

# Amazon kindle swot and five forces



## **5. 1 Porter’s Five Competitive Forces Analysis:**

The manufacturing process in online book industry is relatively simple, even though deploying the highly modernized technology which means to have fewer entry barriers. Moreover, the pages made by E Ink Corporation are electronically displayed on Amazon Kindle like in Sony e-reader, irex, iPod, etc. However, there is a huge challenge to persuade more book publishers so that more books can be accessed on the Kindle. Due to being immature the E-book industry is facing uncertain pricing standards in the market and thus there is too much price distinction exists with respect to different models of e- readers, but the prices of Kindle is relatively higher than others such as Sony, Apple, etc. Apart from that the e-book industry has been receiving very low customer support and the manufacturers are instead of growing their businesses always seeking to steal the customers of others. The bargaining power of the supplier is mainly obtained from the accessibility to substitutes, number of suppliers, and the switching expenses to other inputs. Therefore, the Amazon Kindle involves two major inputs such as screen and system technology. E Ink Corporation develops the technology for the display of the electronic screen on Kindle and for many other e-readers. As the electronic paper is quite new in the market which means there are not so many substitutes and firms in this field. Furthermore, it means E Ink possesses a very little supplier bargaining power with respect to Amazon Kindle which might be changed in future based on the level of advancement reveals in electronic paper technology and the reputation of Kindle. The Kindle users do not pay any connection charges/fee because Amazon itself pays it, but the coverage of kindle is relatively very restricted. However, the

bargaining power of book publishers is extremely noteworthy because Kindle is worthless in the absence of e-books. Amazon takes approval from publishers before converting their books and for one title of a book there is a strong amount of monopoly exists among different book publishers and, which means Amazon has to pay them monopoly charges. In this context, the book publisher causes an influence on the bargaining power of the supplier because of having the authority as which book should be accessible on the Kindle. Moreover, the book publishers can also restrict the Amazon to convert their books for avoiding any unlawful copying. The bargaining power of Kindle users is very low, and it is obtained from the worth of an item for a buyer and the convenience of changing to another competing item.

Therefore, the Kindle and other e-reader manufacturers have to comply with the Digital rights management system which safeguards the available e-books of not being transferred to another e-reader from Kindle and it enhances the switching expenses as well. As the E-readers are still immature in the market which means it does not change the bargaining power of its buyers, but in the future once its market is fully grown then the bargaining power of buyers will significantly be reduced. Despite the online bookstores, libraries, Google books and E-Book websites are the major substitutes to Amazon Kindle that need the computer applications, but Amazon Kindle does not need it because the wireless connection of Kindle enables its users to buy straight from Kindle shop and the books can be accessed within 60 seconds instead of waiting or queuing up in the shops/libraries. Moreover, the electronic pages on its screen are highly suitable for eyes and can be adjusted to any font size. Despite the substitutes of Kindle are offering

relatively more e-books, but still because of its unique policy of Digital Rights Management it is more reputable than its substitutes (Mcafee, 2002)

## **5. 2 SWOT ANALYSIS:**

### **5. 2. 1 (S)trengths:**

Amazon has a well flourished market where it has been offering multi range of products such as books, software, videos, and even clothes, etc. Apart from selling the paper books now Amazon has launched its kindle store to enable its users to buy online by using the same website configuration and searching tools, etc. Therefore, for attracting more customers Amazon is agreeing with plenty of book publishers to make available the latest titles of their books on its Kindle to provide a taste of library to readers.

### **5. 2. 2 (W)eaknesses:**

Virtually, many products from Amazon are still immature in the market which means having no prior experience in manufacturing and distributing the hardware. Due to this reason Amazon might have to face manufacturing challenges towards its products and even currently the biggest complaint of Amazon kindle is its keypad, which very often gets out of control.

### **5. 2. 3 (O)pportunities:**

Amazon has the opportunity to become the market leader and its Digital Rights Management policy can lead Amazon towards maximizing its profits by distributing the standardized reading contents. However, if the products of Amazon keep on satisfying the needs of its customers, then in future Amazon will have a big share in E-Book industry.

### **5. 2. 4 (T)hreats:**

The advertisement and pricing strategies of Amazon are highly ineffective compared with its competitors. Apart from that its delivery and distribution system is also unreliable as well and the E-Book piracy has become an epidemic disease in book industry. In addition, the major bookstores such as Borders and Barnes & Nobles are not supporting E-Book industry any more.

### **6. 0 RECOMMENDATIONS:**

In this chapter, the researcher has been presenting his suggestions and recommendations.

Although the e-book industry is already facing strong competition, advertisements can contribute a lot in this regard. Virtually, Amazon Kindle has only adopted fewer channels for its advertisements such as the emails and old mailing system, etc. The Amazon must undertake the modernized way of advertisement such as the regular advertisement in daily newspapers, weekly magazines, TV and radios, etc. Apart from that they should develop the links with different schools, colleges and universities for increasing the familiarity of their brand. When books are converted to e-readers then the book publishers who cause a great influence normally receive more percentage of profit that means Amazon gets only a small percentage of profits. So for achieving more profits Amazon should reduce the book conversion and should establish agreements with hardware focused businesses in order to offer the best quality hardware to enlarge its customer base. Amazon should also adopt consistent pricing standards and despite its current initiative to reduce the price of its kindle by \$40 is very wise, but still the kindle price needs to be dropped further for acquiring more customer

support. Apart from that Amazon should not curtail the prices of its e-books excessively because already its books have lower prices than the paper books in the market.

Amazon should employ the fully trained human resource staff like Yahoo initially employed very good staff that led Yahoo towards getting huge popularity and success. Apart from that Amazon should improve their manufacturing, delivering, distributing and repairing services to make their products faultless and accessible to customers. Most importantly Amazon should persuade more overseas publishers for participation because presently it has a reduced number of publishers which means a very limited number of foreign books can be accessed on Kindle.

## **7.0 CONCLUSION:**

This chapter is summarizing the whole discussion surrounding the purpose of the study by highlighting the results revealed in the research. However, some recommendations and suggestions have also been mentioned.

After conducting an empirical analysis of Kindle customers, there is an imperative need to summarize our discussion. As a matter of fact, paper books are in the market for the last many centuries in contrast to the e-books which came to our attention a few decades ago. In this context paper book should have received greater public support and economic gains, which eventually led towards the discovery of e-books. Undeniably, the idea of e-books has been generated from paper books because both types of books share many identical characteristics despite the difference in their reading format and page display. Nevertheless, now the requirements of book

readers have changed dramatically because of demanding more efficient and effective sources for accessing the reading material so the book publishers have to meet their requirements by embracing all these challenges. In this regard, we need to note the fact that the sales of e-books were increased by 71% during 2002-2009, which justifies as how significantly now e-books are prevailing. Generally, E-book means to convert the paper book into an electronic format which can be accessible from anywhere in the world without losing the pages and waiting at shops/libraries, etc. However, there are many assumptions regarding the adoption of books because many readers still support the paper books by saying that paper books are the natural style of reading which provide a tremendous amount of physical and psychological benefits, but without considering the drawbacks of paper production such as carbon emissions. Moreover, another favourable assumption of paper books underlines a fact that the paper books have been printing out in every part of the world, but e-readers are only available in few countries, which mean that the whole population of readers has not been benefiting from e-books. However, to a certain extent, the e-readers are unreliable because of having limited coverage and even a minor mishandling can disturb the reading contents on it. Thus, the paper books are long-lasting and are not based on the unreliable electronic system. On the other hand, the followers of e-books believe that e-books are harmless to the environment because of not involving printing, binding, postage, and shipping expenses that are also favourable to the book businesses as well to maximize their profits by reducing all unnecessary expenses. Traditionally, book publishing was restricted within certain areas and therefore, the book publishers were unable to analyze the market circumstances and the

customer needs. Consequently, the book publishers have to either close their businesses or expand them with heavy investments by opening different branches or stores at various places. Nevertheless, that traditional style of book business has been replaced with the modernized style of business, which combines the internet strategies with the book business to bring the nearness between the readers and the publishers.

Amazon was found by Mr. Jeff Bezos in 1994, which introduced its first online bookstore in 1995. It has also been operating its business in many countries such as United Kingdom, Japan, China, France and Germany, etc. In 2007, Amazon had introduced its first ever e-reader the Amazon Kindle to take the share of market and despite the fact of receiving an incredible amount of public support it is still young in the market. There can be two main reasons either the book readers are still not willing to leave paper books or the e-readers before Kindle must have established more enlarged customer base. However, as the e-book industry is fairly new, which means Amazon Kindle is having few numbers of substitutes, but having a strong influence on the bargaining power of the publishers. Amazon has also to take permission from the publishers as which book should be converted to Kindle and therefore, have to follow the Digital Rights Management system to protect the copyrights of the converted books. Due to being committed in providing the latest titles of book Amazon has been following a unique strategy to offer a fully customized manner by launching its book searching tools and email announcements to its customers. Amazon is also confident of satisfying its partner book retailers such as Barnes & nobles, Borders, and Google by complying with all legal formalities for preventing book piracy and



substandard reading material. However, there is an imperative need to follow some effective ways of advertisement and consistent pricing strategy to confront its competitors. Despite Amazon Kindle is suffering from some weaknesses, but still it has been boosting the relations between the publishers and their customers by supplying them with the reliable reading material to prevent book piracy.