

# [Jeff · define amazon’s business-level strategy. based on](https://assignbuster.com/jeff-define-amazons-business-level-strategy-based-on/)

Jeff DavisVincent DelloconoMichael DummerEric Elizondo·        Define Amazon’sbusiness-level strategy. Based on the analysis, what changes should Bezos makein his efforts to significantly differentiate the company? Amazon has a businessstrategy of being the one stop for all your needs. Note that I did not say onestop shop as Amazon has the goal of being the neighborhood store to which youdo not have to drive. One look at the mission statement shows this mentality, “ Amazon. comstrives to be Earth’s most customer-centric company where people can find anddiscover virtually anything they want to buy online. By giving customers moreof what they want – low prices, vast selection, and convenience – Amazon. comcontinues to grow and evolve as a world-class e-commerce platform.

” Amazon’sCEO has the vision of Amazon delivering your needs to your door instead of youcoming through a door to shop. I think that in today’s environment the rise ofonline shopping is filling the customer service void left by retailers. Amazonhas altered the traditional experience of going to a store and dealing withtraffic and long lines with little to no help to one where the customer is freeto shop from the comfort of home, having the items shipped and delivered in afew days. The convenience along with the loyalty programs and the free shippinghas made them the leader in online retail.

Amazon beat the large retailers tothe punch with a superior online platform and Amazon Prime cultivated a loyaltythat allowed them to not only compete with but beat the king of retail, Walmart. I think that Bezos has done an excellent job in differentiating Amazonand is continuing down that path with the recent purchase of Whole Foods. Amazonhas taken the retail experience and removed what customers dislike the most. The one thing that could take down Amazon is not the competition but a loss offocus. There has been a real sense of exploitation and “ playing the system” through the holiday season as Amazon has been exposed for taking advantage ofpostal rules to their advantage at the expense of the overburdened governmentorganization and the use of “ contract” drivers who were not delivering packagesto the recipients but leaving them in the lobbies of buildings and apartments.

If Amazon continues down this path, then there is the real danger of themfalling victim to the very thing that has put them on top. If they become thebad service provider, then more people will go back to retail stores or find anew medium to do their shopping. There are apps trying to compete on theretailer level that could be the next big thing to unseat Amazon.·        How does Amazon’s KindleFire strategy stand up against competitive rivalry in the industry? TheKindle Fire was first released in November 2011, by online retailer Amazon. What set the Kindle Fire apart from its predecessor, the Kindle, was that theFire was a tablet computer instead of just an e-reader.

While theoriginal Kindle was developed with a focus on reading, the Fire was designed tobe a general tablet computer and compete with Apple’s iPad, which was releasedin April 2010. When the original Kindle was introduced in November 2007, it hadfew competitors and gained significant market share in what was then adeveloping market. However, when the iPad was introduced it was able to steal alarge portion of Kindle’s share. A report from December 2010 states that frombetween August 1 and November 8, Kindle’s share slid from 62% to 47% “ while theiPad’s market share doubled to 32% over the same period” (King 2010). Amazonhas been playing catch-up with Apple ever since the iPad was introduced andwill have to significantly alter its overall business plan for the Fire if itwishes to stand up to competitive rivalry. Whenasking how Amazon’s Kindle Fire strategy stands up against competitors, onemust look at the Fire from two different angles: as an e-reader and as atablet.

While the Fire was introduced after the release of Apple’s iPad, andtherefore it is natural to think of it as atablet, it is also the natural evolution of the Kindle. This means that whileAmazon might have marketed the Fire as a tablet, there are people who bought itsimply because it was the newest Kindle. For those loyal to the Amazon brandthe Fire serves as an e-reader first and foremost; it’s ability to check email, browse the internet, and watch movies is an added benefit.  As a retailerof e-readers, Amazon holds “ 60% of worldwide device sales this year” (Rubin 2017). However, that market seems to be dying by all accounts. The Pew Research Centerreports that 19% of adults own an e-reader, which is “ a sizable drop from early2014, when 32% of adults owned this type of device” (Anderson 2015).

In thee-reader market there is little competitive rivalry as Amazon has fewcompetitors. However, as the e-reader market transforms from being aslow-growth market to a declining market, competition will become fiercer. Amazon has taken steps towards ensuring their control of the e-reader marketdoes not deteriorate. Amazon currently offers Kindle unlimited, where for a lowmonthly fee, users can read unlimited books and listen to unlimited audiobooks. There is also a cost for users to switch from one platform to another when it comesto e-readers, which further concretes Amazon’s control of the e-reader market.

When books are bought and downloaded onto an e-reader there is DigitalRestrictions Management (DRM), which prevents the user from reading the samebook on another e-reader. This was initially a con for e-readers when firstintroduced. The negative being that if someone buys a traditional book, theyare free to do with that book what they want after they purchase it. Resellinga book or transferring a book to a different e-reader being the two main thingsone cannot do because of DRM. This presents a switching costs to the consumerand rewards loyalty, which helps Amazon as they have an extensive e-booklibrary. As atablet, Amazon’s strategy to deal with competitive rivalry was to price theirdevice much lower than Apple when they first introduced the Fire.

“ Whereas mostof the early iPad competitors such as the Motorola Xoom and BlackBerry PlayBookwere priced at parity with the iPad and sold terribly as a result, Amazon choseto drive sales volume through lowPricing” (Levine-Weinberg 2014). Currently, iPad prices start at $329, the FireHD tablet is available for less than half at $149. 99.

While that was a goodtactic to begin with, the market has become too saturated for Amazon merely tocompete by being cheap. A report from the IDC Worldwide Quarterly TabletTracker shows that while Amazon is ranked fourth in terms of top tabletcompanies, they are far behind Apple and Samsung. Amazon shipped 2.

2 millionunits in the first quarter of 2017, while Apple shipped 8. 9 million and Samsungshipped 6 million. Comparing market share, Apple owns 25.

9%, Samsung 15. 2%, andAmazon 5. 6% (Hall 2017). Amazon suffered from being a second mover in thetablet market, with Apple being the first mover. They were initially aneffective second mover, by pricing their product under Apple’s, thus offeringconsumers some value, but ultimately the iPad was too formidable of anopponent. Competitive rivalry caused Apple to innovate while Amazon fell behind. Apple markets their products very well and their products havecross-compatibility, so it makes sense for a consumer who already owns aniPhone or Mac laptop to go with the iPad over the Fire.

Additionally, Apple has2. 2 million apps in the Apple App Store, while Amazon has a paltry 600, 000(Statista 2018). Apple’s constant innovation and popularity has put them farahead of Amazon in terms of market share and Amazon will truly have to beinnovative to compete in the future. Theproblem with the Kindle Fire is that it is neither a great e-reader nor anoutstanding tablet. The e-reader market is one in which Amazon has alreadycapitalized on with the Kindle.

The trademark Paperwhite screen and easy toread font the Kindle utilizes makes it easier to read for long periods of atime when compared to a traditional OLED screen like on the Fire. The limitedInternet connection and abilities of the Kindle make the display lessdistracting than the Fire and more appealing to those who are looking for areading device. Additionally, the Kindle typically has a smaller screen and isconsiderably lighter, making it easier to carry around than the Fire whichneeds a large screen so one can view high definition media. As a tablet, theFire’s biggest issue is that Amazon gave up one of the biggest draws to owninga Kindle product by making the Kindle app available on other tablet devices. Bygiving anyone with a tablet access to its extensive library of e-books andaccess to Amazon Prime media such as shows, movies, and music to its Primemembers, Amazon effectively gave away their competitive advantage. If Amazonwants to truly stand up to competitive rivalry they need to give people areason to purchase the Fire other than it being a cheap tablet.

Amazon willneed to make access to their app exclusive to their tablets and rebrand theFire to truly compete. The lack of differentiation in the tablet market meansthat for Amazon to stand up to competitive rivalry with their Fire tablet theywill have to develop a differentiated product to set themselves apart fromother tablet manufacturers.·        Describethe entrepreneurial characteristics of Amazon.

How has Bezos promotedinnovation within the organization? As technology continuesto advance, companies are not only changing what they sell but how they sellit. Over the past decade, Amazon has revolutionized how consumers buy theirproducts. Under the leadership of CEO Jeff Bezos, they have shifted consumersaway from the traditional brick and mortar stores and brought us the saga ofonline retail.

Many companies had previously sold products online, but Amazonwas the first one to diversify. Expanding their product line was the initialcompetitive advantage Amazon applied during their rise to the top. From whatBezos started out as exclusively a textbook retailer, Amazon now sells anythingfrom baseball bats to toilet paper. Sounds like Walmart, right? The majordifference is that you must get in your car, fight traffic, find a parkingspot, and search around a crowded store for numerous items when you shop atWalmart.

Amazon has created an alternative in which you can now do this sameshopping from the comfort of your home in a fraction of the time. In this ageof technological advancement, a common trait of entrepreneurs is creating waysto make our daily activities more efficient, so that we can have more time tospend on other activities. Bezos replicated this idea in the basis of onlineretail.

The main disadvantage to buying products online versus buying them in astore are the costly shipping fees, which brings me into the nextentrepreneurial feature of Amazon; Amazon Prime. Amazon Prime is a loyaltyprogram that can be purchased for a flat rate of $99 a year or a monthlypayment of $12. 99 (About).

The key benefits from Amazon Prime are free two-dayshipping, Prime Music (Amazon’s version of Spotify), and Prime Video (Amazon’sversion of Netflix). These three benefits, along with many others, is whatallowed Amazon to retain its customers during this rapid period of growth and innovation. Another key to Amazon’s success is their continuous investment into shipping, packaging, and logistics. By making sure the supply chain could keep up withsales, Amazon has been able to handle the massive amount of volume it endures daily. This, along with the other core competencies mentioned above, is what has leftAmazon dominating the e-commerce market share. None of these achievements couldhave been possible without the persistent vision of Bezos.

By continuing to trynew things, without the fear of failure, Amazon was able to break out of thecompetitive bubble and land at the top of the industry (Gregerson 2015). With Bezos not showing any signs of slowingdown, expect Amazon to maintain its growth and innovation for years to come. Is the current strategy for Amazon’s Kindle Fire suitable for the existing market? What recommendations can be made to address strategic concerns and safeguard Amazon’s growth and market share? As a natural progressionfrom the original Amazon Kindle, the Kindle Fire has experienced upgrades from2012 through 2017.

Each new version upgrade has sought to improve screenresolution and processor speed changing the Kindle Fire from just an e-readerto a high-resolution video streamer.  Without the ability to downloadmovie and TV shows like the other tablets and a noticeably smaller selection ofapps, it’s difficult to know if Amazon would be able to sell it at any price. Amazon’s introduction of the 2014’s Fire Stick harnessed the ability todownload/stream video via Netflix, Hulu, and Amazon’s own Prime Videosubscriptions.  Despite competition with Roku, Apple TV, and Google’sChromecast flat screen video streaming plug-in, Amazon’s Fire Stick hassucceeded to do what Amazon has sought all along; continue to increase Amazondigital content sales and Amazon Prime subscriptions. That puts the FireTablet in an interesting place. Amazon has always sold the tablet as aloss-leader as consumers were expected to create stronger revenue throughdownloaded Amazon Prime’s digital content sales.  2016’s $49 price tagmade it “ Amazon’s best-selling tablet of all time”; which the tablet continuesto sell at (Carnoy 2016)” However, “ overall sales of all tablets havecontinued to slip. Since fourth quarter of 2016, shipments had dropped 20percent, year over year” (Heater 2017).

As annual sales continue to fall foriPad, Galaxy, and Fire tablet, each company continues manufacturing and sellingthem. No company wants to be the first pull the plug on tablet production andrisk losing digital download revenue and market share to their competitors. Apple has Apple Store, Galaxy has Google Play, and Amazon has Amazon. However, Amazon’s 2017 gamble to include the Alexa voice recognition features provedsuccessful. Amazon tablet sales increased as consumer sought this upgrade. However, now that Amazon’s Alexa voice recognition is available as the flagshipcomponent in Amazon’s Echo and Dot products, consumers have again slowedpurchases of Fire tablets.

Also, as sales of e-books continue, the novelty oftablets as e-readers may be nearing an end. “ E-readers, which was once apromising category, saw its sales peak in 2011. Its success was short-lived, asit spiraled downwards within a year with the entry of tablets”(Kottasová 2017). So, the lingering critical question deciding thefate of the Kindle Fire Amazon must face again is, ‘ can Amazon come up withanother breakthrough tablet app like Alexa?’ If so, then Amazon should continueproduction of Fire tablets with a new breakthrough app and expect an increasein sales. If not, and the inexpensive tablet sales continue to drop, Amazonshould discontinue the Fire tablet and put full effort forging into the gadgetsconsumers have migrated to, cell phones and flat screen televisions. Amazonfirst attempted this migration to the cell phone market when it launched itsfailed Fire cell phone of 2014. Unfortunately, Fire phone’s failure to includemany customer favorite apps was a kiss of death.

As most consumers now utilizetheir phone as their go-to device, and Apple’s recent iPhone slow-phonecontroversy, it could be a time for Amazon to strike. Amazon could re-launch aFire Phone at a price point lower than the iPhone but include free licenses tothe top 40 downloaded apps. Recall, that Amazon has a history of manufacturingthe loss-leader Kindle Fire from day one. A re-vamped Fire phone manufacturedand marketed similarly but including Alexa voice recognition could be a winner. Downloading movies, songs, and other digital content through voicerecognition onto one’s phone would better streamline access to the Amazon; which would ultimately increase Amazon Prime subscriptions and purchases.