

# Kindle fire marketing case study essay sample

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



In 1995, Jeff Bezos launched Amazon. com. Today, Amazon is a Fortune 500 ecommerce company and the largest online retailer in the United States.

Amazon. com has become well known as a company that enables sellers to sell their products on its website as well as their own branded websites and to fulfill orders through them. Amazon introduced the Kindle Fire HDX in 2007 with an Android operating system, access to their own media and e-commerce services and low pricing for the Kindle device. Features such as the 7 inch screen helped the demand of the product. The Kindle line has shown wild success, Bezos will once again try to revolutionize the online retailer industry with the release of the Kindle Fire, which will attempt to do with all of Amazon's digital media what the original Kindle did with eBooks.

Today, most people are familiar with the Amazon Marketplace, a place where buyers and sellers could interact and exchange a variety of goods. Such a forum led to the development of one of Amazon's greatest strengths: network effects, which helped to establish the Amazon brand. The huge number of interactions let Amazon establish customized consumer suggestions, and led to the creation of the loyalty program Amazon Prime, which offers deals on shipping and other perks. Because of these efforts, Amazon has over 75 million customer accounts today. 1 Amazon continues to service consumers through its retail website, and focus on selection, price, and convenience as they have one of the least expensive products on the market.

Problem/Situation Alex

Amazon's Kindle was a huge success, selling over 30 million units in five years. It changed the ebook market. In 2010 profit margins began to

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decrease due to other ebook competitors, more powerful mobile phones, and the new innovation to the tablet market. In 2010 Apple unveiled the iPad. This new product instantaneously became a hit product. The iPad finally met up to the standards customers had for a tablet, and revolutionized the underserved tablet market. The CEO of Amazon, Jeff Bezos, saw this quickly expanding market as an opportunity for to hop onto Amazon, instead of it continuing to threaten Kindle reader sales. Bezos referred to the Kindle Fire “the culmination of many things we’ve been doing for 15 years. Analysis (SWOT) Ashley

#### ● Strengths

- Captured half of nonApple tablet market within three months
- High sales
- Amazon known as world’s largest online bookstore
- 1Click ordering
- Integration of Amazon Prime (onemonth free subscription)
- High base of Kindle owners (able to get higher number of ebook sales)
- Kindle apps for Android, Apple, and desktop computers

#### ● Weaknesses

- Selling the Kindle Fire at cost (hoping content and commerce revenue would provide more)
- Combination of longterm focus, innovation and going into new markets created a \$45 fall in stock price

- Lagging display
- Shorterthanadvertised battery life
- Opportunities
  - Focus on a specific market segment:
    - Media junkies
    - Children and mobile gamers
    - Higher education
  - Provide more features (for example, a camera)
  - Provide free wifi access to an online library (similar to the Nook with B&N's online library)
- Threats
  - The iPad (Apple introduction of tablet)
  - Possibility of an iPad mini at a competitive price
  - The Nook (B&N's identical of the Kindle Fire)
  - iBooks (Apple) and Newsstand (Android) apps

Alternatives (3) Renan and Emily

Market the Kindle Fire to children/parents

Market the Kindle Fire to higher education institutions Market the Kindle Fire to “ media junkies”

Alternatives

1. Market the Kindle Fire to parents and children 2. Market the Kindle Fire to “ media junkies” 3. Market the Kindle Fire to institutions of higher education

<http://analysiscasestudy.blogspot.com/2012/05/blueoceanstrategyamazon->

kindlefire. html

<http://thefiretablet.com/posts/kindlefirereviewwsj/>

Possible customer segments:

1. Media Junkies—“ rapidly consume multimedia content from numerous channels, often simultaneously.

a. Subscription streaming service comparable to Hulu/Netflix (video) and Spotify (music)

b. Price conscious

c. Larger screen needed?

d. Ideal: highresolution screen and superior graphics chipset e. Would they get all of the free content (Prime Instant) rather than purchasing Amazon content?

f. Would content consumption increase after purchasing Kindle or are they at their limit?

2. Children and Mobile Gamers

a. Children—relatively untapped market for tablets i. Heavy influence on purchasing behavior of parents

ii. 30% of apps on tablets/smartphones were downloaded for children

iii. In 70% of “ tablet families,” children under 12 used them frequently to play games

iv. Parents like the tough glass, longlasting battery, and small, handfriendly, tactile rubberized coating for their children

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to use b. Mobile Gamers—relatively untapped market for Amazon i. 2009: \$20 billion in the U. S. and \$57 billion

globally for mobile gaming purchases

ii. Customers may be reluctant to use more

expensive tablets for their children's gaming

iii. Slower processor, smaller screen, and limited

memory could hinder mobile gaming sales

3. Higher Education—ideal for digital textbooks a. Need to create

partnerships with colleges, universities, and their bo

okstores b. Great demand by college students—desire to spend less, not carry so many books

c. Would need to update file formatting significantly to handle digital textbooks

Positioning

1. Kindle Fire vs. the iPad

a. The iPad was three to four times as expensive as the Kindle Fire; it's quite a bit larger and heavier

b. The Kindle Fire had a slower speed, smaller memory, and more limited selection of apps

i. Deal with Viacom for Prime Instant Video could

make Amazon TV offerings significantly richer than those available on competing products

c. Both are exceptional at consuming streaming video, web surfing, and general reading

i. Could negatives frustrate customers into choosing the iPad?

2. Kindle Fire vs. the Nook tablet

a. Hardware is extremely similar

b. The Nook offered B&N textbased content and other offerings from third-parties (e. g. Google Play, Hulu, Netflix).

c. The Kindle Fire offered the Silk web browser and numerous cloudbased services that synced across all Amazon apps

3. Kindle Fire vs. Kindle eReader

a. EReader has eyepleasing E Ink screen and long battery life

b. More customers might consider consolidating their devices if a strong reading experience was offered on one of the competing tablets and if they could get the battery life they wanted.

c. Would customers want to have both the Fire and the eReader?

Pricing and Business Model Decisions

1. Find the “ sweet spot” between adequate breadth of content to attract customers and excessive library with excessive licensing costs
2. Hardware revenues: Sell the Kindle Fire at cost as a loss leader for content sales
3. Content revenues: Expected to be a key driver of revenues from Kindle Fire customers (\$10/month per customer, increasing approx.. 10% annually over 2year life of Kindle Fire); 30% gross margin on content sales
4. Commerce revenues: increase proportion of online purchases made through Amazon
5. Advertising revenues: increase overall ad impressions for Amazon retail goods and services

6. Application marketplace revenues: get a 30% cut of the app sales price; revenue expected to increase by 20% each year

Recommendations & Defense Decide together when we meet next

## References

1 Amazon, <http://www.amazon.com/gp/help/customer/display.html?nodeId=13819211>

## Executive Summary

### SWOT Analysis

#### Strengths:

- Captured half of nonApple tablet market within three months.
- High sales.
- Amazon known as world's largest online bookstore.
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Integration of Amazon Prime (a onemonth free subscription is provided with each Kindle Fire).

- High base of Kindle owners, therefore able to get higher number of ebook sales.

#### Weaknesses:

- Selling the Kindle Fire at cost.
- Combination of longterm focus, innovation and going into new markets created a \$45 fall in stock price.
- Lagging display.
- Shorterthanadvertised battery life.

### Opportunities:

- Focus on a specific market segment (e. g. media junkies, children, or higher education)
- Provide more features; for example, a camera.
- The tablet market is growing rapidly.

### Threats:

- There are already more than 30 tablet vendors in the United States. ● Products with similar price and superior technology. ● iBooks (Apple) and Newsstand (Android) apps.

### Discussion of Alternatives

There are several alternatives available for marketing the Kindle Fire. The first alternative involves promoting the device to parents who give it to their children for gaming. With children heavily influencing the purchase of goods by parents, there is a key opportunity in gaming devices for children. The second alternative is targeting the “ media junkies” who consume massive amounts of multimedia content. While selling the Kindle Fire at cost, multimedia content could provide for higher revenues in this important population segment. The last alternative is promoting the Kindle Fire to colleges and universities as an etextbook alternative. College students are constantly looking for cheaper textbook options and the opportunity to lighten their loads, which could be important for the success of the Kindle Fire in higher education.

### Recommendation and Defense of Chosen Alternative

We chose alternative two as our recommendation because we feel that there

is the most growth opportunity in the media junkie market. Because Amazon has a massive amount of content, that would attract the media junkies.

Amazon's strategy is "to sell the Kindle Fire at cost and rely on revenue from content, therefore making the media junkies an attractive market due to their high consumption of content.

#### Introduction to Amazon

Amazon was founded in 1994 by Jeff Bezos in Seattle, Washington with a mission to be a customerfocused company. In the beginning Amazon focused on an online site where items could be sold, but in 2007 they decided to enter the market of ereaders. During that time the main competitor was the Sony Reader. Amazon responded in September 2007 by launching their line of ereaders with the original Kindle. It was priced competitively, and customers had access to Amazon's online bookstore of over 100, 000 e-books.