

# Amazon: the history of foundation, marketing, current situation

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



Amazon was founded by Jeff Bezos in 1994, and launched to the public July 16, 1995. Bezos has a net worth of 149.7 billion, as of 2018 (Chaykowski, 2018). The company's vision is to offer a wide range of products people could buy at affordable everyday prices globally, making their customers number one priority. Their mission statement is: " We strive to offer our customers the lowest possible prices, the best available selection, and the utmost convenience" (Gregory, 2017). Without any press and promotion, Amazon quickly became successful as they entered into different market segments (Jeff Bezos Biography, n. d.).

In 2000, they expanded into an online marketplace. By 2006, they entered the luxury retail with the acquisition of Shopbop (Kumari, 2018). Since Amazon already had an existing brand image, with Shopbop they wanted to make changes to it that would enhance it. Additionally, by implementing a fresher approach on the website for Amazon to enter into the luxury fashion realm. Some of the changes done to the website consisted of creating new homepage, logo, product pages, navigation, and search tool among other minor changes that would have a more cohesive shopping flow/experience for the customer. After applying those changes to Shopbop, it was able to continue to operate separately as a online retailer. This would now allow Amazon the chance to dip their toes into the fashion world. Today, Amazon is eager to find its own niche in the fashion market given that the fashion industry is a 1.2 trillion global industry.

## **Target Market**

Amazon's target market is aimed for both male and female customer that are online shopping. The target market for Amazon's subscriptions varies in age depending on the type of accounts they offer on the website: general account, student memberships, or Prime account. It's concluded by financial services firm Cowen & Co. that, " 70% of Americans with incomes of \$150, 000 or more who shop online have Amazon Prime memberships" (Columbus, 2018). With those Prime members, 46% of them will buy or use their benefits at least once a week. Meanwhile, 36% of Americans that earn an income of less than \$25, 000 have Prime accounts (Linder et. al, 2017). Also, 51% of Prime members live in cities, 52% live in suburban areas, and 41% live in rural areas (Linder et. al, 2017).

Amazon's psychographic segmentation is not what customers are interested, but rather with their purchase behavior (Bhasin, 2017). This type of segmentation has transformed casual visitors to long-term customers (Bhasin, 2017). In terms of behavior, men's apparel market is growing at a faster rate than women's, meaning that women still prefer to shop in stores (Hays, 2018). In a study done, more than 85% of consumers surveyed say they prefer to shop on Amazon because of their free shipping, and also thought that the company was very innovative (Nanji, 2018).

## **4 P's of Marketing**

In order to address market needs, Amazon's expansion of the company's products have delved into other markets such as: retail goods/services, Amazon Prime, consumer electronics, Digital content distribution service,

Amazon Web Services, and Amazon Publishing, Amazon Fresh, Amazon Prime Pantry, Amazon Dash, Video Direct, and Amazon Video (Ferguson, 2017). Amazon's total number of products are about 562. 38M, as of January 10th, 2018 (Scrapehero, 2018) . The category for clothing, jewelry, and shoes have the highest number of products totaling 166. 28M (Scrapehero, 2018). By 2021, they will end up with net apparel sales of 62 billion (Scrapehero, 2018). Their products are also by 3rd party sellers listed with Amazon, which account for 40% of Amazon's global sales.

Jeff Bezos' ethos of efficiency is to keep the final cost of products to the consumer as low as possible (Oakley, 2016). With its low margins already in use, they want to carry them into other markets that they might enter in (Oakley, 2016). They use a variety of promotions such as: sales promotions, public relations, direct marketing, and advertising, which is the most important for them (Ferguson, 2017). With the advancements in their logistics and distribution channels, they have a better delivery time (Oakley, 2016). They use their various e-commerce sites that target specific markets, Amazon Books, and hold an annual Amazon Web Services summit to reach new customers into using their e-commerce services (Ferguson, 2017). Amazon's bottom line is to facilitate their huge research and development efforts to secure the website (Bhasin, 2017). Their customer service spans over many countries that have an online presence, which makes them ready to resolve issues quickly.

## Diagnosis

### Core Problem

The current situation with Amazon wanting to sell luxury items online is still an ongoing matter. Amazon is wanting to sell luxury merchandise through their online marketplace, but still maintaining the lower cost of items. The luxurious brands are fighting against this battle, seeking Amazon as their competition in devaluing the luxurious goods. The luxury brand LVMH reached profits of \$29 billion in 2016. With high profits from many brands like LVMH, Dior, Chanel, Gucci brands are afraid to have Amazon as a competitive threat. Many other brands such as Calvin Klein, Kate Spade, and Michael Kors are on board with selling their products on Amazon with licensing agreements. Even some fragrances and beauty brands are on board with selling their products on Amazon.

On particular brands are resisting to be swayed. The CEO Jean Jacques Guiony, of LVMH says, “ We believe the business of Amazon does not fit with the LVMH full stop and it does not fit with our brands”. Brands like LVMH, which sell their products on other prestigious web platforms like Net-a-Porter and MatchesFashion are synonymous with that luxury brand. Their products are embodying a lifestyle being sold to the customer. These luxury brands have control over their supply chain, customer experience, assets, and overall perception, which means that Amazon’s model of being fast, simple, and discounted does not seem attractive to them (Garcia, 2016).

Why are luxury brands so hesitant as to sell their products on Amazon?

Mainly, due the the counterfeit of items such as handbags and watches that

are main issues that have occurred with selling certain products throughout Amazon. Others are more concerned about the quality of the items being sold won't match the well known standards that customers usually get when shopping from a luxury brand in store. They also risk their brand image being diluted, especially with so many products being offered. That could mean that there is a loss of exclusivity and prestige that is synonymous with luxury brands. Some argue that customers aren't really shopping for a low-priced item such as a detergent aren't going to buy a \$1, 500 dress in one go (Kumari, 2018). Shopping for clothes or bags that are more expensive should come with a better shopping experience for that customer.

As mentioned previously, Amazon had acquired Shopbop in 2006, beginning their retail sector. Amazon even ventured out in creating photoshoots, advertising campaigns costing \$15 million for their products being sold. In 2016, Amazon partnered up with Moda Operandi another e-commerce luxury site working to have a overall cohesive shopping experience (Kumari, 2016). If Amazon decides to create their own private label by selling merchandising product on Shopbop then that could create potential threats towards other luxury brands knowing that Amazon would appeal to the customer with providing the same low affordable prices that they currently offer, including enticing customers with memberships and other such potential deals that they might include.