Amazon supply chain essay

[Business](), [Company]()

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Amazon business model and supply strategies

Amazon is an online retail store that deals with goods such as electronics, books and computers. The company started as a retail store for books but expanded upon introduction of other goods. Amazon was found as a bookstore in Seattle, Washington. Today, Amazon has become the largest online retailer with almost all household electronics and music downloads. The company has a number of stores in the United States and other major markets such as china, Germany, Italy and the UK.

The company has developed a customer centric approach in order to deal with its increasing clientele. This has been influenced by recent merges with mbd, buy, woot and so many other small companies in the same industry. The company stocks their inventory according to the preferences of customers rather than low priced goods. In addition, the firm offers lower prices compared to others thereby attracting more customers.

In order to satisfy its large markets, Amazon has entered into agreements with large wholesalers in the world to serve their clients. As such, the shipping requirements are minimized. This is instrumental in reducing the cost to the company and the client thus reducing the overall price tag on a good. Nevertheless, Amazon website allows customers to make all their purchases and payments online thereby increasing convenience.

Supply chain strategy of the company takes effect as soon as a customer makes and order. The company selects a store that is near the customers' location or destination. It is worth noting that Amazon has more than seven major distribution points in the USA. The order shifts to the store and the item is sorted out using bar code to ease the searching process. The product is then shipped to the customers within seven days using the United Parcel Services (UPS). The company ships goods free in the USA. The company bears the cost of transferring products thus has established stores to reduce shipping cost. This strategy has worked well in the United States where shipping charges are constant with no extra cost arising from duties.

Challenges facing Amazon

Despite this flourishing business, Amazon is faced with a lot of challenges. First, there have emerged very strong competitors in this industry. Companies like eBay have started eating into the market of Amazon. This calls for strategic actions to safeguard the market share. One of the actions adopted was reducing prices as an incentive to buyers but this policy increases the operational cost of the company. Having to cope with competition is a tough challenge for the company.

Secondly, the company ships free to any point in the United States. This can be quite costly in instances where the goods are bulky or fragile. The company can thus not deal with perishable goods or high values goods that can be a target of burglars. There are reported instances where products are distorted or exchanged on the shipping line. The company loses reputation when customers find that the products they have purchased are defective. However, Amazon has tried to reduce these incidents by using more reliable shipping methods and a return policy in case the product is defective.

Trade barriers in most countries are also a challenge. Most countries charge high tariffs on imports thereby increasing the costs of goods. Moreover, some countries have restrictions on the year of manufacture especially on electronics.

Importance of aggregate planning

Aggregate planning is a scenario where companies foresee their expected demand patterns and produce goods to sell in the future (Chopra 2007). As a leading company in online retail business, aggregate planning is important in ensuring that all the stores are stocked with the most demanded goods according to the customers' preference formula developed by Amazon. This reduces late deliveries or incidences of empty shelves where customers may shift to other sellers.

Importance of demand forecasting

Demand forecasting is important in determining what goods to produce and stock. The company uses this strategy to determine the needs of various markets at particular times of the year. As such, the company and its partners are able to avail enough stock to serve all the clients. Demand forecasting enables the company to alert its partners on an impending business opportunity thereby enabling early preparation. This forecasting is derived from demand patterns experienced in previous periods.

Promotional pricing

Promotional pricing is where a company reduces the prices of a product to attract attention. According to Sangwan (2008) this tactic is meant to increase competitiveness of a firm. A firm acquires a lot of customers hen it charges lower prices than the competitors. As such, demand for the low priced products increases. Although the profit on individual products is not much, the company enjoys economies of scale due to large sales volumes. Promotional pricing is a temporary strategy and can be done away with when the required motive has been attained. Amazon is famous for charging prices that are less compared to other companies offering similar services. Their unbeatable prices are the reason why they are that most reliable and preferred online retail store in the world.

In a nutshell, success of a company depends on the strategies that are put in place to better the services offered to customers. The strategies that amazon has employed are responsible for the success of the firm in the face of stiff competition from other capable companies. Issues of price and convenience are important in this industry thereby giving Amazon a leading role.

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