

Business it



Amazon. com Amazon. com is an online retailer cum internet auction portal. It initially began as an online bookstore but has since expanded into selling diverse products through its e-market space. Using Porter's five competitive forces, this online retail industry is characterized by intense rivalry among existing competitors, high threat of substitute products or services, low barriers to entry, powerful buyers and powerful suppliers. This unfavorable industry structure is a direct result of the influence of the Internet as a key infrastructure. For starters, the Internet reduces barriers to entry by eliminating the need for a sales force, access to channels and physical assets (Porter, " Strategy and the Internet" 67). This lowered entry barriers has led a flood of new entrant to enter into this online industry (the latest high profile entrant being Groupon. com). Secondly, the Internet widens the geographic market which implies a wider market but also, considering the low barriers to entry it means more competitors to contend with. With many competitors and the disintermediary effect of the Internet, bargaining power shifts to both buyers and suppliers. Nevertheless, Amazon. com has been able to propel itself to market leadership through the development and adherence to a strong strategic positioning. This is manifested through its customer value proposition, distinctive value chain and continuity of direction. Amazon. com has relentlessly focused on providing its customers a strong value proposition that is characterized by convenience, low prices and an extensive selection of merchandise. This competitive advantage has been achieved through heavy investment in information technology (IT) and a distinct value chain. Amazon's IT has empowered it to support its " Culture of Metrics" which has enabled it to profile its consumers and thus customize their pages and offer suggestions on what to purchase when they go back

online via Amazon's web portal. The firm has also been able to leverage on its robust IT infrastructure to constantly test and evolve its features thus making it increasingly difficult for competitors to catch up. With regards to its value chain we discover Amazon.com making strategic acquisitions and partnerships with key suppliers to facilitate product promotion and distribution in different sectors. For example Amazon's Syndicated Stores program allows other retailers – such as Toys R Us in the US and Waterstones in the UK – to use Amazon's platform to sell their products online. The firm has similar arrangements with merchants via its Merchants@ program and with smaller companies via Amazon's affiliates program. This expansion of services and aggregation of buyers and sellers has enabled Amazon to create a strong value web that has countered the bargaining power of both its buyers and suppliers. Amazon has not stopped there, it has continued to invest heavily in technology development and is currently among the few providers of cloud computing services via its Electronic Cloud Computing (EC2) platform. With cloud computing being touted as the next big thing in distributed computing, Amazon will be able to leverage on this technology to retain, if not to increase, its market leadership. In Porter, "Five Forces that Shape Strategy" (3) we are informed that for a company such as Amazon to enhance its long-term profits it needs to either position itself where the five forces are weakest, or exploit changes in forces or reshape the forces in its favor. Through the Amazon EC2 initiative we see Amazon trying to reshape the forces in its favor. As a cloud computing provider Amazon could be able to standardize specification for Internet applications which could neutralize supplier power. Additionally, by selling its cloud computing capacity, Amazon will have expanded their service offering which

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counters buyer power. Works Cited Porter, Michael E. "Five Forces that Shape Strategy." Harvard Business Review 2008: n. pag. Print. ---. "Strategy and the Internet." Harvard Business Review Mar. 2001: 63 - 78. Print.