

Porter's generic strategies used by amazon

[Business](#), [Management](#)



PORTERS GENERIC STRATEGIES USED BY AMAZON. COM By Lecturer: of
Affiliation: and Porters generic strategies used by Amazon. com Porter reveals significant generic strategies that a firm can employ in order to achieve a competitive advantage in the global competitive market. Porter' generic strategies including cost leadership strategy, differentiation strategy and focus strategy are effective means of achieving or gaining a competitive advantage (Porter 1980, p. 46). Many companies employ different generic strategies because each firm's strategic approach entails their own custom designs, which suits best their own circumstances and organizational environment. The e-commerce is significantly changing the way companies conduct business in the globalised economy. Amazon. com Company is an American international e-commerce that deals with varied online products such as books, software, furniture and other products. It is a customer centric company that dedicates themselves in finding and discovering anything that customers want to purchase online. Amazon. com is one of the companies that employ Porter's generic strategies for measuring the competitive level; thus competing with their competitors effectively in the global competitive market. Despite the rapid e-commerce, Amazon. com Company has made significant efforts of building a customer base in order to augment their sales; thus generating higher profitability and revenue growth. This is through employing the three generic strategies of Porter in order to respond to the competitors; thus achieving a competitive advantage. One of the porter's generic strategies that Amazon. com employs is cost leadership strategy. Stonehouse and Snowden (2007, p. 256) argue that an industry achieves low-cost leadership when it becomes lowest cost-

provider, which is meaningful for competing favorably with their competitors. An industry has two alternatives of translating their low-cost strategy over their competitors in order to attract customers; thus increasing their profitability. Cost leadership is an effective strategy in Amazon Company because it enables them to compete effectively with other companies utilizing e-commerce in business activities. Amazon uses the trick of maximizing profits through underpricing their products in relation to those of their rivals. They either maintain the prices similar to that of their rivals, or cut the cost of products in smaller price less than of their rivals in order to reap benefits through incremental sales. The second strategy that Amazon.com employs is the differentiation strategy and this is through differentiating their products from that of their rivals. Product differentiations are a way of differentiating the product features in order to attract many customers. Differentiation strategy is an effective techniques employed by companies in order to achieve a competitive advantage. Wood and Wood (2010, p. 101) argue that product differentiation is a crucial strategy for companies that may want to sustain their business in the global competitive market. Amazon differentiates their product features by designing them in a unique way in order to achieve the desired needs of their customers. They differentiate the product quality, offer innovative products and often reduce the cost of their products in order to achieve their stated objectives. This is crucial because this strategy have enabled Amazon to survive in the highly competitive global market. Lastly, the company also employs focus strategy as an effective technique for achieving customer loyalty; thus improving their business performance. Focus strategy enables companies to charge a

premium price for superior or high quality products, or they offer a low price to certain buyers. Although cost focus is difficult especially to companies benefiting from the economies of scale, it is effective because it enables the company to achieve superiority over their rivals (Wood and Wood (2010, p. 61). However, focus strategy can be in form of product line focus, target segment and geographic area focus. Therefore, a firm can design effective market strategy using these focus strategies; thus achieving a competitive advantage. Bibliography Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors*. New York: Free Press. Stonehouse, G., & Snowdon, B. (January 01, 2007). *Competitive Advantage Revisited: Michael Porter on Strategy and Competitiveness*. *Journal of Management Inquiry*, 16, 3, 256-273. Wood, J. C., & Wood, M. C. (2010). *Michael Porter. Vol. 2: Critical evaluations in business and management*. London: Routledge.