

Amazon and corporate innovation essay sample

[Business](#), [Company](#)



Amazon was founded in 1994 by its current CEO, Jeff Bezos, which was then launched online in 2005 (“History of Amazon,” 2014). After reviewing products that were capable of being sold online, Bezos focused his efforts on online book sales. This served as the jumping point for Amazon, before its venture into numerous fields. In 1997, Bezos took Amazon public and within the first year guided Amazon towards becoming the first online retailer to exceed one million customers. (“History of Amazon,” 2014). Stocks have always proven interesting when it comes to Amazon, providing headaches for investors due to Amazon’s innovation techniques.

This past quarter Amazon reported falling stocks, though Amazon grew in its early years amassing 2.26 million customers in March of 1998 (“History of Amazon,” 2014). Amazon follows the traditional hierarchy for businesses, with Bezos as the CEO and a board of directors immediately underneath him. Apart from growth Amazon is more known for another one of its endeavors, innovation. Bezos has said that “Innovation is part of the Amazon DNA and over the past 15 years we have been constantly adding and refining technology that enhances and improves the experience of all our customers” (Curtis, 2013, para. 3). For undeniable proof that Amazon is a world class leader in innovation, a brief excerpt from the list of innovations includes things like 1-click, where all buyer relevant information is stored allowing for simple 1-click purchases. As well as the Kindle, an e-reader and tablet directly competing against Apple’s iPad (Curtis, 2013). Amazon is not afraid to venture into new territory, with things like AmazonFresh dealing directly with consumer grocery purchases, a far cry from the humble beginnings as an online book retailer.

A lever of Innovation in Amazon's Innovation strategy

As said in the course material, “ Innovation is not just about new technology;

it also includes business model innovation” (Colorado State University – Global Campus, 2013). The six levers of innovation are a method of describing what innovation is, initially separating innovation into two types, business model and technology. Technology innovation is a strong suit of Amazon. The Kindle serves as both a product and the introduction of another service, one of the three levers of technological innovation (Colorado State University – Global Campus, 2013). The Kindle is an e-reader introduced in 2007 by Amazon (Penenberg, 2009), now in its fourth generation. At its introduction it was not the only e-reader available to consumers, nor did Bezos simply want to introduce a new tech device to the public. The Kindle may be viewed as a mere tool as “ Jeff Bezos is trying to do to book publishers what Steve Jobs of Apple did to the music industry” (Penenberg, 2009, para. 6). Because the kindle utilizes the e-book format, traditional book publishers are removed from the picture. This then paves the way for another Amazon innovation, Book Surge, where books are printed on demand (Curtis, 2013). So utilizing the Kindle, or the Kindle application on a wide range of devices, a reader can purchase the e-book version, and if they like the book they can then purchase a freshly printed copy directly from Amazon. Planning for Innovation

One of the latest innovations coming from Amazon is AmazonFresh, a grocery delivery service currently available in Seattle (McCorvey, 2013). Grocery delivery is a concept that at first glance is foreign to Amazon, largely

in part that Groceries are perishable and cannot be left sitting in one of Amazon's numerous warehouses. In order to achieve this goal, the team at Amazon has established a multi-tier scheme culminating in the advent of AmazonFresh. The first tier, which has already been rolled out is Amazon Prime. As a \$79 per year service, Amazon Prime grants the customer 2-day shipping on any order they place no matter the size (McCorvey, 2013). Prime by itself already pays out for Amazon, the average Prime user spending \$1,244 per year, \$700 more than non-prime members (McCorvey, 2013). Rolling out Prime now shows that Bezos and his team know that perfecting two-day shipping is the crucial first step in using AmazonFresh.

The next tier is to expand on Amazon's local fulfillment centers (McCorvey, 2013). This tier is currently being carried out in conjunction with tier one, as Amazon is planning to open a 1.2 million square-foot fulfillment center in the Moreno Valley this year (Watt, 2013). There are few signs of expansion slowing down, as the current fulfillment center employs up to 2,400 people, with the new Moreno fulfillment center providing another 1,000 jobs (Watt, 2013). AmazonFresh is currently being implemented in Seattle while these two tiers intertwine and evolve to a sustainable point of expansion. While the test market is scarce, the selection available is not. There are currently 100,000 items that can be ordered through Amazon's website, which can be delivered to personal or business addresses (McCorvey, 2013). The current experience customers have with AmazonFresh is best summed by McCorvey himself, "It was simple, easy – and for Amazon competitors, very threatening" (McCorvey, 2013, para. 14). Leadership's Commitment to Innovation (Point 7)

The first rule of innovation is to have leadership the places a high focus on their innovation strategy, as well as their portfolio decisions. In a shareholder meeting in 2011, Bezos was asked about amazon's innovation strategies, curious if they are still in place as no failed products have been seen recently. In his response, Bezos says " We know how to open new product categories. We know how to open new geographies. That doesn't mean that these things are guaranteed to work, but we have a lot of expertise and a lot of knowledge." (Cook, 2011, para. 1). This demonstrates that Bezos is very active in new product development, and company expansion, two areas of business which require innovation to stay current and competitive. The predominance of Bezos and his unique ways of handling customers generate the cornerstone of the innovative culture at Amazon. After all, being innovative is essential to live up to Bezos' long term goal for Amazon, " We want to have earth's biggest selection. Earth's biggest river, earth's biggest selection" (Treanor, 2010, para. 4). Setting a goal like this allows Bezos' employees and customers to see how driven he is in ensuring that Amazon becomes the premier online retailer. Managing and Measuring Amazon

To manage Amazon successfully Bezos and his team employ a mix of two management systems, supply chain and project management. The entire supply chain at Amazon has been scrutinized, everything from material sourcing and web interface, to distribution networks and mechanized warehouses. Project management comes as second nature to Amazon, best said by Mark Johnson from Bloomberg BusinessWeek, " Amazon has the unique ability to launch and run entirely new types of businesses while simultaneously extracting value from existing business" (Johnson, 2010,

para. 8). When it comes to innovation metrics Amazon has developed a “Culture of Metrics” (Johnson, 2010), focused on the customer. Amazon has a long history of analyzing and revamping its supply chain, while maintaining a customer first attitude. One of Amazons first innovations was free shipping back in 2002, followed by Amazon Primes free two-day shipping in 2005 (“History of Amazon,” 2014). More distribution centers are in the works, pushing Amazon closer and closer to being able to offer same-day delivery service in the United States. Amazon then continues to think outside of the box, converting services such as outside publishing to in-house operations for the kindle utilizing BookSurge (Penenburg, 2009). Project management is crucial in high speed businesses, and Amazon is no exception.

Sophie Curtis (2013) provides a list of 15 innovations that Amazon has generated over the past 15 years, things such as Amazon Storyteller and Mechanical Turk. These examples show the diversity that Amazon is developing, as the former is a tool to convert scripts to storyboards and the latter is a service allowing individuals or companies to crowd source work. Amazon is not happy with simply collecting one or two metrics. Instead, Amazon decided to innovate what metrics are and how they can be collected. Amazon has an advantage being a web based business, as any form of interaction with its website can be collected at continuously increasing speed. At a corporate boot camp in 1997, James Marcus and Jeff Bezos engaged in a group discussion on how Amazon can use metrics from its website to improve performance (Chaffey, 2012). A metric to measure customer enjoyment was established, where the frequency and duration of visits per customer are logged, the longer and more often they stay, the

more enjoyment they are getting (Chaffey, 2012). Metrics at Amazon also differ from traditional companies, as the metrics are looked at in the context of the long run, placing customer satisfaction ahead of any form of near or long term profit. Amazon is a very large company, allowing Bezos and his team to seek to diversify its offering to customers as much as possible, often through means other companies would consider impractical or impossible.

Amazon does this by expanding the product portfolio into new markets, such as Amazon Fresh which allows for doorstep delivery of perishable food items (Berr, 2013). Expansion into these new markets presents Amazon with an opportunity to capture the time to value metric. After the metric is gathered and compiled, it can be used to compare the various markets that Amazon distributes to. In addition, time to value can be used to benchmark, compare, and forecast new and current market demands while comparing the value of the current project against competitor iterations. Time to value also allows the customer to gain a better understanding of how the employees at Amazon are dividing their focus amongst their many projects, and may even be able to gain a glimpse into budding markets that Amazon is eyeing.

Innovating Rewards and Incentive Systems

Reward and incentive systems are an important part of any business. They are a toolset that can be used to help drive employee motivation and engagement, however if implemented incorrectly both systems can be abused at the companies expense. Amazon is no stranger to implementing reward and incentives systems, as will be highlighted through two examples. First is Amazon's Appstore Developer select is a system that encourages app

developers to utilize Amazon's software packages (Perez, 2013), and Amazon's Career Choice program which covers 95% of qualifying educational costs. While neither system is original in nature, they possess unique qualities that only Amazon can provide.

There are a multitude of systems developers can use for their programs, including google play, apple iTunes, and the amazon Appstore. Being the newest of the three, Amazon has explored for new ways to pull developers to their system, and is doing so with Developer Select. Becoming a part of the program has numerous benefits, one of which being special placement on the Appstore homepage giving developers significantly more views, in one instances gains in the order of a forty fold increase (Perez, 2013). What is innovative about this system is how few requirements there are to be involved the program, the developers simply need to use the API software packages provided by Amazon (Perez, 2013).

Another reward system Amazon has implemented to stay innovate is the new Career Choice Program. In this program, anyone working hourly at Amazon and for longer than one continuous year can go to school for with 95% of tuition and fees covered, so long as the skillset is in-demand and well paying (Tam, 2012). Most tuition reimbursement programs require that the degree being sought must be related to the business. The innovates its program by stating the sought after degrees do not have to be in a field related to current or future business for Amazon, which allows for degrees ranging from aircraft mechanics and computer aided design, to medical

laboratory science and nursing school (Tam, 2012). Innovating With Everyone

When Amazon innovates, everyone innovates. The very nature of Amazon is to locate new customers with needs that are unmet, and do whatever it takes to obtain business. A prime, yet subtle, example can be found simply by browsing through amazon. When a user searches for a product, they are not searching only in Amazon's massive warehouses. Amazon has opened its storefront to outside vendors, even competitors, offering products directly alongside Amazons. Offering other vendors prices on products not only makes it easier for users to complete their searches quicker, it also allows for immediate price comparison and drives price fluctuations amongst competitors. This originally started with used books, and has now expanded to numerous product lines across Amazon, with Amazon earning a commission on each sale regardless of vendor (Johnson, 2010). Bezos has led Amazon to do this through his strong culture of innovation and transformation. Driving this force, and also serving as a common theme to pull everyone into Amazon's innovation strategy, is an unrelenting commitment to the customer in what's called working backwards. The primary difference between working backwards and more traditional models is that all efforts are initially placed on the press release (Sterne, 2013). The release is worked on in iterations until the project manager generates benefits that are intriguing and in line with what customers are looking for. Working on projects in this manner allows for much quicker adaptations to changes in customer wants and needs, and is also significantly less

expensive than having to generate multiple iterations of the product itself (Sterne, 2013). Amazon is learning

Organizational learning is a crucial part of any business, as all intellectual property can be considered a part of organizational learning. One component of organizational learning that Amazon focuses on is knowledge management, which is broken into six steps in the course material. The steps are facilitate knowledge creation and sharing, create communities to share the new innovative practices, assist employees in developing skillsets required for innovation, expand the skillsets and knowledge of your employees, introduce and combine the knowledge base from the organization, and determine areas that have both an abundance and a shortage of knowledge and accessibility (“CSU Global Mod 7,” 2014). Amazon excels at implanting a process like this one, serving as a strong driver for growth.

The first step of generating knowledge is a key component in which Amazon was built around. Being in a technology based business, it is crucial for Amazon to continue to generate new knowledge, which is done through expansive use of its white space, changing and evolving with customers (Johnson, 2010). Sharing innovation amongst people is also inherent to Amazon, the Kindle is a great example as it was one of Amazon’s first major original equipment developments that required new teams and models to be designed and implemented (Penenberg, 2009). The use of the tuition reimbursement system, (Tam, 2012) creates a community of students throughout all of Amazon who can build innovative competences up, all the

while expanding upon their knowledge and skillsets. The final steps occur almost simultaneously for Amazon, as it is always looking for new avenues to expand upon. To do this Amazon needs to integrate its current familiarity with generating new business models to determine areas of knowledge expansion. Innovating Ethically.

As reiterated numerous times, Amazon's main priority is the handling of customers. Projects and goals are always focused around the customer, and all means to improve customer satisfaction are in use. It is apparent that Bezos and his team are successful in accomplishing this as Amazon fields hundreds of thousands of customers daily, customers who often become repeat customers. Turning the lens inwards on amazon however yields interesting results.

Amazon has a relentless drive to improve all facets of business, which at times may present issues in house. For example, some workers for Amazon in the United States have filed a lawsuit based on excessive security checks (McCorvey, 2013). The searches serve a harmless purpose, checking employees for pilfered items prior to leaving for the day. Issues arise however when the waits for the search can exceed over 25 minutes, which is something that Amazon would never subject its customers to. Other issues also arise when looking at low cost items on the website. Louisa Eyler sells shoelaces on amazon, and after recent pricing changes, Amazon now receives a higher portion of profit from Louisa's shoelaces than she does (McCorvey, 2013). While neither of these issues are overly pressing, they can

be early indicators of a flawed system within Amazon that must be addressed.

Regardless of minor issues such as these, Amazon remains a highly ethical company though it can be viewed as intimidating. Reflecting upon the introduction of the Kindle demonstrates that no matter the level of innovation, it can be done responsibly on all fronts. The introduction of BookSurge did not eliminate all business for current publishers, rather it has allowed individuals and small business achieve a formally expensive and complicated objective quickly and easily. Personal Recommendation

After reviewing all of the literature referenced within this paper, it's well established that Jeff Bezos and his team have built a strong company capable of transformation and innovation near flawlessly on a scale previously never thought possible. Jeff's strong desire to work backward (Sterne, 2013) from the customer has been and will continue to be the primary driver for the success of Amazon. My recommendation for Amazon is to place this same drive and desire of success of the generation of original equipment manufacturing, much akin to the Kindle.

The Kindle is one of a select handful of products that completely changes an industry, requiring a significant startup from Amazon to succeed. Prior to the Kindle Amazon had not produced its own product, rather it implemented a direct sales model (Johnson, 2010). Making the transition from a direct sales to a sales and service model required much more than capital alone to invest. Production capabilities had to be established and new talent had to be obtained, which would prove no easy task to appease Mr. Bezos. Since

the introduction of the kindle there have been numerous iterations released, however there hasn't been significant expansion into other product markets. Amazon is already an expert in adapting itself to business opportunities that are outside of the normal operating scope, so transitioning to adapting to new product needs from the customer should not prove challenging.

Conclusion

Amazon is a marvelous example of what can be accomplished when innovation is truly a core part of a company's foundation. It has experienced significant growth from a humble online book retailer to a \$20 Billion mega company (Johnson, 2010). Focusing primarily on technological innovation Amazon has developed numerous innovations in many fields, and has also laid out tools and resources to allow individuals to achieve innovations of their own. This was done through excellent long term planning from Jeff Bezos, as well as his everlasting commitment to the customer. He leads his company on the forefront of innovation, along with his trademark laugh and uncanny ability to present brilliant new ideas at the drop of a hat, following the presentations from his team.

Constants measures and checks are in place to ensure the Amazon machine runs smoothly and satisfies all customer demands, while garnering information to be implemented in future innovations along the way.

Employees are given access to education assets that can carry them well beyond the capabilities of Amazon, and benefits and rewards are in place when individual sellers utilize Amazon's tools. Bezos empowers employees with knowledge to prepare them for their goals while reaping the benefits of

including an educated workforce into his innovation strategies. Learning systems are in place pulling together information from all fronts, digesting and distributing it throughout the company. References

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