

RUNNING HEAD: STRATEGY, ENTERPRISE AND INNOVATION

Case Study: Amazon

Name of Student

[Name of the Institution]

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Introduction

In 1995 Amazon was introduced as an online bookstore that has now grown and became the world largest online retailer platform. This biggest online platform now sells almost everything from electrical components to beauty products to free streaming of music or movies (Hahn, Kim and Youn, 2018). It focuses on ecommerce, digital streaming, and cloud computing and artificial intelligence (*These Tools Are Why Amazon Is Successful*, no date). In US, amazon is also listed as one of the big five companies in the information technology industry along with apple, Facebook, Google and Microsoft (Smith and Linden, 2017). The company is now known as the world most valuable brand having influence on cultural and economic forces around the globe. The founder of amazon Jeff Bezos created this company by insisting as customer centric business which revolve around customer needs and demands involving cheap, cost efficient products with easily selection on digital platform and convenient and efficient delivery options. There is no doubt that amazon has revolutionize the world's ecommerce business and efficient delivery system around the world (Hahn, Kim and Youn, 2018). Amazon, a company started from a revenue of thousands of dollars is now valued as a trillion dollar company. The company success was followed by blue ocean strategies that enables itself as sole leader of ecommerce market. Amazon encompasses various strategy framework, policies and models like porters generic strategies and frameworks as well as Ansoff matrix models which makes amazon todays multination trillionaire technology company.

Key Drivers contributing to success of Amazon

Since the beginning Amazon as a company has clear motive, vision and mission 'to be the biggest most customer centric and biggest selection of earth'. Innovation is an essential part in this increasingly aggressive business environment which a company had to adopt in order to survive. To be a competitive company, Amazon had to adopt various innovation frameworks which involves various strategies in marketing, hiring, infrastructure and includes many other objectives. Amazon started as online book store is now continuously expanding and dominating in major established industries of world known as undisputed king of innovation.

Taking account of Amazon, it is evident that the company also adopted innovative strategies framework like the new M and A playbook and Blue Ocean to name a few in order to compete and get ahead of other businesses. Amazon adopted one the popular innovation strategies like Blue Ocean, which is simply and effective strategy to develop and establish business in new markets (*What is Blue Ocean Strategy / About Blue Ocean Strategy*, no date). Compared to Red Ocean strategy where strategies represents currently existed industries and businesses with competitive rules, acceptable boundaries, and a limited share in the market, blue ocean refers to all business that are yet to be created which enables companies to establish their own demand business rather than fight over it. It is found that adopting this strategy is termed as profitable, fast enabling investors to put money to consider this unexplored business market space. Amazon never created new things in terms of products but changed the game of industry after being innovative and was ripe for disruption. Keeping this strategy in view, Amazon did not only build bookstores but also established an enterprise infrastructure to compete other businesses in the world. Apart from providing only ecommerce services Amazon blue strategies include

its kindle e-reading solution, amazon prime, drone delivery, one hour delivery and cloud base computing which makes amazon winner of uncontested space. The amazon kindle became only successfully e-reader. Amazon prime gives customer access to additional services including delivery options, streaming video and music. It was added that there are up to 100 million users of amazon prime globally. Moreover there were more than 150 million users of amazon prime video. Researchers found that globally, around 64 % of the household had subscribed to amazon prime services. In US, up to 40% of amazon prime user or members spent over \$1000 dollars annually on amazon site generating a whopping revenue to \$17.8 billion ('Popular Innovation Frameworks and How to Use Them', 2019)..

Amazon adopted the new M and A playbook framework which helps businesses understand and determine what to do with any new acquisitions. Since its inception Amazons had taken over all types of startups and businesses. According to professor Samina Karim at Northeastern D'Amore-Mackin school of business, ' for many business the acquisition question seems to be simple but under this innovation framework is broken down into two concepts : acquiring to continue or enhance the current state of working and wanting to do something different or expand entirely into a new venture' ('Popular Innovation Frameworks and How to Use Them', 2019). Amazon through acquisition has enhanced the current working state while also expanded business into other new ventures. Amazon expanded its business strategies in an array of different goals and invested in diverse range of markets and products making amazon a gargantuan conglomerate. In 2009 amazon acquired Zappos and Quidsi for \$1.2 billion and \$545 million which enhanced ecommerce business of amazon. According to Jose Luis de haro an economic journalist these acquisitions transformed and expanded amazon as an online retailer from

books to third party products. In 2012 amazon acquired robotics company kiva systems for \$775 million that helped in enhancing amazons packing and picking processes at his large warehouses. All three acquisitions helped amazon to do what exactly was required. The first two acquisition helped in acquiring amazon its name on online retailer service offering various goods and the third acquisition helped to pick and ship orders as quickly as possible. According to Deutsche Bank after four years of kiva system acquisition it was estimated that amazon had saved up to \$180 million. Other notable acquisitions include Whole foods market, Elemental technologies that help company to evolve and to adopt other businesses ventures like Amazon Web Services AWS contributing a whopping \$25.7 billion in amazon revenue.

Appropriate frameworks/models undertaken by amazon to shape its entrepreneurial vision and business model

Porter generic strategies

The Porter's strategic framework states that if a firm wanted to become successful it has to choose whether to narrow market segments or to target broad. this framework is targeted in differentiating company products and services with low cost from its competitors to gain advantage and achieve competitive advantage (Kim, Nam and Stimpert, 2004). According to Porter a firm can follow one or more of three basic generic strategies: market focus, cost leadership and differentiation. Back in 1994, the founder of Amazon was stunned after seeing 2300% growth of Internet which eventually led him to start his online business. The arrival of internet also created new rules and new business models as many studies suggest firm to adopt electronic commerce. Amazon was founded in a garage with the financial

help of \$245573. After three years the post- initial public offering IPO was estimated to roughly \$438 million. Gradually the startup evolved into a multinational corporation worth up to \$1.5 trillion becoming the second US Company to reach a trillion dollar evaluation behind Apple.

Cost leadership strategy

For many online business cost leadership can be a strategic option. It was adopted by firms like Expedia.com (travel industry) and barnernandnobles.com (book industry) (*Amazon.com Inc. 's Generic Strategy, Intensive Growth Strategies - Panmore Institute, no date*). Amazon also adopted this cost leadership for competitive advantage. In this strategy, minimization of operational cost was the sole objective. Amazon.com utilized advanced networking and computing technologies for operational efficiency resulting in minimized costs. The company benefitted itself from the process of automation which was generally used in operational process, scheduling and purchase processing. This was evident in acquisition of Zappos, Quidsi and kiva system to name a few (Payo, no date).

Differentiation strategy

This strategy is likely to be implemented by firm that is particularly based on customer convenience, customized services and products or customized online experience or combination of all. Amazon.com adopted this strategy by trying to reach repetitive purchases, prompted trust, reduced customer search cost, and provided services, products and online experience in accordance to customers need. From 8768 reviews Amazon had 4.25 stars consumer rating indicating that many of the customer are happy and satisfied from their purchases. Other feature that helped

in satisfying customers include amazon's customer service, free shipping and its prime member services which rank amazon as 5th among marketplace platforms.

Market focus strategy

In following market focus strategy a firm mainly concentrate on specific segments of the market. In order to differentiate themselves they rely either on differentiating their services and products or lowering their cost. Mainly this strategy is followed by small companies to compete against large and established firms. Amazon relied on both differentiating their products and services as well as lowering their cost through innovation which gave them a competitive advantage. Amazon primarily was a small firms that took advantage of market focus strategy to compete the established multinational retail corporation Walmart through it's digitalize enhanced and innovative ecommerce business.

Amazon's Ansoff matrix marketing model

Amazon determines its market strategy and product in accordance with Amazon Ansoff matrix which is a marketing planning model that helps cloud computing and Ecommerce Company (*Amazon Ansoff Matrix - Research-Methodology*, no date). In this marketing model there are four different strategies that are applied in a business. These strategies include diversification, market penetration, market development and product development.

The main strategy used by Amazon to excel in the ecommerce business is by using *market development*. It is the main objective of every firm to enter and excel in the market. Amazon.com is expanding with an unprecedendant speed and adding new countries on its business to offer its services. The company initially started in US and now it operates

in more than more than 10 countries including china, Canada, United Kingdom and India. With addition of each country the growth opportunities as well as sales revenue began to grow.

Market penetration is one the important business growth strategy applied by Amazon's ecommerce business. The objective of this strategy is to generate more and more revenue from the market where firm basically operates. With increasing consumers the revenue also increases. It is added that when consumers are more interested in purchasing through ecommerce it will benefit company with higher sales revenue. In US, market penetration is basically responsible for initial start and growth of the company. This strategy allows Amazon to give competitive advantage by penetrating into market based on low prices and costs.

For any firm *product development* plays crucial role as for Amazon Incorporation which develops and offers consumers with new variety of products in order to gain revenue as well as satisfied customers. The example of product development of companies is Amazon web services and Amazon basics products. With the help of company cost leadership strategies new products are launched and offered to consumers. This also increase intensive and increased investment in research and development department of the company for valuable rapid production and development of product and its release on the ecommerce market.

The last intensive growth strategies adopted by amazon is *diversification*. By following this approach company can grow a new business. For example amazon acquired Audible which was a platform and producer of audiobooks. This help in expanding the very basic startup by amazon i.e. online book store. Many other acquisitions are used by

the company by implementing diversification that can benefit consumers as well as the company. Many of the company ventures are associated with minimizing the company operating and selling costs and building a strong relationship with consumers.

Blue Ocean Strategy

It is asserted that Amazon's success is attributed to the successful application of the blue ocean strategy. The revolution in business strategy was launched by Professors Renee Mauborgne and W. Chan Kim who in their book 'Blue Ocean strategy: How to create uncontested market space and make competition irrelevant' suggests business and enterprises to search uncontested marketplace over competing market place (**Blue Ocean Strategy & Blue Ocean Shift Tools & Frameworks, no date**). Renee and Kim coined two terms i.e. Red Ocean and blue ocean. According to them red ocean constitutes all existing business in the market space where companies often try to compete by outperforming to obtain a greater share of the market revenue. As the competitions between businesses are cutthroat competition that's why it is referred as 'red'. On the other hand blue oceans refers to all businesses that are nonexistence or unknown in the existed market space. It is referred as blue as businesses may very like an ocean powerful, vast and deep in terms of profitable growth and opportunity (**Red Ocean vs Blue Ocean, no date**).

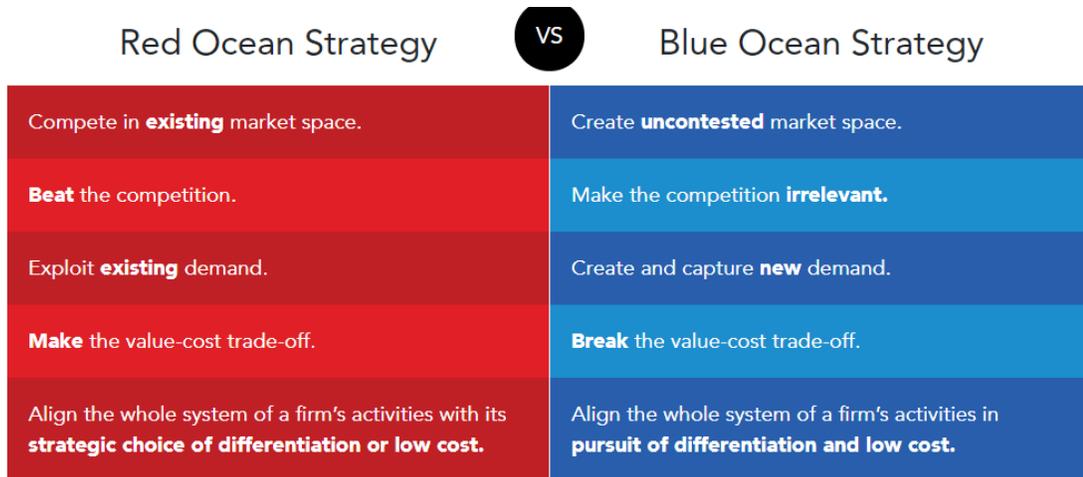


Figure 1 blue vs. red ocean strategy (Red Ocean vs Blue Ocean, no date)

Amazon is created on the basis of blue ocean strategy. This strategy keeps on pursuit of creating a low cost different business in the market. Jeff Bezos was fascinated by seeing the unexceptional growth of internet. At that time, when Bezos told his father, an Exxon engineer that he was unaware of what 'internet' really was. Bezos understand the importance of internet and knew that it would be the future of the world, so he founded Amazon as online bookstore. Amazon vision and mission was entirely based on customizing products and making its customers happy in the new platforms where its business appeal customers. The company started own services but also acquired various other platforms to enhance their business so that the company remain unmatched in the services of ecommerce. In 2002 the Amazon web services were started by the company which paved way for Amazon as the dominant ecommerce business the world. This service provided company with data that helps website to gain popularity on internet, review all traffic patterns and helped in taking a greater outlook on developers and marketers in the market place. In 2006 AWS also launched elastic compute cloud that enabled consumers a rent facility to store data on internet. To enhance its delivery process which is an

important factor in an ecommerce business amazon introduced Kiva system that atomized the whole delivery process which is cost efficient as well as time efficient.

The blue ocean strategies involves four action frameworks *Eliminate* all for granted factors in the industry, *Raise* all factor above the common standard of industry, *Reduce* all factors that are below to average standard of the industry and *create* all factors that can contribute in offering something that is never introduced in the industry (*Four Actions Framework: Reconstruct Buyer Value | Blue Ocean Strategy & Shift*, no date). Amazon followed the basic four action framework by shifting from an online retailer to a large digital platforms that practically sells everything. The blue ocean shift was evident in business strategic shift of amazon from a book retailer to offer the largest books collection with other things at low and good prices on a click away. The four action frameworks include,

Eliminating all ideals or products that proved to be non-beneficial to customers. It also limited the fire phone and all noncustomer centric model and ideas pertaining in the market. The company also focused on eradicating and limiting the use of all business strategies that contribute in increasing the price of product.

Amazon also *raised* and help customers with convenience in buying things from their home. It also raised many distribution centres for an effective and efficient delivery. It raises concerns on sense of urgency of customers by providing extra services like one or two days and hours delivery (*What Is Blue Ocean Strategy? - businessnewsdaily.com*, no date). The amazon web services apart from giving fast shipping and friendly services provides with free movies and audios. The company also launched amazon flex through uber and it helps in efficient and speedier delivery. It enhanced Amazon's product range

by development of various produced and introducing on platforms by investing on research and development programs.

It *reduced* all ideas that can't lead to highest efficiency. It helped in reducing the costs of products through innovation. It reduced all ways that come in between business and consumers to reduce the distance for an effective relationship.

It *created* and easy access to shopping with fast delivery and shipping. The delivery is further enhanced by fully automatic distribution centres which will be using drone services.

While discussing Blue Ocean strategies there are three basic characteristics of good strategy which includes focus, divergence and compelling tagline. Amazon was primarily concentrated on consumers so the company focused on providing the friendly service to customers. The company chose online platform as it was more accessible than bricks and mortar retailer stores. It also helped in enhancing the user experience on digital platforms by making website more accessible to them. It focused on maintaining customers by providing services with low cost and efficient delivery. The divergence characteristics differentiation Amazon profile from rest of all average profile in the industry. The customer centric platforms change the modern way of shopping by making itself an ecommerce brand. The company through its compelling tagline characteristic also advertise by delivering a clear and concise message that helps customers not to lose interest or trust from the company.

Conclusion

The report clearly analysed and evaluated relevant theories, models and frameworks that are implemented by Amazon to become the largest online retailer in the

world. Amazon encompassing on customer centric principle provides customers with low cost services which come on the expense of its innovative strategies. these innovative strategies involve amazon web services, automization in delivery process, better user interface, low cost products, free services, better and efficient delivery options to name a few. The innovation strategies that contribute in the success of Amazon involves the Porter's generic strategies, amazon Ansoff matrix model and blue ocean strategy. All these theories, model and frameworks contributed to help Amazon become an undisputed company at ecommerce market. The company started as an online book store knew the importance of internet in upcoming years. By introducing new digital services as well as acquiring other innovative digital platforms the company became an international standard in the ecommerce market. Amazon efforts are clearly appreciated which help in countering the rising cost and efficiency of the delivery system. It continued to grow with an unprecedented speed while striving for customer satisfaction and innovation.

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