Case study on eric schmidt's gang of four: google, apple, amazon, and facebook

Business, Company

Eric Schmidt, the current Executive Chairman of internet giant Google said that today’s technological landscape is being ruled by the four horsemen, that being Google, Facebook, Apple and Amazon. These four companies are growing at unprecedented levels, sometimes competing and sometimes cooperating with each other, in different and distinct platforms. Google corners the search engine field, Facebook the social identity field, Apple the technical consumer hardware field and Amazon the e-commerce field.

Amazon. com Inc. (NASDAQ code AMZN) is a global internet company that was launched in 1994. Company headquarters are located in Seattle, Washington although it has global operations and local offices in other parts of the US, Canada, France, Germany, Japan and the UK. Amazon’s business model revolves around making a broad range of products, including books, music videos, electronics clothing, household items, even internet services such as webhosting available for customers through its website. Recently, it utilized a specific platform, the portable tablet computer to serve as the portal to which customers can do their shopping. In the e-commerce industry, Amazon has clear competitive advantages. Structurally, the company has economies of scale, it has a market capitalization of $102. 2 billion as of April 2012, having more than $25 billion in total assets. It has built a large customer base, with about 65 million visitors looking at its website per month! Amazon has formed large partnerships with many of its sellers, eliminating the need for inventory and handling costs, also allowing for the creation of a large virtual store without the actual costly infrastructure such as Wal-Mart.

Amazon’s competitive strategies are a combination of cost leadership, differentiation, and “ focus”. Amazon believes that to achieve growth, it must be a cost leader. To do that, Amazon focuses on finding the most efficient cost structures for its products and services. These drive the cost of their offerings down which enhances customer experience, drives website traffic up, induces more sellers to participate in their system, and with the natural process of selection cull out the most competitive from the lagers, creating a circular process wherein customer experience is again enhanced.

Amazon creates differentiation by making the “ Amazon” brand synonymous to customer attention and retention. How does Amazon achieve this? It does so by identifying customer needs, shows relevant content that is updated regularly. It looks at the website design and figures out the buying habits of its customers with respect to demographic information. With quality services, added value, timeliness and appropriateness of goods and services, Amazon has created brand trust.

Finally, Amazon focuses on its business model, the model of change to suit is clients. In 1995, Amazon was the on-line book retailer, in 1999 it added auctions and shops and in 2000 a marketplace. The following year, it started linkages with logistics services to improve product delivery, in 2002 it started its web services, in 2007 it brought out the first Kindle and by 2011, and it has made selling hardware at the most cost friendly level, its main flagship tool for ensuring relevance and sustainability.

Today, Amazon seems to be venturing into territory that is well protected by Apple. Apple is in itself, a mammoth of a company, achieving gross margins that are the envy of any corporate army. How does Amazon stack up against Apple, in a technological battlefield that is as decisive as it is perilous?

The answer lies in the way both companies are staging their attack. Apple focuses on its devices as its business model. The technological sexiness of Apple’s products makes the consumers drool for more. Apple charges for its applications, focusing on its proprietary operating system to run everything smoothly. For Apple, the product is the king and the content is downloaded into the device.

Amazon is not focused on any device. The device is a portal, not the product itself. It does not rely on an operating system, instead it takes advantage of cloud computing and storage, to eliminate download, instead “ stream” media into the device. To Amazon, content is king!

Amazon considers the Kindle a tool that will keep customers buying more from its website. Analysts say that the Kindle is a losing proposition, that every unit of Kindle does not give returns that would excite the average investor. How could it? Amazon clearly states that it operates on low margins and are happy to keep it that way. But at the numbers that they churn up (more than $25 billion in sales, at a 47% increase from 2007 to 2012) is more than impressive. And Amazon follows a business model that none of the three other horsemen know how to masterfully yield, that of focusing on the customer’s interest with content that matters.

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