

ANALYZING THE AMAZON SUCCESS STRATEGIES

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Abstract: This paper aims to present the Amazon success strategies. Since the objective of the Company is to become the best place to buy, find and discover any product or service available online. Amazon.com will continue to enhance and broaden its brand, customer base and electronic commerce expertise with the goal of creating customers' preferred online shopping destination, in the United States and around the world.

Keywords: *companies, strategies, Amazon success strategies*

Literature Review

The Amazon success story started in July 1995 by Jeff Bezos a computer science and electrical engineering graduate from Princeton University. After his resignation from an investment Bank, he settled in Seattle and found what is now known as Amazon. Bezos did not know much about the Internet. However, "he came across a statistic that the Internet was growing at 2300%; this convinced him that this was a large growth opportunity". Amazon's choice of the location in Settle was obvious for its rich technological talent and the close proximity of the book wholesalers in Rosenberg.

Amazon came into being in July 1995 and was up to the public in 1997. It is claimed that Bezos was one of the few

individuals who understood the real power of E-commerce and the entire internet retail business. Under Amazon vision, Bezos injected two comprehensive ideas to the E-commerce and these are building the customer-centric company world over, and also creating an environment where customers could easily buy almost anything they wanted to buy. Indeed, his vision has been hugely achieved since 1995 (Hof, 2001).

Amazon.com's Objectives & Strategy

In its business model, Amazon.com has identified the following as key success factors. First of all, a strong brand name location. Then providing clients with marvelous value and a superior shopping knowledge. After that, considerable sales capacity. Finally, Realizing economies of scope and scale (Modi et al, 2000). Amazon.com's marketing strategy is designed to strengthen the Amazon brand name, increase customer traffic to the Amazon.com Web sites, build customer loyalty, encourage repeat purchases and develop incremental product and service revenue opportunities.

Customer- centric

Customer-centric involved asking customers what they wanted, and sorting out how their needs would be delivered to them, and in the end, delivering it to them. According to Bezos, that is the traditional term of customer-centric. And Amazon focused on this traditional view with success evidenced over the years.

The other meaning for customer-centric is innovation on behalf of the customers. According to Amazon, innovation simply means searching for what the customers don't know they want and delivering it to them. The third meaning is the personalization nature of the internet. In order to suite this third meaning of customer-centric, Amazon redesigned their store to suite each customer, by launching a 'your store service'. This translated this vision into reality. Amazon valued to deliver convenient, selected, services at a broadest price (Timothy et all, 2000).

Although critics thought that customer-centricism of any given company is the same with any other company, Amazon's customers has continued to rise over the years. And despite that Amazon began as a global bookstore, the company also intended to be a place where customers could buy anything online. Amazon moved its attention to very new category of products, which includes kitchen ware, tools, and Auctions (Wiggins, 2001).

Books as a means of customer-centricism & Innovation

Having started as a bookseller, Amazon remains a leader in selling all sorts of books in spite of having drifted into other products. Bezos indicates that books have huge items in the book market compared to other items in any given products. And as huge titles of books do emerge, they can be sorted, searched and organized by computers. He further stresses that the customer proposition is only done online. The internet has a huge

category of books, in contrast to the physical world (Hof, 2002).

In addition, Amazon claims that books are:

- Easy for Amazon to ship
- Provide basic information enabling them to sale on online storefronts with the information which may be in the form of
- Chapters
- Table of contents
- Editorial
- Customer reviews (Krishnamurthy, 2002).

On the other hand, Amazon added maximum value to the inefficient arrangement of the publishing industry in America. In the 1990s, the industry had;

- Concentrated on supply-publishers, printers and wholesalers.
- There was no key player on the retail position. Even the Barnes & Noble had as little as 11% of the American market.
- Publishers had guaranteed the sales of books, yet retailers could return a book not sold within the defined time frame.
- The business was unpredictable especially with the lack of stability on the sales.
- The retailers had a fixed cost for displaying the product in a brick and mortar environment. (Krishnamurthy, 2002).

The major competitor to Amazon in the book market was from Brick-and-clicks stores. These included BN.com and Barnes & Noble. Before Amazon came into being, BN.com had a number of competitive advantages ranging from, superior recognition of the Barnes & Noble brand name, to cross-marketing, co-promotion and customer acquisition programmers' both in the US and Europe. But come July 1995, Amazon trashed all these market advantages by enabling customers to browse over 4.5 million titles from their computers. This was a fantastic wave of success in E-commerce (Modi et all, 2000).

Table (1)
"SALES GROWTH (OR LOSS) SINCE 2004"

Company-s% All rounded	2011	2010	2009	2008	2007	2006	2005	2004
Barnes & Noble bookstores		N/A	-5%	-3%	+2%	+2%	+2%	+7%
Amazon Media(Books, Music, DVDs) North America	+16%	+15%	+11%	+16%	+29%	+17%	+18%	+14%
Borders/ Waldenbooks Books	N/A	-16%	-15%	-9%	-0%	-1%	+2%	+2%
BN.com		N/A	+24%	-2%	+9%	-1%	+5%	-2%

Source: <http://www.fonerbooks.com/booksale.htm>

Amazon's complete dominance in the book business online came very clearly by the capitulation of Borders. Amazon went on to create an alliance with the rival Borders. And borders battled in vain to match a web site competitive with Amazon. And eventually, borders had to release its employees and Amazon front-ended its online book market to this day (Hof, 1998).

Music

In June 1998, Amazon ventured into the music selling followed by DVDs and Videos in the same year. The very beginning in the music business, Amazon enjoyed a \$14.4 million profits. One of the reasons for Amazon's shift in its products especially into music may have been that the company had already established closeness with the customers with books. And leading them into another product like music was easy (Hansell, 2001). The other argument for the huge shift is that directing its attention into a variety of products would enable the company to be a

dominant retailer. Besides, it did become a very dominant retailer (Krishnamurthy, 2001). Amazon has amassed 132% profit in books, Music, and DVD sales between 2004 and 2011 (16% in 2011 alone).

Growth Abroad

Amazon now serves well over 152 countries worldwide. However, Amazon.com is the only bookseller in the world's top 500 websites. According to one market analyst report, "Amazon.com is estimated to have over 80% of the online bookstore market" (Modi et al, 2000: XI). As early as 1995 Amazon customers ranged from 45 different countries. With a global market at heart, Amazon launched one of the earliest sites in Germany and the UK. All the individual market's focus has been books, Music and videos. In England alone, Amazon UK has call centers in Brogborough, Bedfordshire, Peterborough, Don Caster, and Hemel Hempstead.

Governmental regulation and Legal uncertainties.

Currently, Amazon.com faces common business laws and regulations or regulations regarding access to online commerce in addition to taxation laws. For instance, expanding company's services distribution center network might result in additional sales and other tax obligations. Regulatory authorities may implement particular regulations and laws governing the online commerce or Internet. These regulations may cover pricing, copyrights, taxation, user privacy, content, distribution and features as well as quality of services and products. Changes in buyer protection laws furthermore may enforce additional burdens on enterprises conducting business online. These regulations or laws might impede the growing of the Internet or other online services. This could, in turn, reduce the request for Amazon's services and products in addition to increase Amazon's cost of doing business. Additionally, it is not clear how existing laws governing issues for instance sales and other taxes, property ownership, libel and personal privacy apply to the Internet and online commerce. Disapproving resolution of these issues may harm Amazon's business.

SWOT Analysis

Typically a SWOT Analysis will analyze the organization's strengths weaknesses and available opportunities and threats to its existence.

Applying SWOT Analysis to Amazon

Possible strengths:

- Amazon remains the greatest leader in E-commerce since 1995 through knowledge of its customers and providing the best possible E-retail world over.
- The company has raked a total of 132% of profits since 2004 well above the rest of the competitors on the book and music market.

Possible Weaknesses:

- With the unpredictable future e-retail and the growth of competitors with similar market approach, Amazon's future may be at a threat.
- Although Barnes & Noble seems to be behind Amazon in terms of sales and profits, time will tell how long they will remain behind.

Available opportunities:

- Amazon may continue to raise more markets in other countries worldwide to remain positioned on the E-commerce market that the company has enjoyed so much.

Threats:

E-commerce predictably changes every given time. There is a predictable threat a competitor to equal to Amazon will emerge crushing every bit Amazon has built over the years.

PESTAL analysis:

Technically, PESTAL analysis helps to understand the real effects of the company's external factors. These includes: Economical, Environmental, Political, Social, and Technological.

- A- Economic: with the current financial crises that has been ravaging the global finance since 2008 up until now, can rose a real danger to Amazon's market.
- B- Technology: Amazon should relentlessly continue to revamp its technology to the need of the modern revolution to survive.

Porter's Five Forces analysis:

Porter's five forces of Competition can be a helpful tool in analyzing a business. Those factors are: buyer power, supplier power, competition from substitutes, entrants, and rivals.

- ❖ Power of Buyer: clients that buy books in amazon.com tend to become standard customers due to the low prices that amazon.com can offer.

- ❖ **Power of Suppliers:** As Amazon continues to develop; its ability to agreement with suppliers will continue to rise.
- ❖ **Rivalry:** Amazon.com is one of the first companies into the electronic commerce field. This gives to amazon.com a positive altitude of tranquility into the marketplace.
- ❖ **Entry barriers:** With today's principal markets being less friendly toward new internet start-ups, it would be difficult for a new company to effectively compete with Amazon.
- ❖ **Threat of Substitution:** Amazon.com does not present threats of substitution at least in the short time (Carmany et al, 2003).

Conclusion

Amazon has become a house-hold name in both books and music industries. Its position among small competitors is way ahead. The company's ability cannot be doubted in both books and music selling for years to come. Amazon has successfully expanded and hugely profitable due to the provision of the best E-commerce ever, the knowledge of its customers and the longevity of the relationships with its customers. And these three aspects will undoubtedly keep Amazon afloat and remain a dominant retailer regardless of the threats from its competitors.

For the smaller firms, the road may be rough and unpleasant to keep up with Amazon. To remain on the market, they will have to re-invent themselves by providing E-retail equal to the competitive market. Without it, success for them remains on the horizon. They will also need to identify their customers and be able to keep them as long as possible to enable consistence.

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