

Amazon swot analysis



**ASSIGN
BUSTER**

Amazon is an American electronic commerce company that has become an icon of internet business. Jeff Bezos founded the company in 1994 and launched it online in 1995 as an online bookstore. However, the logo soon became symbolic as they started to sell everything from A to Z. Time magazine names Bezos "1999 person of the year" and said, "Bezos' vision of the online retailing universe was so complete, his Amazon.com site so elegant and appealing that it became from day one the point of reference for anyone who had anything to sell online. In 2001, Amazon.com reported a fiscal loss and over a couple of years they laid off over 1000 workers. But, this setback did not discourage Bezos; instead he came up with the idea of joining forces with other retailers to sell their products online through Amazon.com. So, through hard work and determination Bezos has been able to turn the simple online bookstore from its early beginnings into the global phenomenon that is Amazon.com.

INTRODUCTION OF AMAZON:

Amazon is one of the largest "internet retailing" companies in the world, that sells from books to electronics to potential buyers from all over the country, it is well known to have cheaper prices for their items, and having great expertise in making sure their customers' needs are met at all times"

(Amazon, 1996-2010)

Amazon has been in business for so many years to where they will not be undersold to any other company that are trying to compete with them. The products are displayed with great "advertising" published with using the press release, competent customers who will invest their products to be displayed

through amazon to make money, and great policies that show lower rates, When the customer is needing for their product to shipped to them” (amazon, 1996-2010).

Amazon has always kept their prices to a minimum, to where most customers will use Them around the holidays, to have the products sent to their families that live in further Countries. There have been customers that apply for a “ career at amazon, making money Just sitting at home, waiting for potential buyers to show interest in wanting a great Quality product that they would not find cheaper at any other retail store, such as target, Sears, and toys R us” (amazon, 1996-2010).

Amazon has a type of behavior that it shows customer satisfaction as being no. 1, that if a product is defected, it would not cost anything to have it sent back to them. The product will be returned with one that is new and will have warranty.

SWOT ANALYSIS:;

Amazon. com has become the king of its own private little industry. The only problem with being the king is that everyone wants your throne. While Amazon. com has many strengths and opportunities it has threats and weaknesses, too.

STRENGTHS:

Well established web brand

1. Loyal customers base of over 12million shoppers

2. Distribution facilities to handle growth and fulfillment
3. Leader in use of technology to delivery targeted content
4. Excellent offline customer service
5. Amazon has moved away from being a low price supplier of books toward a focus on delivering outstanding service at a price,

WEAKNESSES:

Too much diversity in their product line and Amazon. com could risk damaging its brand name. There is the potential for confusing their clients

Shipping costs could be a deciding factor on whether a customer buys from Amazon. com or goes to a traditional store. More online retailers are offering free or discounted shipping and some, such as Wal-Mart, offer site-to-store free shipping.

- Need to restructure business to drive toward profitability has meant upward pressure on prices
- No offline brand presence

Insufficient community added value

No telephone support

OPPORTUNITIES:,

- Opportunity to establish itself as a global mass merchant leader in the online shopping arena
- Building community events around the brand would help create brand affinity as well as loyalty

- Establish 24x7 hour telephone support for customers and order processing
- Frequent shopper discounts will increase retention and repeat purchases
- Further offline partnerships can potentially help Amazon by allowing customers to return products offline stores.
- Amazon has an opportunity to Create a higher international market segment.

Also can make Strategic alliances with companies.

THREATS:,

- Competitors such as Barnes and Noble, eBay. com, and half. com.
- Book publishing companies could start up own website and get rid of the middleman companies
- The continuous changing of trends in the marketplace.
- Amazon's lack in-depth community leaves it exposed to customer being attracted to competitors with more in-depth content.

AMAZON. COM KEY SUCCESS STRATEGIES:,

CONTINUOUS INNOVATION

The areas of innovation shown by amazon was the use of collaborative filter technologies which allows customers to evaluate books on a one to five star rating system and browsers can rate which reviews are helpful and which are not. The site offers peep into books contents index and beginning pages with “ a search inside the book” feature that allows customers search the entire

text of 120 000 books- about as many times as are in Barnes & Nobles bookstore.

Amazon's . com one click shopping lets buyers make purchase with one click. Another innovation is the syndicated selling networks. Through this network or association, amazon. com has a cross product programme that enables those who visit those associate sites to purchase several titles across multiples product lines, from single source. In addition, almost all web search engines are members of the associate programme with hotlinks on the entry of every research page, it's like amazon. com has a store on every major mall around the wall, i. e. clever advertising

Amazon . com has also established itself as an electronic market place enabling merchants of all kinds to sell items on amazon. com. It powers and operates retail websites for Target, the NBA, Timex, Marks and Spencer.

Amazon. com cards offers every visitor the ability to send free cards to friends from its web site, these creates an opportunity to set new customers as well as keep current customer happy, because the recipients of the those cards must visit Amazon's website to view the personalized messages.

VALUE ADDED SERVICE TO CUSTOMERS

In a competitive environment, amazon. com has scaled through as a firm with the offer of value added service as its competitive advantage which includes courteous, personalised customer services.

Amazon. com personalised the storefronts for each customer by providing more useful information and more choices that could not be found in

<https://assignbuster.com/amazon-swot-analysis/>

neighbourhood bookstore. This Allows customers communication flows, information site on products, quality, praise, complaints, rating, featuring, description, reviews, comparison, discussion, problem report, information statistics, ranking prices, discount, e. t. c thereby building its customer relationship management (CRM). Through this (CRM) Amazon were able to record customers reading habits, buying habits and buying trend, which allows Amzon. com to offer different promotion and selling strategies tailored to meet customers demand and needs.

Amazons diversification into other types of services (music, video, home improvement and auction) also enhances their competitive advantage because all other services links back to them faster than their competitors can duplicate.

Amazon. com offers services beyond discount, for example; the ability of the site to allow students search book of related topics for their projects, search for books in foreign languages or out-of-print, provides information about its products— editorial contents in the form of reviews, interviews, excerpts, purchases', circles and related recommendation made for deeper exploration of the site, provide information for those who can't remember a book or video or are looking for a sound bit , but don't remember exactly what they want.

UNBEATBLE LOGISTICS

Amazon. com offering for fast, inexpensive shipping has helped the firm to overcome the lag between purchase and delivery of a product. For a \$79

annual fee, Amazon. com prime offers unlimited free express shipping for most items.

At amazon. com customers orders are handled in-house and to achieve this they established distribution centres and each distribution centre is equipped with the latest material-handling equipment technology. For instance, each distribution centre has a pick-to-light system which uses a terminal display mechanism to guide a worker through the picking and packing process; frequency technology is used to direct workers to warehouse locations with a radio signal, and voice technologies which allows computers to communicate instructions to workers.

2. Current Strategic Situation

Amazon's main resources and capabilities: ,

The presence of strong as well as effective leadership in today's organization imposes a great responsibility to the organization's team and management networks as leadership implies the overall capacity of the organization's performance like for instance, in terms of operations and research development. It can be said that Amazon's resources and capabilities can be divided in the management of the company specifically their leader which is Bezos, the ability of the management to effectively use strategic supply chain management and aligning it with their business process and information technology, their competitive advantage in the online market, and the financial resources that it gains through its successful approaches.

There are various resources in the enterprises such as human resources and customer resources. First of all, concerning human resources,

AMAZON COMPETITORS: ,

Amazon. com has major competition including such well known business as below

Ebay. com

EBay is Amazon. com's prime competition for its online auction services . EBay. com is also on the Internet and it is much larger than Amazon. com and offers live auctions and bidding for customers. Amazon and eBay all provide generally similar information, but additional information is provided based on the company's primary of sales method. Customer product reviews are one piece of extremely valuable data for making purchases that is provided by all three companies. One difference is that since Best Buy is a retailer that primarily focuses on driving sales through physical stores and they have a place where customers can go to physically touch and feel their products, they have the ability to provide information that is less extensive on their website

Barnes & Noble. com

Is an internet commerce branch of Barnes & Noble Inc. which includes physical bookstores that have been designed with comfort and convenience. It receives more than six million unique visitors per month to its Web site, www. bn. com. It is perhaps their largest competitor. Barnes and Nobles and Amazon. com are competing, but both stores and other online stores recognize what works and are studying one another - often duplicating one

<https://assignbuster.com/amazon-swot-analysis/>

another's business strategies. This has resulted in them having more similarities than differences and it helps the consumers find similarities across the Web such as;

When a description of an item is given, Amazon and Barnes and Nobles both place the shopping cart option prominently displayed to the upper, right portion of the screen. This makes it very efficient and useable for the viewer and they do not have to search around the page for this button. (Clementina Imobhio May 5, 2001)

In pricing, both Amazon. com and Barnesandnobles. com display the average price for their items above their own discounted rates so that the users feel as though they are saving money. (Clementina Imobhio May 5, 2001)

Both sites are " Flexible", there is an option of buying things at a later date and placing them in the shopping cart temporarily. This option is called the wish list and it is displayed just beneath the " Add to Cart" button. Users can access this saved information and access it on their next visit. (Clementina Imobhio May 5, 2001)

Both sites offer " Security" that provides safe shopping, privacy and efficiency by requiring customers to join as members at a certain point during a transaction. Membership is free and requires an email address, full name, home address and phone number. It allowing customers to maintain an order status and helps provide a history of what they bought. (Clementina Imobhio May 5, 2001)

C) Wal-Mart. com

Wal-Mart has experienced success internationally because of its ability to transport the company's unique culture and effective retailing concepts to each new country. They respond to customer needs, merchandise preferences and local suppliers.

Business strategies that have helped Amazon. com to enhance its competitive advantage are -

The first strategy, cost-leadership is pursued by Amazon. com by differentiating itself primarily on the basis of price. Due to this strategy, Amazon. com always makes sure that it offers the same quality products as other companies for a considerably less price.

Its third strategy is long-tail, Amazon only started the online retail business with books, but now it sells everything from toys to books and is looking in future to sell more and more products.

Unlike its competitor Amazon. com didn't maintain huge inventories of books; it relied on wholesalers to supply books on time. The most obvious benefit of this " just-in-time" procurement system was that it multiplied inventory turns and reduced working capital requirements. Amazon saved money on everything except people and computers. Amazon's investment in computer technology was focused on software rather than hardware. In that sense Amazon. com's business strategy involved maintaining " Unique resources", its people.

Amazon did more than just sell books; It also provided a range of services including information about books: interviews with authors, book reviews and

recommendations from other customers and media, links to other sites, new release information and more.

Stakeholder Analysis: .

A) . Government Agencies - The Federal Communications Commission, is a commission that defines the broadband to meet customer broad communication needs and desires.

B. Labor Unions - Since Amazon is an online buying center, there are no labor unions. These unions exist when there are enough in center employees to need protection as an employee.

C. Completing Organizations - In the technical products and systems market, competitors are looking towards opportunities to get ahead of others. The best thing for Amazon is to push forward ahead of the competition because of their diverse background and continue their surge for new customers.

D. Employees - Failure to remain competitive will affect the employees. The president is about making cost cuts to improve profits which in turn will cut the salary of current employees. Layoffs are the first method most often in making cost cuts.

E. Suppliers - The suppliers for this company include the sellers that offer their personal products for sale, as well as the partnerships Amazon formed.

F. Customers - Amazon. com caters to people of all ages and discretions. These customers include seniors, baby boomers, generation X, and generation Y. Each group have a percentage in the population of customers with tastes for different products

3. Strategic Direction for the future

Strategic Management

The main area we will look at is Amazons strategic management capabilities, we will look at the External factors that have influenced Amazons strategy and the Opportunities and Threats this industry poses. We will also look at the strengths and weaknesses that Amazon have to address these threats and take advantage of the opportunities presented to them

Firstly it is necessary to conduct an external analysis of the environment that may have influenced Amazons strategic management decision. We will look at the PEST analysis model that may have influenced Amazons strategic planning. The main two external factors that influenced Amazons strategies were

Political - These factors address legal issues such as trading laws etc. The low sales tax in Seattle was one of the factors that encouraged Amazon to set up their first distribution center

Technological Factors - Introduction of new technology can create new markets. The main reason for Amazon setting up an online store was the growth in the use of the world wide web technologies and their ability to offer a flexible service online.

Ansoff matrix:

Amazon seem to have chosen two of the four growth strategies:

1. Market Development - through the opening of distribution centers and the launching of websites in the UK and Germany Amazon offered their existing goods and services for sale in new markets.

2. Product Development - through the acquisition of several online companies such as pets.com and drugstore.com Amazon could offer new products for sale in their existing market

Based on these strategies the following mission statement has been formulated:

Our vision remains being the Earth's most customer centric company, the best place for customers to find and discover anything they want to buy online

In addition Amazon wish to achieve the objective to " become the best place to buy, find and discover any product or service available online". In line with this and the growth strategies adopted to do this Amazon will continue to enhance and broaden its brand, customer base and eCommerce expertise

Recommended Solution & Implementation

Technology Integration and R&D

Amazon.com should increase expenditure in the research and development arena. We believe that Amazon should prepare itself for additional telecommunications implementations such as high speed internet and network security. These types of implementation, though representative of

considerable R&D costs, are probably most significant factors that retailers must prepare for near future. As users, connections increase in speed, any delays on the part of the retailer they are connecting to will become obvious and less tolerable. Amazon can stay ahead of the pack by preparing a unique and comfortable interface for the users.

Strategic Cost Analysis

Amazon.com should also use Strategic cost analysis process where identify the firm's value chain, diagnose the key elements that drive the costs of each value activity, identify competitors value chains, develop a strategy to lower relative costs by controlling cost drivers, ensure that any cost reduction does not erode differentiation in service and test the cost reductions if its sustainable in the end of the analysis.

Differentiation

They should also consider by costs by determining Differentiation where the process goes as determine who the real buyer is, identify buyer's value chain and put in rank order the buyer's reason to purchase, assess the current potential sources of differentiation, identify the cost of these resources, design a value chain to maximize value relative costs, test for sustainability and reduce costs in activities that do not affect the chosen forms of differentiation.

Inventory;

There are programs built to be extremely user-friendly, and most offer great support along the way of usage for online businesses to maintain the book

<https://assignbuster.com/amazon-swot-analysis/>

database. Amazon should invest in software to best highlight and maintain the data on the site and importantly back up systems. Keep inventory accurate and up to date; This is also an important aspect that Amazon can out beat its competitors with as this is first step towards building a long-term relationship with that customer. Inventory of the books stock-out and sold out will be kept up to date on the site.

Visionary & Informative

A picture is worth a thousand words; Uploading pictures by decreasing explanations or descriptions could attract customer's attraction and curiosity in exploring the book. Somehow it boosts up sales compared to other online booksellers who give attention in words. Product Review Information; In case of books, editorial reviews are provided by the company and it applies for all books. Customers can also rate each other's review. A rating is placed against each review so that customers can decide whether to read or not based on that. Most online booksellers do not include this but they display the customer's satisfaction on the delivery service provided by them which is less important to boost up sales. People out there want to pay you for your books; Amazon should use own merchant service account or a service offered by a listing site, make sure that customers can buy books quickly and painlessly with a credit card while you have them on the brink of finalizing said purchase. Don't judge a book by its cover; First impressions are lasting impressions. When a customer receives the book they've ordered, make sure the first thing they see is a product and package that you are proud to have supplied by using use clean, new boxes without writing (or envelopes for low-cost paperbacks) for shipments. Customers will be expecting an excellent

service but if its vice versa then they are chances for them to switch to other online retailers.

Keep customers in the loop on everything;

Amazon should update the status of order to customers on the order made and also keep them in loop by e-mail the listing service directly with questions about their orders and keep updating the latest events and new stocks of books through emails.

Shipping & Delivery

Follow-up; After shipping out an item to the customer, Amazon should send them an e-mail a day or two after expecting that they'll receive their package, asking them if they've received it and are satisfied, and reminding them that their customer rep are there to help should they have any questions about their order. This is also a great time to remind them that you have similar items in stock or to offer them a coupon towards future purchases.

Expansion to Asia Region

Amazon should strive to expand its expertise to Asia region as well as high potentials are there which huge population. Education is becoming one important aspect in Asia and lack of important reference books are always a problem in many parts of Asia. It should diversify its marketing capability in Asia too to capture the market. Amazon is very less popular in Asia regions. Amazon.com should take Asia to consider for its business expansion.

Amazon could also diversify its marketing and research ability to expand

<https://assignbuster.com/amazon-swot-analysis/>

mostly to the developed countries of other territory. In order to grow big and always sustain in the market and competition, Amazon should takes this sort of steps to expand.

International Sites; Amazon. com has got an added advantage of international sites on Canada, United Kingdom, Germany, Japan, France and China. All about what the customers have to do to browse the site with their language is by clicking to their national site. For example, if you click Japan, immediately the whole website will change its descriptions and instructions into Japanese language. This is not at all applicable for a customer in Malaysia or any other regions of Asia. It should expand and add more languages options in its site to accumulate its customers. Giving customers what they want is also one strategy not all online business can do but if this can be proven in Amazon's case then it have all the potential to be the one.

Word-of mouth advertisement

Amazon also should increase its word-of mouth advertisement. This might seem odd for an industry leader to rely upon such a quaint tactics as this, but we truly believe that in the world of Internet this is a powerful tool. We are quick to visit sites that our friends identify as being fabulous, and Amazon might capitalize on this by rewarding its customers who can reel in a new prospects.

Expand the product lines

Amazon should expand its product lines. Given's Amazon's vision and its unique position in the etailer industry, the cost associated with entering new

markets is significantly lower than that of its competitors. There is no reasons to let this advantage slip away unused.

Conclusion

In order to stay focus on business Amazon. com has various ways and strategies that can be implemented with proper organizations communication networks. Financial reports should be reviewed annually and quarterly if necessary to come up with decisions whether to boost up sales or to maintain on a certain criteria for the wellness of business.

Amazon. com also should have a frequent customer feedback program where they could exchange view on the services and products most desired to be acquired online by customers. Top level management meetings should be initiated to assure goals are achieved. A proper corrective action should be determined after the first year if annual objectives weren't accomplished.

3) Recommendations

1. Develop and implement a B2B exchange for supplier's manufacturers, distributors, and retailers to use. Because the largest percentage of e-commerce sales resulted from transactions conducted on B2B exchanges, this opened up a large potential market for Amazon. com to expand into. The benefit of this alternative was that Amazon. com could easily market this service to its large number of affiliates and partners that it conducted business with.

2. Amazon should expand its online auctions. Amazon has a need for an intermediary in transactions and would be able to market this additional

service to both current customer base and use of personalized emails to new customers through advertising campaign. The benefit of this alternative is that Amazon. com would be expanding on an existing service offering and would not incur any developmental or startup expenses. This would work because of the prior experience of Amazon in expanding and marketing other product lines and services.

3. Develop an effective differentiating enterprise wide strategy to survive and prosper over the competition for the long-term future.

4. Amazon should use a web-based model to personalize service. Amazon should attempt to use personalization to “ build the right store for every customer.” Each customer has a web page personalized based on his or her recent purchases. This is the equivalent of having a unique storefront for each customer in hopes of drawing in as many return customers as possible.

5. Increase advertisement to increase brand awareness. Through a general advertising campaign, like television and print ads, Amazon would be able to market their service to current customers and new customers.

6. Create a location where people have access to the internet to do online shopping. This could be in an Amazon location in different cities. The cities could consist of major populated areas to start. If this idea is a success, then they could venture out to under populated areas.

Conclusion

Amazon. com is a public owned company, which focuses on employees and excellent services. It is team oriented organized by product. Amazon's web
<https://assignbuster.com/amazon-swot-analysis/>

site offers the ability to present a broad range of merchandise. Well organized and easy to navigate help and FAQ pages make the difference in smooth shopping experience. Building a customer community helps to keep customers coming back to the site. It also helps shoppers identify with the brand. Amazon has built a loyal customer base of millions, thanks to a highly efficient web buying experience and outstanding customer service. With some controlling interest in popular Web sites, word-of-mouth from users, the ease of communication using e-mail and options such as gift certificates, Amazon. com has created one of the most popular home-shopping sites today.