

Topic 1

[Business](#), [Marketing](#)



Topic 1 Marketing Plan AMAZON KINDLE PSPR 208 by Karen Bergh i♦¢ for Prof. Nina Bronk Kellner August 5, 2010 Topic 2 Amazon Kindle •The book is so highly evolved that it disappears when you're reading - all that remains is the author's world. This became our top design objective for the Kindle. • ~Jeff Bezos, President & CEO of Amazon. com Topic 2 Amazon Kindle Convenience of an on-the-go device that allows you to download and read books, magazines, newspapers (instead of schlepping around a •heap• of materials) and is classified as a consumer (electronic) product i♦® After-sale service includes the download of Amazon's Kindle-formatted content. Plus, Amazon offers free Kindle reading apps for those who want to buy and read Kindle books on their iPhone, iPod, Blackberry, Mac, PC, or iPad. Every Kindle comes with 1-year mfgr. warranty. i♦® i♦® Introduced in November 2007, Kindle is an e-reader developed by Amazon. com to allow easy access to a vast library of electronic books to be downloaded from the Internet and read on the device. Over 90, 000 books were available for download at launch. [Now more than 550, 000 titles] Each Kindle downloads books wirelessly using a built-in Sprint EVDO antenna (•Whispernet•) Before introducing its second version in February 2009, the first generation Kindle sold out at more than 410, 000 units (about \$200 million in revenue) Topic 2 Amazon Kindle In terms of additional features, Kindle owners can also send files to Amazon to be converted and published onto the Kindle, and can access blogs, newspapers, websites, and web-based email through the Kindle's browser. Uses •electronic paper• display technology, which does not rely on a backlight to illuminate its pixels Its •electrophoretic• displays are used in some cell phones to reduce glare on the screen, and on

competitive products such as the Barnes & Noble Nook, Sony Librie, Sony Reader, and iRex iLiad e-readers. It boasts a relatively long battery life, a free wireless connection to Amazon's extensive online bookstore, and a screen that is easy on the eyes. Product continued

Kindle: Product Life Cycle 2007 introduction of the Kindle moved e-book readers from introduction to growth stage. Typically would not compete on price but focus on building brand awareness through promotion at this stage. Apple's introduction of the iPad in 2010 was a game-changer, forcing the e-reader products into a premature maturity stage-

(Amazon battles this, you will see) June 21, 2010 decrease in pricing for both Amazon's Kindle, Barnes&Noble's Nook e-book (and other competitors' similar limited feature products) indicates rapid compression in the Product Life Cycle (PLC)

"Kindlenomics" The Kindle was introduced at \$359. To calculate its value proposition, estimate the cost to purchase, say, one bestseller per month. To buy them as hard copy products, the cost would be approximately \$168.15. The cost for the same books using the e-reader version is approximately \$109.11.

So if you read one book per month, and you subtract the cost of the Kindle, your net savings per year is approximately \$59.04. To wipe out the cost of the Kindle completely, the consumer would need to buy and read six books per month to recover the cost of the device.

Market description Amazon's Kindle marketers (and CEO Jeff Bezos) have clung tenaciously to the notion that their e-reader, with its grayscale and "easy to read" screen technology, presents a superior product for "serious readers"

Kindle's target buyer is considered a person who reads so much that

they have ceased instilling books and periodicals with nostalgic value...yet not so much that they are rarely far enough from a computer to really need a separate device. Amazon's Kindle is currently targeted to a select consumer market of undifferentiated "avid readers," and can strategically expand its market share through a differentiation strategy that refines the product offering through appeals to additional market segments (See slide #11: "Consumer needs")

Topic 3 Market description While actual demographics are not made public by Amazon (nor are sales figures), one industry observer conducted his own primary research by screening Amazon Kindle's Forum for users and enthusiasts of the product, discovering that most are in the 38 – 50 age group (admitting bias and errors attributed to user-based sampling and unscientific survey methods!)

Psychographic segmentation suggests that pre-computer-aged boomers are likely to be Kindle owners more than their younger counterparts because they have traditionally been voracious readers, however, I would argue that this is not an age-based product audience but one where primarily socioeconomic + behavioral demographics are at work (disposable income and reading behavior dictates purchases, more than age)

Topic 4 Current market — product review While Amazon will not release current sales figures, the company now has two Kindle versions since the product's introduction in 2007 – one with a 6-inch screen for \$259 and another with a 9.7-inch display for \$489.

Line pricing strategy provides for two-tiered pricing, lowering the cost of the initial product and allowing for the introduction of the newer model at a higher price

Current market — product review In May 2010, Amazon's Kindle had the largest share of the U. S. e-reader

market at 62%, with Apple's iPad having been released in May 2010 and gaining quickly. Amazon's CEO Jeff Bezos has been repeatedly quoted as declaring the Kindle does not compete with Apple's iPad, insisting "If an activity is important, you get dedicated devices." 5 KINDLE IS FOR PEOPLE WHO WANT TO READ: It's like the difference between a camera built into a cell phone and a stand-alone camera, Amazon's Bezos insists.

Topic 5 Consumer needs Customer need Access reading materials on-the-go Targeted segment Avid readers* (consumer market) Corresponding feature/benefit Wireless •Whispernet• downloads via Internet Avoid carrying a variety of reading materials around Manageable costs Long battery life and access to Amazon's extensive materials library Most Amazon book downloads for Kindle are priced at \$9.99 Amazon's Kindle is currently targeted to a select consumer market of undifferentiated •avid readers, • and can strategically expand its market share through a differentiation strategy that refines the product offering through appeals to additional market segments (See slide #22: •First year objectives•)

Topic 6 Does Kindle really compete with iPad? Product benefits (vs. iPad) Readability. E-ink is easier on the eyes than LCD screens, especially in bright sunlight. Lighter. 10.2 ounces vs. 1.5 pounds Longer battery life. 1 week vs. 10 hours Less expensive. From \$259 to \$489* vs. \$499 to \$829 Cheaper connectivity. Free 3G wireless vs. 3G for \$15 to \$30 per month or free Wi-Fi Apple stated it has shipped 3.27 million iPads since the April product launch, surpassing industry estimates for an installed base of around 3 million. The iPad has outsold the Amazon Kindle to date, in less than 3 months despite supply constraints. However, the Kindle

device sales have also accelerated recently, with the growth rate of Kindle units up 3 times since the June 21st price reduction from \$259 to \$189." ~ Marianne Wolk, analyst, Susquehanna Financial 6 *prior to June 21, 2010 price reductions

Topic 6 Competitive Review While the iPad and other Kindle challengers have come on the scene offering additional options for consumers, the jury is still out in terms of whether the variations will erode Kindle's lead or simply grow the category. Consumers now have more choices than ever -thanks to what has become a true "growth" market:

- Color versus black and white screen
- Backlight versus readability in the sun
- Touch screen versus not
- Cheap versus expensive
- Lightweight versus heavy

Sony's eReader prices recently offered at a rockbottom \$149. 99 at Office Max stores, in response to recent Kindle price reductions.

Topic 6 Competitive Review

© From 2007 at the product's introduction until very recently, Amazon Kindle has been a "market leader" - due to its holding the largest market share for e-readers ©

Amazon's Kindle and Sony Reader now are priced below \$200, and both devices now also have app. support for multiple devices, such as iPad, iPhone/iPod Touch, Android phones, BlackBerry phones, Windows PCs, and Macs. Even when you leave the Kindle or Sony Reader at home, you can pick up your book right where you left off and continue reading it on your phone or PC screen. Similarly, the iPad apps let you read any Kindle-download on your tablet, using the cheaper Kindle delivery system.

Topic 6 Competitive

Wireless eReader Products* wireless eReaders

DEVICE	Price	Screen Size	Touch Screen	Rotating Screen	Storage
KINDLE	\$299	6 inches	No	No	2GB not expandable
Sprint KINDLE DX	\$489	9. 7 inches	No	Yes	4GB not expandable

Sprint SONY READER IREX DR800SG DAILY EDITION \$399 \$399 7 inches 8. 1 inches Yes Yes Yes Yes 2GB No on-board memory, comes expandable via Memory with 2GB SD card Stick and SD AT&T Verizon Gobi chipset for worldwide use Barnes & Noble Wireless Bookstore Content Availability Amazon 350, 000+ books newspaper, magazine, blog subscriptions Amazon 350, 000+ books newspaper, magazine, blog subscriptions Sony eBookstore *prior to June 21, 2010 price reductions 100, 000+ books 750, 000+ books One million public •Users can purchase books, domain books via newspapers or magazines Google* from a wide variety of Participating local library sources•* rentals* *not available *not available over 3G Topic 7 Distribution Review Initially, Amazon Kindle was distributed only via direct channel through Amazon. com' s own website The company chose recently to sell the Kindle products via in-store displays at Target stores, launching a lower price starting in late April 2010, only its second channel offering Attractive end-row display beckons Target shoppers to its electronics section in Riverside, CA, to buy the Amazon Kindle at its recently reduced \$189 retail introductory price ••••• Topic 7 ••••• Distribution Review •••••

Amazon has created demand for its Kindle products by sticking with •exclusive• distribution through its own (direct) channel, Amazon. com Not only its device, but its platform, channel and software gave it early market leadership Turns out, its addition of the Target stores retail channel was apparently both a tactic to expand awareness with •late adopters• as well as potentially reduce its inventory of outmoded product in order to make way for its new product line, the •smaller, lighter, faster• 6• model introduced last week (July 27, 2010) at an altogether lower price point

(again offered exclusively only via Amazon. com): Topic 7 Distribution

Review: to date i® Direct Product i® Indirect Product i® Direct Product

eCommerce order (Amazon. com) Retailer (Target) Consumer Consumer

eCommerce order (Amazon. com) Consumer 1st generation line 2nd

generation line Topics 8 & 9 Kindle: SWOT Favorable Unfavorable -

Proprietary Digital Rights Management (DRM) e-reader Technology limits

distribution - High initial pricing has created barriers for purchase beyond

•early adopter• consumers Internal - Amazon already had a huge

installed customer base prior to Kindle product launch - Amazon already had

built-in online direct distribution system for content purchases and

downloads Strengths - Choice of networks for Whispernet is limited -

Hardware design of Kindle is cludgy compared to competitors' offerings

Weaknesses - Sprint technology network partner could eat into Amazon

Kindle profits as its power as a supplier increases - Publisher profit on e-

books made available for Kindle can reduce Kindle e-book profit margins

External - Competitive offerings appeal to broader and other segments of the

market that Kindle has ignored - Some competitors are bound by •brick-

andmortar• distribution models - Competitive offerings appeal to broader

and other segments of the market that Kindle has ignored Opportunities

Threats Topics 8 & 9 Kindle: SWOT recommendations While I don' t believe

Amazon should reinvent its product to compete with the tablet iPad

products, I believe that Kindle' s opportunities to update its current line,

while expanding marketshare, are presented by the following options

derived from the SWOT analysis: - While the Sprint network is currently

provided - Choice of networks for Whispernet is limited free to Kindle users,

an expansion of providers or a small fee could potentially increase Kindle's market share as well as revenues, without eroding its current customer base.

- Kindle has stuck doggedly to its eInk grayscale display, but color and/or backlit should be considered in next-generation devices (even if touch-screen technology is not)
- Amazon has astutely ignored consumer segments such as college students or high school students who get tired of carrying heavy textbooks around but must read copiously at times
- Amazon's "brickless" distribution system should provide for more investment in product design and hardware/delivery/content improvements
- Hardware design of Kindle is cludgy compared to competitors' offerings
- Competitive offerings appeal to broader and other segments of the market that Kindle has ignored
- Some competitors are bound by "brick-and-mortar" distribution models

Topics 8 & 9 Kindle SWOT: proposed paths

1. Research user preferences for student / casual reader segments of the market, consider product redesigns like "color/backlit" and other desired features, along with other viable pricing models
2. Research viability of expanding network

technology/standards beyond EDVO

3. Introduce new

hardware/content/delivery/distribution options according to defined

consumer needs (as evidenced by research)

4. Expand distribution to include indirect channel, leapfrogging the competition

Product Example only
 Publisher/distributors
 Consumer Recommendation: A third channel, textbook distributors for education, could provide significant sales of Kindle units, as one example of product that could be developed to meet additional

consumer segments and product needs

Topic 10 First-year objectives

an old tenet that you make more money selling the razor blades than you do the razors themselves, so the company's future investments in expanding its networks and "long tail" sales and profits is a huge focus during this next year. There is already evidence of this strategy in the market, as presented in earlier slides. However, moving quickly, Amazon could research consumer needs, exploring segments of the market it has ignored to date.

While not discounting its market-leading installed base of "serious readers," the Kindle product line could potentially be slightly revised and its content and networks expanded to include other "reader" markets. I am recommending that Kindle consider a product designed to appeal to teachers and students, extending the "growth stage" of its products and heading off the inevitable product maturity life cycle of its first generation line of products which had a limited (and shrinking) market.

Textbooks are here to stay; why can't the Amazon Kindle be the first to "lighten the backpack load" from the shoulders of our K16 students, as well as give instructors in the U. S. (and worldwide?) a text-driven tool to use in their considerable and growing electronic instruction toolkit? Topic 11

Positioning Strategy ¶ The "UN-tablet" (similar to soda maker 7 UP's famous move to become the UN-cola): ¶ ¶ the Kindle is NOT a tablet nor does it ever intend to be e-reader customers are "religious" about their devotion to the product that has been made just for them Kindle is a category unto itself and should continue to revise/upgrade but not try to be a multi-purpose device or compete with PC-based devices ¶ Develop and promote the "right" line extension product to a new generation of voracious (and price-sensitive) readers who don't want to tote around books

(like students/teachers) but who also don't want to tote around a tablet computer!

Topic 12 Product Strategy To date Branding decision
 Brand sponsor Brand name Brand extensions Going forward Brand repositioning Amazon's parent brand (Amazon.com) spawns a hardware-based product Amazon claims private and exclusive distribution

Blanket family name: Amazon Kindle – Product line extensions:
 Amazon Kindle – Amazon Kindle DX – Product line extensions: The UN-tablet –! The new education model would need a new name, should research prove out a go to market strategy

Topic 13 Pricing Strategy
 Amazon Kindle pricing considerations and the rationale for each include:
 Future focus on profit maximization rather than sustaining market share leadership Customer retention and satisfaction, careful not to undervalue product (or perceived product value) by too much cost-cutting Analyze current product demand curve (price-demand relationship) and time new product introductions (and higher prices) accordingly Determine price sensitivity/elasticity price points for new customer segments related to new lines and possible future price reductions once those products are well established

Topic 13 Pricing Strategy For its new product line for students/teachers, I recommend that Amazon undercut the price of this textbook product, just released (proposed at \$1,000 price point) and beat Kno to the market or buy the company and release it under the Amazon brand!

Topic 14 Distribution Strategy
 Refer to Slide #21: Kindle SWOT: proposed paths –

Topic 15 Marketing Communications
 Product: the Kindle is the gold standard of book readers and provides any number of advantages over

paper-based books. Price: the Kindle's price is finally at a market-sensitive price poised for volume growth (below \$200) Place: the internet is almost ubiquitous, but it takes a day or more to ship a Kindle now unless it is bought over the counter at Target stores (remember, these are the older products only now) Promotion: the Kindle has been promoted primarily by push strategy through Amazon.com for visitors to the site and by Search Engine Optimization or SEO and Search Engine Marketing or SEM pull tactics (ads based on the Internet) designed to attract potential buyers to the Amazon.com site. It has also focused on word-of-mouth (an Oprah mention with 8.5 million viewers didn't hurt sales), user forums, social media (bloggers) until the recent affiliation with Target Stores. Amazon offers the purchase of a Kindle on every single product page it currently offers visitors to its Amazon.com site! In addition, the interactive nature of the Amazon.com user experience provides for feedback from customers such as creating demand for Kindle content with publishers (see graphic at left).

Topic 15 Marketing Communications Advertising Should the R&D recommended result in a "go to market" strategy for the new "student" or education market Kindle, a variety of push strategies would be in order, including those pictured on this page. Without the research, however, further investigation, speculation or proposed investment in the promotional mix is premature (and purely hypothetical).

Personal selling Sales promotion Direct marketing Public relations

Topic 16 The big idea...? I'd like to challenge my classmates to brainstorm a name for the new Kindle student product (presumably an outcome of the R&D I proposed)! It's for K-12 (color, kid version) It's for college-age students (not as heavy as an iPad and

not as bulky or big as the Kno product referenced in Slide #26 in this presentation) Introducing the “Amazon Kindle _____” – Topic 17

Footnotes 1 — Martinez, Amy (May 25, 2010) “Bezos boasts of Kindle's edge with serious readers,” – Retrieved from http://seattletimes.nwsourc.com/html/business/technology/2011952572_amazon26.html 2 — Gunnison, Liz (August 5, 2008) “Kindle or Kindling?” – Retrieved from www.portfolio.com/news/markets 3 — Blog post: <http://kindleculture.blogspot.com/2009/04/kindle-demographics.html> 4 — DeWitt, Phillip Elmer (May 25, 2010) How Kindle Will Compete With the iPad – Retrieved from <http://tech.fortune.cnn.com/2010/05/25/how-kindle-will-compete-with-the-ipad/> 5 — Gallagher, Dan (May 25, 2010) “Amazon plans to keep Kindle focused on readers” – Retrieved from <http://www.marketwatch.com/story/amazon-ceo-says-kindle-will-stay-reader-focused-201005-25> 6 — Carlson, Ronald (July 22, 2010) “iPad already outnumbers Kindle” – Retrieved from <http://ipad.blorge.com/2010/07/22/ipad-already-outnumbers-kindle/> Topic 18

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