Example of kindle strategy case study

Business, Company

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Founded by Jeff Bezos, Amazon was opened in 1995. The internet was fairly new at that time and it was one of the companies that pioneered the e-commerce concept. I t opened as a bookstore. Through the years, it has expanded its scope of merchandise and services covering about 13 groups: (1) unlimited instant videos; (2) digital music; (3) Appstore for Android; (4) Amazon Cloud Drive; (5) books and audible; 6) movies, music and games; (7) electronics and computers; (8) home, garden and tools; (9) beauty, health and grocery; (10) toys, kids and baby; (11) clothing, shoes and jewelry; (12) sports and outdoors; and (13) automotive and industrial . It has come a long way from where the company started.

Corporate Strategy

The company follows a three-pronged approach strategy for growth and marketing: (1) customer focus; (2) long-term view; and (3) continuous innovation. The company seems to have followed this strategy in everything that is has done and accomplished.

Amazon seems to have defined customer satisfaction mainly in terms of two criteria: low pricing and fast delivery. The company has targeted to offer the lowest price in the market. Should a US customer find a competitor offering a lower price for selected merchandise, Amazon will rebate the customer of the excess payment. The company seems to have also been very successful in the area of delivery. It has the fastest delivery rate in the industry for US customers. All these were accomplished as a result of its now very large economies of scale and tough negotiations with its suppliers. Bundling products for bigger discounts and lower shipping costs has been an effective part of this strategy. Customers are thus encouraged to order more items across all the product groups. In this regard, Amazon has clearly created great value for customers. It has topped customer satisfaction surveys in the US for nine consecutive years.

Pricing has also been Amazon’s strategy to defend itself against competitors. It prices new entrants into the industry out of competition.

Customer is a strong believer in the long term. It is willing to sacrifice profits in the short term for higher customer satisfaction. It does not compromise in the area of satisfaction. It even sacrifices investor profits or returns in favor of higher customer satisfaction and long term viability. It believes that profits will come later.

The combination of this commitment the customer and to the long term view has been a very effective strategy. It gave the company competitive advantage and a commitment to pursue its vision no matter what happens.

Innovation has been another hallmark of Amazon’s strategy. It has introduced a new product or service almost every year of its existence.

These new products and services have always aimed to enhance the customer experience in shopping at Amazon.

Kindle

Kindle is a bundle of products and services offered by Amazon. It includes a tangible electronic device, an app available for use on any computer and system, books for sale, rent or free for use on the device or the app, and a store. The concept was a vision of its founder.

Apparently, Bezos believed that for Amazon to continue to succeed in the long term it must bring the customer experience of not only shopping but also utilizing certain products—i. e., reading books—into the digital age. The concept included a device that could carry the customer's entire library of books and reading materials into a device about the size of a typical magazine. That same library could also be found in the customer's desktop computer and in his mobile and other portable communication devices.

The Kindle addressed several important strategic issues. First is customer convenience. With the device and the app, the customer could tap into his library anywhere he may be. It has also lowered the cost of books. Amazon has forced publishers to offer Kindle books at no more than $10. 00. (The pricing has since been adjusted as a result of competition and possible government action.)

Second, the Kindle has reduced the cost of delivery. Unlike printed books which have to be delivered from publishers to Amazon, packaged, and delivered to customers, Kindle books are delivered at almost no cost other than the cost of internet time.

Third, the Kindle has also enhanced the customer experience. It reduced the customer’s waiting time for the arrival of the book. It only takes seconds for a Kindle book to be delivered to the customer.

The Kindle device was invented by Amazon. The entire service package was launched in 2007. Amazon bargained toughly with the publishers. It demanded a very low price for the books. It also demanded the publishers to provide as many titles available as possible so Amazon could offer as many as 100, 000 books at the time of the launch.

Kindle seems to have succeeded in changing customer reading habits as reflected in its share of Amazon’s total sales of books. It has been growing through the years and accounted for about 30% of Amazon’s book sales in 2013.

The Kindle Advantage

Kindle enjoys a first mover advantage and has continued to enjoy this advantage with continued improvements. Unlike other e-book formats, Kindle seems to be closest to the customer experience of holding and reading a book. Competitors have copied this feature but seem to lack the depth of understanding that Amazon has.

Jeff Bezos—the founder of Amazon—seems to be an important advantage that Kindle enjoys. Bezos himself is a book lover in much the same way that Steve Jobs of Apple is a music lover . He and his team of developers read a lot and thus have a very deep understanding of the customer. This is particularly important for future product enhancements.

Amazon’s pricing strategy has also been important. Government sanctioned Apple for dealing with the publishers so they can sell at a higher price.

Competitor Actions

The Kindle's existing competitors seem to have only copied features of the Kindle. Steve Jobs of Apple admitted that the iPad was an improvement of the Kindle device. The iBooks is the iTunes version of the Kindle Store. Barnes and Noble and Kobo both offer reading devices and e-books . Google offers also offers e-books on its PlayStore on mobile devices.

No competitor will succeed if it merely follows Amazon's move. If they will not do so, they must beat Amazon in two areas: pricing and availability of boos.

Amazon had wanted to lower prices of e-books. Publishers however resisted. Apple was able to get many titles available by offering publishers better benefits, but could punish the customers with higher prices. Competitors can beat Amazon on pricing if they are able to get better deals from publishers. Competitors must also be able to offer more titles than Amazon. Large companies like Barnes and Noble have the economies of scale to identify and reproduce as many books as possible into electronic format. Amazon enjoys first mover advantage in this field. However, any competitors can overtake it if it aggressively tries to. It's mainly a question of allocation of resources and speed.

The most important area however to compete is in enhancing the customer experience. The Kindle device and apps are not perfect services. They are still far away from the experience of handling and reading books. Whichever competitor could beat Amazon in this area and the other two, it would have a fighting chance against Amazon.

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