

Compare and contrast two successful global companies commerce essay



**ASSIGN
BUSTER**

In this paper we shall evaluate, compare and contrast two successful global companies: UPS and Amazon. com. UPS is the world's largest package delivery company and a leading global provider of specialized transportation and logistics services (UPS, n. d.). It continues to diversify in its product offering. UPS is the third largest employer in the US and has been operating for the last 103 years. On the other hand, Amazon. com is one of the successful survivors of the internet boom in the late 90s. By 2008 Amazon had become a global brand with other 76 million active customers' accounts and had earned itself the reputation of offering earth's biggest selection of books.

Being a company that was founded in 1995, it is not surprising that Amazon. com is still led by its visionary founder Jeffrey Bezos. Amazon. com has a small management core that co-ordinates a virtual/boundary less organisational structure that has been necessitated by the nature of its business. UPS on the other hand is run by a highly centralized management committee that is mostly organized into functions. At the global level we find business units. Both organizations though are structurally organized to enhance efficiency along their supply chains. According to Lambert and Cooper (2000):

One of the most significant paradigm shifts of modern business management is that individual businesses no longer compete as solely autonomous entities, but rather as supply chains (p. 65).

Further, in this emerging competitive environment, the ultimate success of the single business will depend on management's ability to integrate the

company's intricate network of business relationships (Lambert & Cooper, 2000). The two companies differ here in that whereas UPS owns most of its supply chain operations as epitomized by its 400, 000 employees, 600 plus airplanes, more than 90, 000 delivery trucks and 72, 000 retail outlets Amazon. com manages its supply chain through a network of partnerships with companies such as Toys R' Us and Borders in the US, and Waterstones in the UK etc.

Indeed, as new technologies provide opportunities to radically change business and industry economics, the need to frame strategy and its execution...has become increasingly important...for executives and entrepreneurs who are searching for opportunities to create and exploit game-changing innovations (Applegate, 2008, p. 21).

Information Technology (IT) has been central to both organizations though manifested differently in their strategies. For UPS, IT has been the potential change factor for the last decade. By building up their IT network and database capacity through such innovations as ' eLogistics' and ' UPS OnLine Tools' the company was able to redefine its core business through what Varian (2003) refers to as new combinations of productive means.

The case for Amazon. com is different because it is an e-business where IT is a fundamental component. Nevertheless, Amazon. com has been able to develop proprietary technologies with the functionality and features that simplify and improve there customer shopping experience. It is this that made the organisation to prosper while other dot-coms failed. Amazon. com has been able to achieve awareness, customer loyalty and repeat purchases,

a form of customer lock-in According to Varian (2003) this tactic by Amazon.com reduces dispersion of willingness to pay, which is a form of price discrimination and increases barriers to entry.

When we look at the effect of Porter's five forces to these two companies we are enabled to understand their strategic intents better. In the case of UPS we see a highly competitive industry with strong brands to compete against such as FedEx, DHL and US Postal Service. The few strong brand names, high fixed costs, trade tariffs and international regulations make entry into this industry difficult thus reducing threat of new entrants. Buyer power is moderate in spite of the low switching costs for customers because individually they are too small to have an impact. Threat of substitutes is low considering that few competitors can match UPS's airfreight. The biggest threat for UPS comes in the form of strong supplier power. This is manifested through labor problems, fuel costs and capacity constraints for example UPS reported a fourth-quarter 2007 net loss of \$2.58 billion mainly due to a \$6.1 billion pension-related charge.

For Amazon.com industry rivalry is also high especially with such competitors like eBay, Barnes & Noble and Wal-Mart, high threat of substitutes from specialist e-commerce sites e.g. Apple iTunes store for music downloads and low power of suppliers such as publishers who find competition with online companies so expensive and challenging that they prefer entering into partnerships. Though the capital expenditure required to enter into e-commerce is low Amazon.com has been able to reduce threat of new entrants through demand side benefits of scale, development of

proprietary technologies, brand identity and effective and efficient distribution channels. According to Porter (2008):

Demand side benefits of scale arise in industries where a buyer's willingness to pay a company's product increases with the number of other buyers who also patronize the company (p. 4)

The future performance projections for UPS for at least the next five years should be high considering that the company has been able to successfully transform itself from one oriented towards becoming the leading package delivery company into an enablers of global e-commerce. In spite of this the company has also successfully maintained its strong culture that has made it have a low rate of employee turnover throughout its history. The firm's commitment to continual development of game changing business models e. g. leasing its call center capacity to a customers, supporting and managing entire back-end systems for corporations like Nike etc, and its quick embracing of new technologies are bound to keep UPS very competitive for the near future.

Amazon. com though is in a less predictable industry where disruptive technologies have the ability to change the entire industry overnight. Moreover, e-commerce aspiring entrants armed with new capacity and hungry for market share could easily ratchet up the investment required for Amazon. com to stay in business (Porter, 2008) which is not the case for UPS's industry. Customers in this industry are also more fickle as their online experience evolves and could easily be drawn to substitute offerings.

Nevertheless, we cannot take away Amazon. com's relentlessly focus on

customer experience and customer loyalty which enabled them survive the dot-com bubble burst. With the visionary founder till at the helm we should expect Amazon. com to maintain its competitive edge.