, with the emergence of superstores like Barnes & Noble and Borders. com which are directly supplied with more than 95 percent of books from the publishers such percentage decreased (American Booksellers Association 2002).

Since these stores can reduce intermediates like wholesalers, they can sell their products at a discounted price. Because of this strategy, their sales growth rate raised to 71 percent compare to 4 percent sales of non-superstores. In addition, according to their self-report, they are growing almost 25 to 35 percent a month. Many independent stores have gone out of business because of this happening. Such scenarios are the threat to the success of Amazon. com (American Booksellers Association 2002).

to stay relevant and convenient in order to stay competitive in the market.