

# Vrio analysis of amazon, nokia, shai zamir, dan saguy



**ASSIGN  
BUSTER**

Its' headquarters is in Seattle, Washington, United States. It is the world's largest online retailer, with different websites for large countries. Amazon was founded by Jeff Bezos in 1994 (the site went online in 1995). It started as an online bookstore, but soon diversified, selling DVDs, Music, software, games, electronics, apparel, furniture, food, and toys.

From a papermill company founded almost 150 years ago, Nokia is a multinational communications corporation that is headquartered in Finland and engaged in the market of manufacturing of mobile devices and in converging Internet and communications industries, with over 132, 000 employees in 120 countries, sales in more than 150 countries and global annual revenue of over €42 billion and operating profit of €2 billion as of 2010. Nokia produces a wide range of mobile devices and offers Internet services such as applications, games, music, maps, media and messaging through its OVI platform. Its global device market share was 23% in the second quarter 2011.

**VRIO analysis** The VRIO framework is the foundation for internal analysis and it begins with the identification of resources and capabilities. Resources can be tangible and intangible; capabilities may have such characteristics as well. VRIO analysis is a way to distinguish resources and capabilities from core competencies. Specifically, VRIO analysis should show the importance of value, rarity, inimitability, and organization as building blocks of competitive advantage. In our assignment we will try to analyze 4 resources and one capability for each of the companies which we choose previously: Amazon and Nokia.

## **VRIO analysis for Amazon and Nokia comparing 5 resources**

Resource 1: Brand name Value Amazon. com is a strong brand name (rated #14 in 2011 most valuable brands). Amazon is well known for their low prices and excellent service what leads to a significant advantage over the competitors. The experience that Amazon has in the arena makes its brand name valuable to the firm.

Rarity Most of Amazon's competitors are relatively small and their brand names are not worldwide recognized. There are few competitors which possess a highly recognized brand name. Ebay is the most significant player (and also the market leader). By strengthening their customer service and distribution resources, Amazon is constantly nurturing their brand name and it is continuously eating away its' competitors market share (see graph eBay vs. Amazon). Amazon's brand name is a rare resource.

Inimitability Amazon's brand name is one of the strong resources of the company. Internet buyers will probably visit Amazon. com during the shopping process. The firm's reputation speaks for itself and it is hard for smaller competitors to position themselves anywhere close to the brand name of Amazon due to the cost disadvantage that they will face in acquiring or substituting this resource (mostly advertising and marketing costs). EBay is the only competitor who possesses strong brand name that competes with Amazon which its brand name is inimitable in the arena of online selling.

Organization Amazon has the organizational capability to exploit their solid brand name. The firm identified that this resource is a competitive

advantage and use it (under the famous logo) to attract suppliers, buyers, publishers and partners. Amazon produces value from its brand name which its performance is above normal.

Value Nokia's brand name value has decreased in the last years (from #5 in 2007 to #81 in 2011 most valuable brands); especially due to the bad performance demonstrated in the Smartphone market. Nevertheless, it is still a strong brand in the world. Nokia is a highly trusted brand, especially in terms of low cost efficient mobile phones, thus ensuring Nokia's strong performance in emerging markets. This is an extremely valuable resource for Nokia on the one hand; on the other it presents a challenge in the coming years.

Rarity Nokia's brand name is not rare. In the mobile phone manufacturing industry the other competitors have strong brands as well: Samsung, Apple, Sony Erickson, HTC, Motorola, LG are all strong brands in the arena.

Resource 2: Distribution network Value Amazon. com started as an online bookseller and its popularity resulted in a company that sells almost any good we can think of. Over the years Amazon was able to develop a massive distribution network with suppliers on one end and customers on the other that is very hard to compete with. Other sellers from different arenas decided to collaborate with Amazon so they will be able to sell variety of products to millions of customers around the globe. The distribution network resource is valuable for Amazon because it allows the firm to exploit opportunities and negate threats in the environment of online selling.

**Rarity** Amazon's distribution network, selling millions of different products to millions of different customers throughout the world, is a vast network, and one of Amazon's key resources. There are many online sellers that have distribution networks but none of them is as wide as the distribution network of Amazon, therefore we consider it as being rare. In fact many other companies (some of them used to compete with Amazon such as toys r us) use Amazon services to send their own merchandise because they are not accustomed to shipping so much diverse merchandise directly to individuals.

**Inimitability** Amazon's distribution network is very difficult to imitate due to the cost disadvantage that competitors will face in acquiring or substituting this resource. As mentioned before, many competitors have decided to reach their online customers indirectly and collaborate with Amazon in order to gain more value from their enormous distribution network, a process that leads to a competitive advantage for Amazon (if you can't beat them- join them).

**Organization** Since distribution is one of Amazon's main core activities, Amazon have the organizational capability to exploit the resource that they developed through the years, capture new markets and continuously increase their market share. Amazon's ability to capture any value that the distribution network might generate, determines that this resource is effective and leads to a competitive advantage and to performance of above normal.

**Value** Nokia also has very strong distribution network and is continuously putting in effort in maintaining strong supplier relations, relations with

cellular operators. This is significant factor in Nokia's strategy since it doesn't sell directly to customers (B2B business).

Rarity Nokia's network is not rare. There are other strong names in the industry with strong distribution channels: Samsung, Apple, Sony Erickson, to name some.

Resource 3: Online store Value This is Amazon's most significant tangible resource, and therefore an effective online store is crucial for its business. Amazon was one of the first players in the arena and is one of the biggest online sellers, second only to EBay. Amazon's online store makes it easy for the firm to penetrate massive markets and gain profits – any value that this resource generates is captured into the firm and this is why this resource is highly valuable to the firm.

Rarity There are many online sellers with online stores for many products. Amazon. com offers wide range of products; nevertheless those products can be found in numerous online stores. The platform of online selling is widely possessed by other competitors what makes this resource not rare. The competitive application is competitive parity and the performance is normal.

Nokia was late to identify the opportunity in selling online content directly to customers (movies, music, apps, games). Its' online store (Store. ovi. com) does not have enough activity or traffic, and it could not negate the threat of the Apple iTunes or Android market stores. We conclude that it is resource is not valuable to the firm.

Resource 4: Customer Service Value Despite its massive growth, Amazon.com remains unremittingly focused on the consumer. Out of 452 of the company goals in 2009, 360 directly affected customer experience. The company's marketing strategy has focused on constantly improving customer service (rather than advertising for example). Amazon's customer service is considered to be top of the line, and Amazon is continuously ranked in surveys as one of the top ten companies in customer satisfaction. The company's massive growth is attributed to this focus on the customers which remain faithful to Amazon and continue to return, thus generating revenue and value.

Rarity In the online e-commerce arena, Amazon possess an advantage over its' competitors with exceptional customer service. Some of the features it offers are unique to the company- for example, a special policy returning products, and excellent warranty terms. We therefore consider this resource to be rare.

Imitability As exceptional as it is, excellent customer service is obtainable and is part of the company's priorities. Not to say this resource will not have a cost, but this cost will not lead to a disadvantage, on the contrary.

Value Nokia does have a customer service but this is not a core resource of the company, and doesn't generate value. It operates in a B2B atmosphere which supports resellers and not directly to the consumers. There are no physical centers, but usually a local number which directs you to the local supplier in charge of fixing the phones. Unlike Apple, which has apple stores

in which you can fix your phone on the spot (if they can't fix it they even replace it immediately). .

Capability 5: Pricing Value Amazon has a reputation for offering the lowest prices in most of the products. This gives Amazon a great advantage over its' competitors and creates value for the company. The low pricing is achievable due to the strong positioning of the firm.

Rarity Amazon is not the only company online with a low price policy. Seeing that it sells a huge variety of products, it will not always offer the lowest price.

Value Nokia has a wide portfolio of different price products what leads to an advantage at the developing markets where demand for inexpensive phones is high. Offering the consumers high quality products for low cost is an efficient way to create more value for the company (these are also connected to customer satisfaction and brand loyalty).

Rarity The low price strategy used to be controlled by Nokia in the mobile phone industry. This has aided Nokia in capturing a very large market share in emerging markets (more than 50% market share in India and China) when there are few competitors in the market with low cost products that were also from a trusted brand name. However today this situation has changed, and known competitors have entered the market with low cost phones and Nokia is slowly losing its advantage and market share. This is why we cannot determine that the capability of low-pricing is rare regarding Nokia.



Summary It is very hard to compare resources within two different industries. Each industry has its' own implications for the same resources. Nevertheless, there are some conclusions we can derive from the comparison We couldn't identify any of Nokia's resources as a competitive advantage. We can link this to the decreasing reputation that Nokia is experiencing in the mobile industry. On the other hand, we can see Amazon's resources such as brand name and distribution network, as valuable resources that are rare, difficult to imitate, and implemented into the organization. This gives Amazon more than one competitive advantage, and it is source for maintaining its' position as a leading player.