

Diversification strategy of amazon com marketing essay



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Amazon. com was started as a book-selling website and with the success of it Jeff diversified into certain areas. Now they are selling mobile phones, motor spare parts, electric goods, medicines, cosmetics and cloths etc. The most commonly used model for analysing the possible strategic directions, which an organisation can follow is the Ansoff Matrix. This model gives a clear idea about the diversification strategies of the amazon dot com.

Under market penetration companies increase market share in existing markets utilizing existing products. Amazon has adopted number of strategies on market penetration, where it takes time to discuss all. The important strategy according to my perspective under market penetration is “ Offer to send gifts to promote products during special occasions”. This is where amazon can extremely increase its existing market. Say for example if a person purchase a high-fi setup in the charismas season amazon will give him/her free five audio or video CDs. This motivates the online consumers of the amazon dot com and they'll tend to purchase more goods & services.

Companies enter into new markets & segments using existing products. Amazon dot com is selling products like pharmaceuticals, liquor, insurance policies & houses etc. There are people who tend to purchase these types of products and services through internet. Amazon dot com is providing a convenient service for this segments, where it leads them to enter to new markets.

Develop new products to serve existing markets. Amazon dot com offers free repair service. This where they can give an assurance for the consumers for products like electric goods, mobile phones and motor spare parts etc. So it

leads the customer satisfaction and people will tend to purchase more products from amazon dot com.

Developing new products to serve new markets. Amazon dot started with selling books but now they had expanded. So they are using “unrelated/ conglomerate diversification” strategy to their industry. It is growth into product and market areas that are completely new and with which the business shares no commonality at all. Unrelated diversification carries greater risk due to lack of market or customer knowledge

Through these factors amazon was being able to build up a brand image on U. S. A. As we know other nationalities tend to copy what Americans do. Lot of companies, especially computer game industry first target on U. S. A market and go for other markets. First the copying trend start from Japan, then it goes to Europe & two three years later trend spread to Asian & Latin-American countries. This also helped Amazon. com to capture a considerable market and gave them the opportunity to diversify into new areas.

It is very clear the business model that Amazon dot com uses is clicks model, where they do not have a physical store. Only thing they do is once customer purchased an order they buy it from the suppliers and send it to the customer. This is very similar to “Just In Time” (JIT) approach, where providing goods and services exactly when they are needed. This provides benefits for both seller & buyer.

Amazon dot com was been able to dampen the bargaining power of channels by providing new more direct avenues to the customers. On the other hand

through this company was been able to expand the overall size of market by improving its position relative to traditional substitutes.

On the other hand when the purchasing power of customer increases they will switch on to another company offering products and services on-line. On the other hand it seems to be lot of customers are loosing the interest on e marketing. Customers can easily find the details of suppliers of products and services on Amazon dot com and they can directly contact suppliers and buy goods. The customers want be able to pay any commission to intermediaries and they will be able to buy with right quality and cheap price.

Lot of companies are moving towards e-marketing to sell their products and services in the international market, where they see it is a way to attract more consumers as well as to increase the market share. There are limitations of using internet based strategy, where companies have to face difficulties. So therefore it is important to discuss the problems face by the companies & the limitations of internet based strategies.

The very first point is that lot of people don't like to give their credit card number because there are net hackers who hacks these numbers. As we know in order to buy a product through Internet you have to give your credit card number. But there are lot of soft wares have been made to hack these numbers. We had come across in certain instances where one person's credit card number being hacked & use for some other purpose. So this is the major problem firms face in using Internet strategy.

As we know lot of companies use " dot com" at the end of its web address.

For example [www. amazon. com](https://www.amazon.com). A company in U. S. A in 1997 used " dot cz <https://assignbuster.com/diversification-strategy-of-amazon-com-marketing-essay/>

(. cz)" instead of dot com at the end of their web address. The web site was www. modifiedcars. cz. They used dot cz domain in order to create uniqueness to their websites and get rid from the problems faced by the dot com companies. Through this web site you can buy fiber buffers, side mouldings, crystal lights & alloy wheels etc. However they were able to use the dot cz domain only for four months. The authorities had filed a case against the company for using dot cz domain & court order was given to them use dot com. Now they are running as www. modifiedcars. com. Lot of companies face problems in using dot com. The authorities must allow them to use other domains instead of dot com.

Amazon dot com to use the on line videoconference technology. By using this technology their customer service representatives will be able to provide a better service, where they can speak directly to the customers through their computers. The company will be able to identify the exact needs of a customer and they will be able to fulfil the needs of a customer. What happens ordinary is customers send emails to the company if they want to get information and it takes at least twenty-four hours to reply for them. So it is time consuming. By using this video technology they can answer on the spot to the customer and it will attract more customers to the website.

Now there are mobile phones with camera that you can use these phones instead of computers, with new advance technologies like WAP, GPRS, Infra Red and 3G. So customers will go for these things and company can use SMS and MMS to attract customers. This will help amazon to move into new market and increase the sales.

They can diversify into lot of segments, where they will be able to generate more profits on those areas. They are not selling flowers, flower trees, biodegradable products, lubricants etc on their website. And also they can sell Lord Buddha sermon CDs because in most western countries people are tend listen these sermons in order to get away from stress and their problems.

The Amazon dot com search engine is powered by the google. So it indicates that whatever the product or service you search in the Amazon dot-com search engine you will be able to find in the google search engine as well. This is not a favorable fact for the company where customers can go to google and buy goods and services from another website. By having its own search engine for the company, whatever the product or service customer search through Amazon dot com is available through the website and they will purchase through Amazon.

It is better if Amazon dot com can provide a search engine where customers can give the specifications and purchase goods. For example suppose someone wants to buy five hundred milligram (500 mg) vitamin-c tablets through Amazon dot com. What he/she can do is select the medicine category in the site and go for it. Then they ask what the customer needs under medicine with certain categories, and provide what he/she wants. Therefore if they provide customer to type the specification then any one can easily purchase with right quality he/she expected.

In order to make the distribution channel stronger amazon dot com to merge or acquire of competitor's online. Through this amazon will be able to

increase its market share, while capturing new markets. The relationship and integration of companies may improve. So therefore they can share ideas and bring the business into a strong position.

Amazon dot com to enter into partnerships with non online retailers to sell their products online. This makes the company to get products, which are having valuable brand names. On the other hand company can get a commission from the non online retailers. These factors lead the company to get more income and expand its business operations.

Amazon dot com to adopt “ Bricks and Mortar” model. Therefore again the distribution channel will be stronger and it will be more flexibility for their production department. The company will be able to have a better storage than present. (Appendix 1)

Amazon dot com can move into the stream-line operations, where they will be able to have partnerships with their competitors to sell products and services on their website. So if they move we can clearly say, first there will be a huge reduction in Amazon’s operating costs. Operating expenses is one of the major issues for Amazon. Operations are not streamlined properly, from maintaining inventory to shipping of goods. This would help in bringing down the inventory to considerable extends, significantly reducing the operating expenses. Amazon can also save millions of dollars in shipping, by streamlining the whole operation. Once operating expenses goes down the company will be able to provide goods and services at a cheap price.

Therefore the selling capacity increase and this leads them to increase their revenue.

Amazon dot com is the first mover in the e marketing industry. They started with a small begining from selling books and today they are the pioneers in online shopping. It is the “ Earth’s Biggest Selection” of products within one website. The company had diversified into many areas but they are successful only in few items like books and music CD’s etc. They can use the new technology to communicate effectively with their customers, to protect the customers credit card numbers from hackers’ to secure their website from viruses & to update the website. Lot of companies are now entering to the same industry and it leads to increase the competition. Therefore Amazon should have to give a better service to the customers.