

Jeff · define amazon's
business-level
strategy. based on



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Amazon's business-level strategy. Based on the analysis, what changes should Bezos make in his efforts to significantly differentiate the company?

Amazon has a business strategy of being the one stop for all your needs.

Note that I did not say one stop shop as Amazon has the goal of being the neighborhood store to which you do not have to drive. One look at the mission statement shows this mentality, " Amazon. com strives to be Earth's most customer-centric company where people can find and discover virtually anything they want to buy online. By giving customers more of what they want - low prices, vast selection, and convenience - Amazon. com continues to grow and evolve as a world-class e-commerce platform.

" Amazon's CEO has the vision of Amazon delivering your needs to your door instead of you coming through a door to shop. I think that in today's environment the rise of online shopping is filling the customer service void left by retailers. Amazon has altered the traditional experience of going to a store and dealing with traffic and long lines with little to no help to one where the customer is free to shop from the comfort of home, having the items shipped and delivered in a few days. The convenience along with the loyalty programs and the free shipping has made them the leader in online retail.

Amazon beat the large retailers to the punch with a superior online platform and Amazon Prime cultivated a loyalty that 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 Amazon and is continuing down that path with the recent purchase of Whole Foods. Amazon has taken the retail experience and removed what customers dislike the most. The one thing that could take
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down Amazon is not the competition but a loss of focus. There has been a real sense of exploitation and “playing the system” through the holiday season as Amazon has been exposed for taking advantage of postal rules to their advantage at the expense of the overburdened government organization and the use of “contract” drivers who were not delivering packages to 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 them falling victim to the very thing that has put them on top. If they become the bad service provider, then more people will go back to retail stores or find a new medium to do their shopping. There are apps trying to compete on the retailer level that could be the next big thing to unseat Amazon. How does Amazon's Kindle Fire strategy stand up against competitive rivalry in the industry? The Kindle Fire was first released in November 2011, by online retailer Amazon. What set the Kindle Fire apart from its predecessor, the Kindle, was that the Fire was a tablet computer instead of just an e-reader.

While the original Kindle was developed with a focus on reading, the Fire was designed to be a general tablet computer and compete with Apple's iPad, which was released in April 2010. When the original Kindle was introduced in November 2007, it had few competitors and gained significant market share in what was then a developing market. However, when the iPad was introduced it was able to steal a large portion of Kindle's share. A report from December 2010 states that from between August 1 and November 8, Kindle's share slid from 62% to 47% “while the iPad's market share doubled to 32% over the same period” (King 2010). Amazon has been playing catch-up with <https://assignbuster.com/jeff-define-amazons-business-level-strategy-based-on/>

Apple ever since the iPad was introduced and will have to significantly alter its overall business plan for the Fire if it wishes to stand up to competitive rivalry. When asking how Amazon's Kindle Fire strategy stands up against competitors, one must look at the Fire from two different angles: as an e-reader and as a tablet.

While the Fire was introduced after the release of Apple's iPad, and therefore it is natural to think of it as a tablet, it is also the natural evolution of the Kindle. This means that while Amazon might have marketed the Fire as a tablet, there are people who bought it simply because it was the newest Kindle. For those loyal to the Amazon brand the Fire serves as an e-reader first and foremost; its ability to check email, browse the internet, and watch movies is an added benefit. As a retailer of 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 Center reports that 19% of adults own an e-reader, which is "a sizable drop from early 2014, when 32% of adults owned this type of device" (Anderson 2015).

In the e-reader market there is little competitive rivalry as Amazon has few competitors. However, as the e-reader market transforms from being a slow-growth market to a declining market, competition will become fiercer. Amazon has taken steps towards ensuring their control of the e-reader market does not deteriorate. Amazon currently offers Kindle Unlimited, where for a low monthly 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 comes to e-readers, which further concretizes Amazon's control of the e-reader market.

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When books are bought and downloaded onto an e-reader there is Digital Restrictions Management (DRM), which prevents the user from reading the same book on another e-reader. This was initially a con for e-readers when first introduced. The negative being that if someone buys a traditional book, they are free to do with that book what they want after they purchase it. Reselling a book or transferring a book to a different e-reader being the two main things one cannot do because of DRM. This presents a switching cost to the consumer and rewards loyalty, which helps Amazon as they have an extensive e-book library. As a tablet, Amazon's strategy to deal with competitive rivalry was to price their device much lower than Apple when they first introduced the Fire.

“Whereas most of the early iPad competitors such as the Motorola Xoom and BlackBerry PlayBook were priced at parity with the iPad and sold terribly as a result, Amazon chose to drive sales volume through low pricing” (Levine-Weinberg 2014). Currently, iPad prices start at \$329, the Fire HD tablet is available for less than half at \$149.99.

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

2 million units in the first quarter of 2017, while Apple shipped 8.9 million and Samsung shipped 6 million. Comparing market share, Apple owns 25.

9%, Samsung 15.2%, and Amazon 5.6% (Hall 2017). Amazon suffered from being a second mover in the tablet market, with Apple being the first mover. They were initially an ineffective second mover, by pricing their product under Apple's, thus offering consumers some value, but ultimately the iPad was too formidable of an opponent. Competitive rivalry caused Apple to innovate while Amazon fell behind. Apple markets their products very well and their products have cross-compatibility, so it makes sense for a consumer who already owns an iPhone or Mac laptop to go with the iPad over the Fire.

Additionally, Apple has 2.2 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 far ahead of Amazon in terms of market share and Amazon will truly have to be innovative to compete in the future. The problem with the Kindle Fire is that it is neither a great e-reader nor an outstanding tablet. The e-reader market is one in which Amazon has already capitalized on with the Kindle.

The trademark Paperwhite screen and easy to read font the Kindle utilizes makes it easier to read for long periods of time when compared to a traditional OLED screen like on the Fire. The limited Internet connection and abilities of the Kindle make the display less distracting than the Fire and more appealing to those who are looking for a reading device. Additionally, the Kindle typically has a smaller screen and is considerably lighter, making it easier to carry around than the Fire which needs a large screen so one can view high definition media. As a tablet, the Fire's biggest issue is that Amazon gave up one of the biggest draws to owning a Kindle product by making the Kindle app available on other tablet devices. By giving anyone
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with a tablet access to its extensive library of e-books and access to Amazon Prime media such as shows, movies, and music to its Prime members, Amazon effectively gave away their competitive advantage. If Amazon wants to truly stand up to competitive rivalry they need to give people a reason to purchase the Fire other than it being a cheap tablet.

Amazon will need to make access to their app exclusive to their tablets and rebrand the Fire to truly compete. The lack of differentiation in the tablet market means that for Amazon to stand up to competitive rivalry with their Fire tablet they will have to develop a differentiated product to set themselves apart from other tablet manufacturers. Describe the entrepreneurial characteristics of Amazon.

How has Bezos promoted innovation within the organization? As technology continues to advance, companies are not only changing what they sell but how they sell it. Over the past decade, Amazon has revolutionized how consumers buy their products. Under the leadership of CEO Jeff Bezos, they have shifted consumers away from the traditional brick and mortar stores and brought us the saga of online retail.

Many companies had previously sold products online, but Amazon was the first one to diversify. Expanding their product line was the initial competitive advantage Amazon applied during their rise to the top. From what Bezos started out as exclusively a textbook retailer, Amazon now sells anything from baseball bats to toilet paper. Sounds like Walmart, right? The major difference 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 at Walmart.

Amazon has created an alternative in which you can now do this same shopping from the comfort of your home in a fraction of the time. In this age of technological advancement, a common trait of entrepreneurs is creating ways to make our daily activities more efficient, so that we can have more time to spend on other activities. Bezos replicated this idea in the basis of online retail.

The main disadvantage to buying products online versus buying them in a store are the costly shipping fees, which brings me into the next entrepreneurial feature of Amazon; Amazon Prime. Amazon Prime is a loyalty program that can be purchased for a flat rate of \$99 a year or a monthly payment of \$12.99 (About).

The key benefits from Amazon Prime are free two-day shipping, Prime Music (Amazon's version of Spotify), and Prime Video (Amazon's version of Netflix).

These three benefits, along with many others, is what allowed 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 with sales, 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 left Amazon dominating the e-commerce market share. None of these achievements could have been possible without the persistent vision of Bezos.

By continuing to try new things, without the fear of failure, Amazon was able to break out of the competitive bubble and land at the top of the industry (Gregerson 2015). With Bezos not showing any signs of slowing down, 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 progression from the original Amazon Kindle, the Kindle Fire has experienced upgrades from 2012 through 2017.

Each new version upgrade has sought to improve screen resolution and processor speed changing the Kindle Fire from just an e-reader to a high-resolution video streamer. Without the ability to download movie and TV shows like the other tablets and a noticeably smaller selection of apps, 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 to download/stream video via Netflix, Hulu, and Amazon's own Prime Video subscriptions. Despite competition with Roku, Apple TV, and Google's Chromecast flat screen video streaming plug-in, Amazon's Fire Stick has succeeded to do what Amazon has sought all along; continue to increase Amazon digital content sales and Amazon Prime subscriptions. That puts the Fire Tablet in an interesting place. Amazon has always sold the tablet as a loss-leader as consumers were expected to create stronger revenue through downloaded Amazon Prime's digital content sales. 2016's \$49 price tag made it "Amazon's best-selling tablet of all time"; which the tablet continues to sell at (Carnoy 2016)" However, "overall sales of all tablets have continued to slip. Since fourth

quarter of 2016, shipments had dropped 20percent, year over year” (Heater 2017).

As annual sales continue to fall for iPad, Galaxy, and Fire tablet, each company continues manufacturing and selling them. No company wants to be the first to pull the plug on tablet production and risk losing digital download revenue and market share to their competitors. Apple has the Apple Store, Galaxy has Google Play, and Amazon has Amazon. However, Amazon's 2017 gamble to include the Alexa voice recognition features proved successful. Amazon tablet sales increased as consumers sought this upgrade. However, now that Amazon's Alexa voice recognition is available as the flagship component in Amazon's Echo and Dot products, consumers have again slowed purchases of Fire tablets.

Also, as sales of e-books continue, the novelty of tablets as e-readers may be nearing an end. “ E-readers, which was once a promising category, saw its sales peak in 2011. Its success was short-lived, as it spiraled downwards within a year with the entry of tablets” (Kottasová 2017). So, the lingering critical question deciding the fate of the Kindle Fire Amazon must face again is, ‘ can Amazon come up with another breakthrough tablet app like Alexa?’ If so, then Amazon should continue production of Fire tablets with a new breakthrough app and expect an increase in sales. If not, and if inexpensive tablet sales continue to drop, Amazon should discontinue the Fire tablet and put full effort into the gadgets consumers have migrated to, cell phones and flat screen televisions. Amazon first attempted this migration to the cell phone market when it launched its failed Fire cell phone of 2014.

Unfortunately, Fire phone's failure to include many customer favorite apps was a kiss of death.

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