

Analysis of amazon's business model

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



A business model is a plan which determines that how an organization will generate revenue and how it will create and capture value. A business model has nine building blocks- For organizations like Amazon, which are into diverse businesses, it is difficult to have a single business-model as it cannot describe all its business activities. The business model for Amazon is a combination of various business-models and Amazon's working is dependent on this complex combination. The manner in which these several models fit together helps to generate value in the long run. A business-model shall be effective only when it has the capability to provide value to all the stakeholders. There are 4 ways in which Amazon makes money:

- Retail

Amazon's major revenue comes from its retail business that is by direct selling of products to consumers on their website. They order products in bulk to its wholesalers and so it gets discounts on them which helps it to sell its products at a cheaper rate than the competitors in the market. The low-priced products of Amazon are a great attraction for its consumers. They have an efficient inventory management system, that utilizes strategic positions of warehouses to gain competitive advantage in storage and shipping from those networks of warehouses. Amazon has developed its own products and it also sells them on their website.

- Amazon Market Place

Amazon Market Place is a medium that allows a company to sell its products through Amazon's website. The companies that want to sell

products to other consumers can hire a service called Fulfillment by Amazon. And this service provides storing, packaging and shipping of the company's goods from the warehouses of Amazon. These companies have the benefit of making use of Amazon's top-class transportation network. They earn commission from each of the company's sales.

- Amazon Web Services

Through Amazon Web Services (AWS), Amazon provides cloud services to a lot of companies for a minimum subscription fee. It provided information technology (IT) infrastructure to firms that can be extended at a low cost as and when needed by the companies. Through AWS, customers can access a firm's data from any computer at any point in time, all it needs is an internet connection.

- Amazon's Prime

Amazon offers membership to Amazon lovers for a subscription-fee of \$79 annually. Amazon Prime offers various services to its members such as free 2-day shipping on its products, streaming services through Prime Music, Prime Video and the kindle, Amazon Photos which provides unlimited storage for photographs and so on.

Amazon's Business models can be classified as:

- Business-to-Consumer

The Business-to-consumer model has been the first basic business-model of Amazon, where the products are sold directly to the consumers through their website. Amazon provides its own products as

well such as kindle, Echo, Alexa to customers. Apart from its products, it provides services like Amazon Prime. Amazon's model has been emerging since its inception from B2C to B2B. Amazon has aimed at providing different kinds of services to customers as well as enterprises.

- Business-to-Business

Amazon has begun to provide a large amount of services to businesses that is other enterprises, which is its B2B model. Amazon allows companies to form their own page on its site wherein they can show the products to consumers and Amazon earns a fee per subscription or per transaction. Amazon Payments is a service that allows businesses to receive payments from customers who already consist of an Amazon account. Businesses can make use of Amazon Supply service to buy shipping material, office material and other industrial supplies from Amazon.

Fulfillment by Amazon provides packaging and shipping services to businesses. Amazon's business model can further be understood as pure click business model because it has presence in online market only and did not have any physical stores. But since 2016, Amazon has shifted to click and mortar stores with its automated Amazon Go stores. The first Amazon Go store was opened in company's building and recently they have opened a few stores in Seattle, Washington and Chicago. Over the years, Amazon has been evolving and expanding into various segments and that is why they have shifted from one business-model to another.