

Strategic business management and planning for amazon



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1. INTRODUCTION

Strategic management can be defined as “ the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company’s objective”(Pearce, J. A and Robinson, R. B., Strategic management: formulation, implementation and control, McGraw-Hill)

This essay is based on the study of Amazon. com. I started by talking about the E-commerce and a brief history of Amazon. Then I moved on to the strategic thinking of the founder of Amazon, Jeff Bezos, and the strategies he used to make Amazon so successful and the strategy implementation. To analyse the company I used PESTLE and SWOT analysis. Financial ratios are used to analyse the company’s financial position and financial performance. Finally I conclude the essay by giving my suggestions about the company’s future. The material is taken from different journals, articles and books and all the material is properly referenced.

2. AMAZON. COM (AN E-COMMERCE GIANT)

E-commerce is extremely competitive and dynamic market. Firm in this market is constantly changing and challenges. He and his strategy in order to investigate the change of life and has to compete with rivals. important factor is customer service and satisfaction.

Amazon is the first company who started online book retailing service. “ The name has become synonymous with e-commerce and is one of the few Internet brands recognised the world over(The Economist 2000). Amazon’s superior customer service is one of the secrets behind its success; I would argue it also has a first mover advantage. ” First movers or pioneering firms
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enjoy higher market share derived from substantial and enduring sales advantage". (Robinson, 1988) and (Lambkin, 1988). The Amazon. com model is very simple and beguilingly attractive (Fortune, 1997). According to the Amazon model: expensive inventory and brick and mortar warehouse are not needed by the new age retailer and all that is needed is a website to present a face to greet customers and takes their orders. Other parties handle the capital-intensive aspects of stocking inventory.

Why Amazon. com

I will continue to amazon. com because it is a little different and various people are not aware of this, he worked as a search engine as well. Would you like to listen to Britney Spears? (After all, one has to!) and type you are looking for new albums. Based only type of research can take account of the Amazon to work almost 100% of the time. Amazon Books, CDs, DVDs and video works well because it is what we call a " uniquely identified. users can easily find a unique item identified, because they know what they want.

BUSINESS STRATEGIC PLANING (MODELS, CONCEPTS AND TOOLS)

Strategic planning is to create a vision for the future management and direction to life. He has acted in accordance with the mission statement that focuses on the umbrella business organizations. This is an effective procedure to determine its short-term results with long-term goals.

Strategic planning answers three big questions:

- Where are we now?

- Where are we in the future?

- What should be the focus now, so that it is more likely that we would be where we want to be in the future?

This is a simple process with the incredible power of your organization and to bridge the gap between long-term vision and day-to-day tactical switch gap.

What to answer three basic questions that the teams develop action plans for their first step in that direction - now! Now it is the daily, weekly, monthly, and during this quarter.

Design team processes are as valuable as the plan. (Some states have become even more important.) Single-manager will try to implement your company time and tried to run away and sit down to create a vision, mission, strategy and goals. such plans are generally very good, all very intuitive and smart CEO. As an alternative, the Director-General may hire a planning consultant. The hard truth is that the best plan is one that would indeed be implemented. This is why the plan, the team always beat the team plan. If you're in the middle of the short-term crisis, as all out to promote a new product out the door you'll have to wait until every member of the planning team will be suspended for two days.

On the other hand, if you are a long-term crisis - for months - planning meeting is a great opportunity to make a few steps back, and the choice of situations. Maybe the only way out of crisis mode to invest in changing the status quo, improving infrastructure, developing new markets, new products, creating a competitive strategy that will replace the team above their heads, to set the legacy products, markets, customers and employees share.

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Strategic planning is not about predicting the future, read the crystal ball, or call psychic hotline. Strategic planning is to ask what future actions will be developed in the future they want. If you will be in five years?

- Not where you think you will.
- There is no place that you would predict.
- Where do you want to be.

JEFF BEZOS – STRATEGIC THINKING

Schuler and Jackson, 1987 classify business strategy into three types: cost reduction, innovation and quality enhancement (source: Schuler and Jackson, 1987). I agree with Jackson and Schüller (1987), when Bezos was innovative and use it as a strategy. But it does not only focus on innovation and growth, and expand your knowledge not only helps to a large market share but also to compete with rivals, as well as a major player in an alliance.. As according to Porter and Fuller : “ By strategic alliance firms gain the benefits of economies of scale, access to scarce knowledge and skills and spread the risks of research and innovation”. (Porter and Fuller, 1986)

At one place during his interview, Jeff Bezos says, “ Our vision is that we want to be the worlds most customer -centric company and a place where people can come to find and discover anything they might want to buy online”. (Hof and Robert D, 1999) and “ we are not a book company, we are not a music company, we are not a video company we are not an auctions company: we are customer company” (Hof and Robert D, 1999).

As the online marketing and sales, insurance transactions are very curious as to why customers want to buy online. Jeff Bezos attention to the safety and security of customer transactions increased confidence and self belief.

Customers' personal information, including name, address and credit card information is encrypted, which is impossible to read and can be safely travel over the Internet, resulting in increased customer facilities.

Bezos believes the sign, taking into account the interests of business success. This is why it is named after the Amazon river in the world to become the world's largest online bookstore, and we see this day. This is not surprising given the fact that the company spends approximately 40 per cent of its revenue on brand building (Margolis, 1999) due to its firm belief that customers first and foremost look for trusted brands when they deal online (Hof and Hemelstein, 1999).

Competitive Advantage

Competitive advantage is a factor, or combination of factors that the organization is more successful than other organizations in a competitive environment, and can not be easily copied by its competitors.

Strategy Process of Amazon. Com

In the search for sources of sustainable competitive advantage, JEFF BEZOS has realized that business performance depends not only on the formulation and successful implementation of a given strategy but also on the process by which competitive positions are created or maintained.

(i) Innovation:

The main strategy used by Jeff Bezos is customer-focused innovation. As Pearson and Robinson (2000) argue that “some firms find it profitable to make innovation their grand strategy”. (Pearson and Robinson 2000). That’s why he had great focus on continuous innovation, by introducing new technologies to enhance customer experience. Because customers expect continuous change and new products and services. Bezos believed in innovation as a key to success and to compete with competitors. According to (Pearson and Robinson, 2000) “most growth oriented firms appreciate the need to be innovative” (Pearson and Robinson 2000). According to Bob de Wit and Ronley (1998) “innovation requires brooding, tinkering, experimentation, testing and patience, as new ideas grow and take shape” (Bob de Wit and Ronley, 1998). Rigid and continuous innovation in the electronic commerce has been Amazon’s heritage.

(ii) Diversification:

Another strategy Jeff Bezos used for the Amazon is diversification. He used both product diversification and business diversification. From time to time he introduced new products in order to meet customers needs and demands. That’s the reason today Amazon has millions of customers who visit the website and satisfy their needs. According to Pearson and Robinson (2000) “firms seek balance in their portfolios between current business with cyclical sales and acquired business with counter cyclical sales between high-cash/low opportunity and low-cash/high opportunity businesses or between debt-free and highly leveraged business” (Pearson and Robinson 2000). I agree with Pearson and Robinson (2000), since Bezos had seen opportunity and <https://assignbuster.com/strategic-business-management-and-planning-for-amazon/>

growth in new businesses e-g, toys, jewellery, games and health and beauty etc. Bezos is seen quite successful in the business diversification, which obvious from his popularity of current business position. As Johnson and Scholes (1993) argue that “ firms which diversify by building on their core business do better than those who diversify in an unrelated way” (Johnson and Scholes, 1993).

(iii) Human resource strategy:

Human resource plays important role in the success of a business. As Pearson and Robinson (2000) states that “ a firms ability to attract and hold capable employees is essential to its success” (Pearson and Robinson, 2000). Bezos had great focus on strengthening of management team and for this he appointed many senior managers and directors from time to time. Since business strategy and HR strategy has a significant effect on the organization’s performance, so in order to achieve high performance, their must be linkage between these two strategies. Bezos is seen quite successful in doing this.

(iv) Acquisitions:

Another strategy Bezos used for the growth of the business is acquisitions. According to Pearson and Robinson (2000) “ the acquisitions of one or more similar firms eliminate competitors and provide the acquiring firm with access to new markets”

(Pearson and Robinson 2000). I do agree with Pearson and Robinson as Bezos acquired many firms to support expansion into the European market place. Bezos acquired many other dot COM companies providing different

services to its customers. I can argue Bezos this strategic thinking helped him to reduce competitors and made Amazon no 1 in the world.

(v) Joint ventures

Jeff Bezos also used joint ventures for the expansion and growth of his business. According to Bartlett et al (2004) “multinationals used joint ventures extensively as a way not only to navigate through bureaucratic processes but also to learn about new markets” (Bartlett et al, 2004).

Amazon had joint ventures with key Internet players, which provide a huge customer base and an opportunity to grow in the new markets. Bartlett et al (2004) argue that “executives look for growth in the big emerging markets, they tend quite naturally to focus on the size of the opportunity and the challenges that lie ahead” (Bartlett et al 2004). I think Bezos had joint ventures because he saw an opportunity for growth.

5. STRATEGY IMPLEMENTATION

“The successful implementation of strategies will require invariably require some degree of change in the organizations resource profile” (Johnson and Scholes, 1993). Jeff Bezos used innovation and continuous growth as main strategies in his business, which he achieved through continuous technology improvement and expansion in the form of acquisitions and joint ventures. It is seen that many strategies fail because of lack of management interest. It is vital that in order to implement a successful strategy, necessary resources should be allocated to it, also the internal and external factors play major role in the success of strategy. “It aren't what you do, it's the way that you do it- that's what gets results” (Anon, 2003). Jeff Bezos is quite successful in implementing the strategies at right time as “the timing of a strategy is <https://assignbuster.com/strategic-business-management-and-planning-for-amazon/>

vital, if one is to get in before a rival aiming for a market advantage with a similar idea” (Anon, 2003).

Amazon , the biggest online retailer in the world, is working harder to bolster its European Union presence through expanding its distribution network and reaching into new markets, the Financial Times reported. (Source: (CORPORATE IT UPDATE via COMTEX) — 4 January 2011)

Because of its strategic position in the region, it is much attracted by multinationals from all over the world including United States, and Germany etc.

Last year, Amazon added 11 distribution centres to its network and Goldman Sachs analysts say that all but two were located outside the US. According to their research, there were three European, five Chinese and one Japanese opening in 2010.

Amazon added an Italian website to the ones it operates in France, Germany and the UK, and acquired Spain-based Buyvip for nearly USD100m (EUR75m).

Amazon is currently boosting staff numbers in Luxembourg, where its European headquarters are based. The group is looking for experts in logistics and shipping to ensure the smooth progress of the expansion and raise the efficiency of the distribution network.

Technological Factors

- the biggest online shopping site and e-commerce one of the most widely known on the Internet. Jeff Bezos founded in 1995, it had 11 employees by year's end.
- Within four years, has more than 1, 600 employees and four million customers.
- 1990, Amazon has more than four million names of CDs, videotapes, DVDs and games for free.
- It is still a new business lines, including toys, electronics, software, electrical appliances and home improvement products, online auctions and services to increase data center
- (Amazon Elastic Computer Cloud) datacenter services from Amazon Web Services Amazon. com company developers. The server is running Windows Server, OpenSolaris, and various Linux operating systems and database applications and Web servers. " Amazon" programming interface (API), applications can be increased or decreased ability to process the request (the " flexible" in the title)

Amazon. com - Recent Key Inc.

April 7, 2010 Amazon launches beta version of new Internet services

March 18, 2010 Amazon. com ' s Kindle launch in March

March 12, 2010 Dr. Oswald, a product released to the pharmacy musclicar

February 25, 2010 Amazon launched a new generation of e-book reader Kindle

February 23, 2010 Microsoft, Amazon. com patent cross-license, sale

Legal Factors

- The right questions to be appointed as Amazon. com, the e-tailor. (Robin Pilgrim, LawAndTax-News. com, London Friday, March 21, 2003). There are conflicts in the HP iPAQ Pocket PC cost. demand that the site took hours and when they return, low prices have been removed and replaced with the truth.

Environmental Factors

- In the Amazon, we are always looking for ways to reduce our environment.

- Buying online is generally more environmentally friendly than traditional retailing.

Is Amazon. com a model for the future of retailing?

E-commerce was invented by Benjamin Franklin in 1744, but they Mailorder time. The only difference between the catalog Franklin (who sold books) and Amazon. Amazon using the computer and wrote a letter to Franklin.

I remember when I first e-commerce, whatever. All I hear is “ no one intends to kill the store to go shopping .. no one to go to the center of it only. Sit at home and for what.” Wrong. Shopping is a social activity, is a big difference between sitting at home clicking around with your friends and get the center

of a cappuccino, get your nails and evaluating dressed funny. Or in the case, go to the tool department of Sears and cigar humidor shop.

Amazon and other e-retailers in place. The best way is to compare a number of objects in a very short period of time. What you can find things online that are available on the spot. But the future of retailing? No

AMAZON'S FUTURE (Nature, Scope and Need)

We see that though Amazon has a strong position in the market, but still there are weaknesses and threats that it is facing. " Surviving as well as establishing and maintaining a competitive position in the online market place requires a constant strategic re-orientation and organizational evolution" (EfthymiosConstantinides, 2004). According to Riolli-saltzman and Luthan" e-commerce companies can be successful if they combine future orientation with organizational adaptability and flexibility" (Riolli-saltzman and Luthan, 2000), Amazon needs to have constant change in business strategy as Kippenberger argued " strategy formulation is determined by time or circumstances" therefore there is no " one best way to form strategy". (Kippenberger, 1998)

Since online consumers are concern about the trust, so Amazon need to offer other communication channels e-g telephone, post etc. Customers trust can be build in this way. One can't say that it will become the Wal-mart of the Internet. Because its overall aim is to provide low cost products and services to customers and good relation with its suppliers, while " Wal-mart true strength has been its ability to squeeze suppliers" (Economist, 2000) and

also there is huge difference between the profitability of Amazon and Walmart.

Amazon needs to implement new marketing strategies that will help to increase customers base, awareness of product and services and strengthen the brand name. A continuous innovation through creating specialized software would be helpful to business.

Since human resource play an important role in the success of a business, so to motivate and retain employees, some sort of reward system not just for executives but for ordinary employees is also needed to be introduced and also the ability to attract and hire the qualified personnel.

There will always be a threat of competition, but if Bezos keep growing by making alliances and investments, this not only can drive the competitors out but will also help to maintain its position in the market. Finally to me Amazon's business model seems the right model and its future is bright.

CONCLUSION

From SWOT AND PESTEL analysis we see that Amazon. com has great advantage and strong position over its competitors. There are many opportunities to grow but also there is a need of a good business strategy to follow. The economic condition of Amazon. com is getting better after becoming the part of the European Union and the business is growing in the world. To me the future of Amazon looks bright and many development opportunities are available to it.