

Amazon Business Model Case Study

Student Name

Course

Date

Instructor

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Introduction and Historical Perspective

Since its founding in mid 90s, Amazon Company has witnessed tremendous success in online retailing. Today, the company dominates other competitors in the market like eBay by incorporating a differentiating strategy. A differentiation strategy operates by setting apart a company's products and services from those offered other rival companies (Sharp & Dawes, 2001). Unlike many companies with a working differentiation strategy, Amazon sets the cost of its products and services at a low price to ensure that all consumers interested in their services can afford them with minimum cost. This means the company also uses a customer-centric strategy that pays all attention to providing its customers with positive customer experience. Having a working differentiation strategy means that Amazon has a leading scientific research team that boasts high quality skills. In addition, the company has a strong stature for quality as well as innovation. It is Amazon's history to make the most out of the very many chances the business gets and uncovers from their innovative and creative business minds.

SWOT Analysis

Amazon's Strengths

1. Amazon has a strong and established background as well as a recognized brand name. Amazon's history of success and a strong brand name makes the company more recognizable, which in turn generates new customers.

2. Amazon is a global online retailer that thrives on its reputation of great service and innovative platforms. The company has an excellent customer service that assures complete customer satisfaction.
3. Amazon has many key partnerships. Reaching these markets become very important because of the current stiff competition from rival companies. With stiff competition in the market, Amazon uses its partnerships to gain a competitive edge, access additional resources, grow the customer base, access new products and services, as well as assisting in reaching new markets.

Amazon's weakness

1. Digital marketing is a major problem even for Amazon as the company has to make sure its marketing is more prevalent and efficient.

Amazon's opportunities

1. As witnessed, Amazon acquires and partners with many companies in their business strategy. Acquiring other companies, especially in the E-commerce can help reduce market competition from competitors like Google and Apple. As such, Amazon should acquire and partner with more businesses located worldwide, as the action enhances a company's business ventures and operations.
2. Amazon also has the opportunity to expand its cloud services as well as the digital content so that the customers have more satisfaction with the provided services from the company. Satisfaction is important as it makes the customers loyal to the brand (Pepall, Daniel, and George, 2005).

Amazon's Threats

1. Stiff competition from major companies like Apple and Microsoft is a major threat for Amazon. To fend off stiff competition from major rival companies like Apple, Amazon has to offer high quality services and goods at very competitive prices. This poses a major threat because to make a profit, the cost price must be lower than the sales.
2. Imitation by other companies is an issue that demands much focus from Amazon's management. Competition after succeeding, which means Amazon's success attracts other companies to imitate their strategies. Amazon uses a simple to imitate business model, which exposes the company to the risk that can result to reduced market share.

Central Issues

Amazon boasts a high premium valuation, which is evident in the company's long history of consistent sales growth. However, selling products and services at low competitive prices poses a threat as profit margins are low. This means the company has to sell large amounts of products and services to get profit. The need to boost up the company's profit margins propels it to other projects like AWS and cloud services. The Amazon Web Services is an infrastructure that Amazon rents to companies so they can use it run their online operations. The AWS project shows Amazon's dominance in the market as they introduced the project even before their best competitors. In fact, Amazon should focus on AWS and make it a major source of company revenue. AWS has an excellence chance of taking the market by storm especially given the market's demand for businesses to transition to cloud computing. Amazon relies on increasing their market share so that they can operate at lower prices. This means that lacking adequate

market share poses a major threat to a company's survival (Gamble, et al, 2010) because the company stakeholders demand the company to make enough money so that their investments grow.

Recommendations

Amazon must try to increase the company earnings as well as expand their equity base. To do this, Amazon must change or modify its operation strategies. This means tampering with the usual customer-centric selling approach used by the company to a strategy more inclined on earnings. However, Amazon might be reluctant to change the customer-centric strategy because they have used it from the beginning, and the strategy has proven successful. Therefore, it becomes important that they modify and make some changes to their strategies to gain more profit or turn all their attention to acquiring more customers even if it means venturing into the developing economies such as India and Africa.

Given the small profit margins that Amazon makes from selling at low prices, a top recommendation is to establish online community platform where worldwide customers have the chance to propose improvements to the company's products and services. It becomes very important for the company to listen to customer theories and opinions because the current customer-centric and differentiation strategies aim at offering only what the customers want (Becerra, et al, 2012). In addition, listening to customers would help the company make and offer better products and services.

Amazon should try to communicate more frequently with their clients in order to establish their most valuable customers. Establishing an effective communication channel with the customers helps and encourages the customers to be more open and sincere to disclose their

wants to the company operatives for evaluation and implementation if approved. Having a list of most valuable customers can be helpful to the company especially when the company has relevant offers, which it should give to them at the right time.

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