

The kindle fire: amazon's heated battle for the tablet market essay sample

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It seems ambiguous whether the Kindle Fire can be categorized as a tablet or e-reader. Nowadays, these two terms are looking and performing quite similarly thus making it difficult to tell them apart. There are some important differences between the two that will prove useful in making this distinction. The first is screen size as the Kindle Fire has a 7-inch screen, which is consistent with most other e-readers. In contrast, tablets come in a range of sizes but some of the more popular ones such as the i-Pad can have 10-inch screens. Another key differentiator is the software in each product; the i-Pad runs on the iOS, which has extensive online stores that have thousands of apps. They allow for a lot of options when you can have the option to download a second web browser outside of the one pre-installed.

The Kindle Fire runs a special proprietary version of Android owned by Amazon with fewer features and available apps. In my opinion, the Kindle Fire lies somewhere in-between an e-reader and tablet. It has the look and feel and an e-reader and caters to their once dominant customer segment. However, with its innovated features including Amazon Silk (a cloud-based web browser), the Kindle Fire steps closer to the functionalities of a tablet. Although competing tablets such as the i-Pad are deemed 'high-end' in terms of operating system and technical capabilities, the Kindle Fire has made steps closer to being classified a tablet.

Amazon has faced numerous competitions since introducing the new Kindle Fire. CEO Jeff Bezos hopes to capitalize on a risky pricing model for his new product. By understanding the external environment, Bezos will provide

himself with the best chance in succeeding with his ambitious leap of faith into his consumers.

a) To position the Kindle Fire against the iPad and other tablets in the market, CEO Jeff Bezos must clearly understand the similarities and differences between the products and companies. One key difference that must be addressed is that the Kindle Fire was innovated from an e-reader while the iPad and other competing tablets were innovated from a computer or mobile device. Although the Kindle Fire has innovated to have more web-surfing capabilities, Amazon needs to position itself differently than their competitors by focusing on its functionality and providing an all-in-one product that leverages all their new differentiators such as Amazon Silk. Based on their pricing model to offer the Kindle Fire as a loss leader, the management is hugely dependent on attracting consumer to their online retail store and generates sales through content and commerce revenue. I do not believe the company needs to position itself directly against the iPad as the significant difference in price will make it an attractive option for lower to middle-income consumers over the iPad.

Furthermore, the B&N Nook tablet proves to be more of a concern in terms of positioning as the two products have evolved along side each other in the same market of selling hardcover books. Although they both have similar specs and functionalities, Bezos needs to position the Kindle Fire to satisfy their own content and services while the Nook will continue to outsource their innovation and product design. The unique product development capabilities of Amazon make it a lot easier to differentiate themselves from a similar

competitor with similar positions in the mind of consumers. b) The traditional Kindle e-reader still holds strong within the minds of avid readers and bookworms for its ability to wirelessly purchase books and magazines. When positioning the Kindle Fire against e-readers, the company needs to be careful to not promote cannibalization among its existing products.

Like any new product launch, the company needs to differentiate the Fire as revolutionary Amazon product that caters to a larger target market. The move toward a web-enabled tablet caters toward those tech-savvy student customers who are reading more and more online. c) Based on facts from the case, I believe that Amazon will need to position itself with a focus on e-readers instead of directly competing with high-quality tablet products. It is obvious that the company has made a move toward tapping into tablet market by creating an affordable option with more web-based capabilities. Leveraging the cloud-based resources and unique features such as Amazon Silk, the Kindle Fire has potential to indirectly steal market share from Apple by being a cheaper and more affordable option. Furthermore, the convenience of consolidating many of Amazon's different products into one (Amazon Prime, AWS and the app store), will make the Kindle Fire an attractive option against other e-readers such as the Nook.

The initial Kindle Fire launch had broad aims in entering the market in order to learn, which customer segments would respond most favorably to the new product. The several target segments the company can consider include: media junkies, children & mobile gamers and higher education. Without a doubt, there are pros and cons to each market segment and deciding the

best option can be quite difficult. After analyzing these segments and the product offerings of the Kindle Fire, the higher education target market seems to be the most attractive. Given the origin being primarily a product to facilitate convenient and accessible reading, attracting the education market would lead to the more consistent and profitable growth in the long run. The investment in establishing business-to-business partnerships with colleges, universities and their bookstores will be complex given the need for strategic management and punctuality in distributing and updating e-texts.

However, students will always need textbooks and are always looking for convenient ways to save money and stress regarding their academics. The opportunity to channel all school material into one device seems to be a meaningful option, not to mention students being tech-savvy where adoption has a likely chance gaining traction. The Kindle Fire has already positioned itself as a more attractive option for consumers in terms of saving money on their tablet purchase; the opportunity to steal back some of the e-textbook market from B&N would be possible. Other students and I who look at the B&N product can be quick to assume the product is a copycat to the Kindle Fire (or Kindle in general) and that the innovation by the company was not genuine in nature. Amazon has a history of being a leader with innovation. The need to update existing file formats to make this all possible will make students will feel they can get more value with their Kindle Fire (both in short/long term) by having the other successful Amazon products at their disposal when using the product.

a) The Kindle Fire has demonstrated that despite a risky strategy of being a loss leader in hardware revenue, Amazon is able to make up for this with significant revenue in content, commerce and advertising. Through a financial analysis considering all revenue streams, Amazon was able to generate \$ 4, 179, 807, 726. 00 in revenue and \$822, 544, 608 in profit. Digital content and incremental commerce profits contributed to the majority of the growth over the three-year span and stresses the importance of Amazon sticking to their roots and encouraging sales that feed the Amazon ecosystem. b) Without a doubt the Kindle Fire is a success based on the three-year financial analysis I have created.

The company proved that the hardware involved in making the product is not what makes the Kindle so attractive. Clearly, the availability and accessibility of purchasing online content and the convenience other sub-products (such as Amazon Prime) are contributing to the overall prosperity of the company. It is obvious that the cheaper price relative to competitors such as the i-Pad, lured enough people in to either invest or re-invest in the new Kindle Fire. Besides price, functionality of the product was innovated to include features that made it similar to how consumers use the i-Pad (web browsing and more computer related functions) whilst still encouraging online content, commerce and application sales. The Kindle Fire was a success in that it achieved the overall marketing goals of generating positive numbers, despite their risky pricing model. The product did a great job of innovating to satisfy its current e-reader consumers as well as putting up a fight in winning over consumers as a new player in the tablet market.

a) Given the financials created for this case, the numbers and profit predict that over the three-year period suggest that making money on hardware sales is not crucial to the prosperity of the company. At a price of \$199, Amazon was able to push hardware sales to sky rocketing levels by being a loss leader. The ultimate strategy was that the device was being sold to customers with the express purpose of linking them to the Kindle reader and Kindle store. In essence, the ones who buy the device are doing so with the intent of using it with Amazon services. They will be freer to integrate their services into the end product without customers complaining that they can't remove the apps. The question is will a subsidy of \$99 be enough for the hardware to be justified. I believe that by offering the Kindle at an even lower price than what it currently is, the company will be able to push out even more devices into the hands of consumers. Given the expected return for other revenue streams, I think the price \$99 for a Kindle will lead to significantly more sales in hardware which in turn cascade to further increase sales in content, commerce and application sales.

The assumptions and calculations made on a three-year kindle life suggest that this strategy has great opportunity to be successful. b) The number of customers needed to make the subsidy worthwhile can be hard to approximate. The success of the move would be dependent on the amount of customers who will be drawn in to a two-year contract. I want to predict that it will be a quite popular given the immediate success in Q4. Consumers who invest in a Kindle or related tablet will have the product for more than two years and be viewed as a longer time purchase. The fact that so many

consumers were already willing to pay at \$199 (for a longer than two year purchase) tells me that this opportunity can grow even more than the current aggressive pricing model.

If I were Apple's CEO, I would definitely be concerned with future market share in the tablet industry given its significantly lower price. To combat this, Apple should come out with a new product at a reduced price from the iPad 2. Amazon will ship an estimated 3.9 million units of the device in the 4th quarter of this year, which would put them in about second place in terms of market share of units shipped. Apple has a commanding share of the market in the fourth quarter. While the industry awaits apples response, the overall tablet market is set to explode in the coming years. Publishers should note that the trend of readers moving to digital formats is accelerating and for competitors not prevalent in this market, they will need to get there in a hurry to catch a piece of the pie.

This is how consumers are going to be reading for the most part in the future and it will be critical for Apple to launch a smaller more affordable version of the iPad that caters toward a more e-reader functionality. It is clear that Apple and Amazon are working in opposite direction; Kindle innovating to become closer to a tablet and Apple needing to come up with a similar version of an e-reader. Although Kindle does not pose a threat in terms of losing majority market share for tablets, the history for innovation within Amazon poses a big threat to Apple in the long run. As people (particularly students) move towards e-textbooks, Apple will need to ensure they are right on track with Amazon in developing a compatible product to fit these needs.