

Amazon case syudy

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



AMAZON. COM Q. 1: A. Analyze Amazon. com using the competitive forces and value chain models. Five competitive forces shape fate of firm According to Porter's Five Forces Model, in my opinion, competition has increased overall as a result of the internet and e-Commerce. The internet and IT has made it possible to both focus on the top and bottom lines and market share is expanded and costs are cut. Many products and services exist just online, major companies have gone online to successfully augment the brick and mortar corporations, and the playing field is all the way to edges of cyberspace, wherever that is Traditional competitors

Amazon has strong competitors like online retailing stores and a large number of physical stores(Books, Grocery, Electronics, Video games etc). Examples : Barnes & Noble, Inc. , Wal-Mart. com USA, LLC (privately held), Catalog & Mail Order Houses High – As search engines are becoming the first choice for consumers when shopping on-line e. g. Google. This increases the opportunities for other retailers. High – There is an increasing amount of dotcom companies due to the little capital needed to start up. Smaller niche affiliate online stores when combined create even more competition

New market entrants Threat of new entrants is high when it is easy for new competition to enter the market. As the technology is increasing and facilitating the businesses more and more so it is becoming easier for any business to start online retailing operations. Low – For online established retailers a strong brand image generates consumer trust. Low - Economies of scale – Retailers that have refined technology and processes and are able to buy in bulk can offer the lowest prices. This is a major competitive advantage as there is much choice online.

Low - Strong experience in the online retail industry gives e-retailers advantages in terms of cost and customer loyalty. High - Capital requirement entry is a low for online businesses' as cost of lease premises is minimal. Substitute products and services High - Physical stores and touch, feel, hear factors. High - Renting products online instead of buying them is increasing in popularity. This is a major concern for Amazon in their book sales as online retailers such as Textbookflix. com and BookRenter. com are providing much cheaper options than buying.

High - The internet is a " Global Market", consumers can substitute any product by purchasing from companies overseas where products are cheaper, but of good quality. Low - Catalogue/mail order although not as popular still a substitute to online buying. Customers/Buyers High - There is a large variety of online shops and comparison websites to compare best prices. Buyer power is higher when buyers have more choices. Businesses are forced to add value to their products and services to get loyalty. Many loyalty programs include excellent services that customers demand on-line.

Customers want to solve their problems and many times they are more successful on-line than on-phone. Also, we see internet savvy businesses springing up offering more valuable goods and services at lower costs. Now with the advent of eBay, many people are assuming roles as drop shippers. Individuals can have a thriving business selling goods of larger companies without having to carry inventory. Suppliers Low - For standardized products that are easily available supplier power will be low. High - Specialized

products and brands increase switching costs for buyers so the suppliers have higher power.

With Amazon products such as the Harry Potter books are exclusive from publisher. High - Online shops making it easier for publishers/ brands to sell directly to consumers without a third party (e. g. Blackwell's), suppliers may not need Amazon. High - If there is a concentration of suppliers for certain products in the industry rather than fragmented. Low - Global shipping has increased the amount of suppliers available. Value Chain The value chain analysis undertaken examines the operational effectiveness of activities that enable Amazon. com to perform better than its competitors. Amazon. com configures its value chain activities to create unique value for customers, reduce its costs of carrying out these activities and reduce the cost of its customers' transactions. SUPPORT ACTIVITIES Firm Infrastructure Huge central customer data warehouse available to all business units. Central planning function. Amazon. com has a single Technology platform with services being incrementally distributed to other worldwide locations, thus reducing costs by leveraging investments. Human Resource Management Amazon. com offers employees unique benefits such as medical, paid time off and stock grants and relocation allowances. Such a strategy means warehouses could be located in economically cheaper areas yet these benefits can attract highly skilled workers. For example in Kentucky, Amazon. com offers a decent rate of pay of about \$11 - \$12 thus reducing cost of labour. Amazon. com sources expertise from highly experienced workers from other competitors such as Walmart. Technology Development

High investments in technology development to leverage new but unknown opportunities in digital sales of music, books and videos.

For example being able to quickly digitize media for direct online sales/download or for “ Search inside the book” service. Using standard hardware systems from HP to reduce cost of maintenance and compatibility Building an IT strategy, IT infrastructure and Data Centre on Linux open source software thus reducing cost of technology development. Renting computing resources to other companies reduce total cost of Ownership Procurement Using the Strategic Business Unit – BookSurge to keep a rich inventory of digital copies of books so as to make this readily available for customers through print-on-demand and reduce time of delivery.

Specially built distribution centres, warehouses and fulfillment centres to increase the speed of order processing thus avoiding transaction costs.

PRIMARY ACTIVITIES Inbound logistics Highly reduced returns to suppliers (such as unsold books and media) due to available accurate forecasting technology Laseter et al (2000). Efficiently gathering information about customer experiences to inform service inputs and inventory controls.

Operations Easy and fast payment systems Online customer contact and feedback. 24hour warehouse operations to meet customer demands.

Outbound logistics Close proximity to motorways e. g.

UK Fulfilment Centre in Bedfordshire located next to M1. Ability to aggregate orders bound for specific locations. Marketing & Sales Discounts and price reductions made available with suggested product mixes. Similar products recommended to customers interactively. Interactive shipping and parceling

price calculations. Free delivery based on single transaction spend. Service Free returns policy within 30 days. Uses marketplace to increase channel and range of goods through 3rd parties and customers. Price comparison of new products with used products in marketplace shops. B. How has it responded to pressures from its competitive environment?

They responded with a continuous innovation in business strategy and information systems. Its business innovations are all driven by huge investments in information systems. There were three million titles in print, and any one physical bookstore could only stock a fraction of them. A “virtual” bookstore offers a much larger selection of titles. Amazon.com was able to charge lower prices than physical bookstores because it maintained very little of its own inventory (relying instead on distributors) and did not have to pay for maintaining physical storefronts or a large retail sales staff.

Amazon also introduced Amazon.com Auctions (similar to those offered by eBay), and zShops (online storefronts for small retailers). To service these new product lines, Amazon significantly expanded its warehouse and distribution capabilities and hired large numbers of employees. C. How does it provide value to its customers? In 1995, former investment banker Jeff Bezos took advantage of new business opportunities created by the Internet by setting up a Web site to sell books directly to customers online. Amazon.com provided online synopses, tables of contents, and reviews to help with selection.

Amazon tried to provide superior customer service through e-mail and telephone customer support, automated order confirmation, online tracking

and shipping information, and the ability to pay for purchases with a single click of the mouse using credit card and personal information a customer had provided during a previous purchase. This was called “ 1-Click” express shopping, and it made the shopping experience even more convenient. Q. 2: Describe Amazon’s evolving business strategy? Amazon has changed its strategy for the last 13 years.

They started from a way to sell books over the internet directly to customers, They offered so many things with time as : a. A much larger selection and lower prices b. Great customer support via telephone and e-mail c. Customer’s ability to connect with real people d. The creation of “ 1-click” shopping e. In 1998 began selling music and video products They set a goal of being a biggest virtual retail company. Their scope includes lean inventories, low head count, and significant cost savings over traditional bookstores and other retail competitors.

Also in early 2000 they lowered prices, gave free shipping, and offered e-commerce to customers in order to increase profit. They improved their efficiency and became a profitable corporation. Q. 3: Why did the company change its strategy? Amazon kept changing its strategy throughout its existence to compete better. To be a successful player in the market a company especially an online retailer needs to have the ability to adjust according the changing situation of the market. Due to continue adjustments in its business strategy Amazon was able to get profits in less than ten years and getting a continuous profit in the recent years.

They changed their strategy timely and in order to keep the company growing they need to change the business strategy according to the current market and by keeping in view the competitors. Q. 4: Do you think Amazon can continue to be successful? Explain your answer. Amazon is one of the biggest online retailing companies and is famous for providing textbooks and reading materials for purchase. People do not surf on the internet in great deal to find another online retailing company because Amazon has created an image in the minds of the users and they are confident that they will get a great deal at Amazon.

Personally I would gladly use Amazon as it has developed a trust level over the years. As far as the success of Amazon is concerned I think Amazon will keep getting success in the future and they will continue to deliver for their investors. If the senior management is flexible and creative they will be able to adjust in any economic situation. There will always be a great number of students and other people who need books and other reading materials. Amazon with a good history and good steady revenue and customers also support my point more solid in regards to their continual success.