How does Amazon achieve a competitive advantage in the e-commerce market?

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Introduction

The secret to the success of Amazon's e-commerce business, according to academics, is the business model that it has applied and implemented in the internet retail market. The other reason, which is also considered to be relevant to the business model, is changing the model with every market change that has taken place since Amazon started its business. The Amazon product line is sufficiently suitable for the nature of their online business, which the consumer prefers not to handle first while making the purchase. The product line has also evolved along with its business model with every change that happens in the market. They started with the handling of books, which is buying and purchasing them, and later on, they included DVDs and music media products. They prefer the details over the products. The buying behavior of those customers who, when making it in regards to music and books, look for the information. For the first time, Amazon introduced the feature of reviews and recommendations on the products they are offering online. This feature has also been able to make an extra profit on the sale of each purchase because buyers are willing to pay an extra amount for quality products, which were influenced by the recommendations and positive reviews. Lately, Amazon's prices have been brought to the lowest possible level due to competition and market scenarios, but they are following the practice of adopting change and modifying their business model to supply quality products at the lowest possible prices (Amazon.com, 2018). Furthermore, an analysis of the business model, along with the positioning of a competitive advantage, will be conducted.

Description

The shift of market focus, which made Amazon change its business model, which was focused on low prices and quality products, has further evolved Amazon's business practices. The further evolution made them secure a competitive edge in the field of e-commerce despite growing competition. Amazon became even more diversified when it came to the number of products that were being offered, and its variety was widened by the addition of product lines. The initial preference for the product portfolio turned into the focus on the customer by giving them a variety of products in one place. It was in 2001 when Amazon included a further range of products, which included kitchen and electronic appliances (Aversa et al., 2015). The market trend has also influenced Amazon's product margin, which has included magazines and computers with all the accessories and subscription services. The first retailer partners of Amazon were Circuit City and Target, which were in the form of strategic partnerships. In 2002, after the strategic partnership, Amazon launched further online stores to reach the number of customers and products increased. Those online stores were Old Navy, Nordstrom's, Osh Kosh, Eddie Bauer, The Gap, Land's End, Cole Hahn, and Spiegel, including several others who will deal on behalf of Amazon. This move is considered to be the diversification in Amazon's business model, which enabled it to access the majority of online customers along with market capitalization, which was accepted in the market. This move made them the world's most famous and leading online retail store, which has proved to be the reason for the market's competitive edge (Bohnsack, Pinkse, and Kolk, 2014).

The other significant move that Amazon undertook to provide convenience to its customers was providing a range of advanced features. Those features include the option of instant order update, which helps the customer to assess one order and product twice through the message of warning so as not to make mistakes by providing guidelines. During that time, Amazon set the aim to become the most customer-centric business and claims the same in their marketing campaigns. The significant reason for standing out from other online businesses is their business model, which is divided into three sections. The first section of their business was online store where the customer makes purchases directly to Amazon, the second section provides services to collaborate between the buyers and sellers by giving the opportunity to customers that can sell their products. The third section focuses on collaboration with other business holders who can sell and purchase through the Amazon platform. This business model involves three sections, providing them the opportunity to secure maximum profit. Small businesses that need the means to sell their products use Amazon, and Amazon provides hosting services by selling them to clients (Bohnsack, Pinkse, and Kolk, 2014).

The strategic alliances that were created, as mentioned earlier, are an integral part of Amazon's growth, and they build the business model with a customer-centric approach. At the start, they created alliances with a limited number of businesses that could work on Amazon's behalf to keep the image of the business secure. Amazon's alliances were different in nature, and they included a number of businesses and customers. They also invested minimally in the startups and, later on, created an agreement with Amazon on their terms so that Amazon's aim could be achieved easily. The scope of agreements that Amazon created varies from service to product, and even the co-branded opportunities were given in the form of agreements with several other stores. Amazon further created alliances with big corporations with the aim of increasing the product line. All the agreements were built to add products that were different in nature. Most of the alliances were created with businesses that share a similar business nature (De Jong and van Dijk, 2015).

Marketing Strategy

The other integral part of the business model is its marketing strategy, which has really boosted its sales and secured a maximum number of customers. The main aim of marketing is to broaden and strengthen the name of Amazon, increase the number of loyal customers on their website, encourage customers to make purchases consistently and provide services to them. However, the goals of their marketing strategy were achieved through using a number of mediums as their marketing tool. Both of the approaches were used in the traditional and modern marketing strategy. The activities of business development and direct marketing were undertaken by amazon. Also, traditional methods of television, radio, and billboard advertising were used to promote Amazon's services. The most significant means of marketing that they used was the Associate program. This program consists of promoting Amazon on all the associated websites to mention and give credits to Amazon for the services customers are using. There were 700,000 websites in 2001 that started displaying Amazon on their website to promote the name of the business (Pedersen, Gwozdz, and Hvass, 2016).

Location Strategy

Many people perceive that Amazon has no physical office and their whole business is being undertaken through the Internet, which is partially the case. However, the virtual operation is supported by several administrative tasks, and for this purpose, they have established a number of offices in different states of America. After the expansion of business internationally, they also build several offices in the UK, Canada, and Germany. The biggest warehouse, which is owned by Amazon, is located in the United States of America and comprises four million sq. ft. They had hired a number of people as staff, who undertook all necessary duties, including the most important task of keeping check and balance to those partners who are doing business on behalf of Amazon. Amazon's main concern is always to keep the name of Amazon free from all scandals and provide break-free service to its customers (Nejad, Amini, and Babakus, 2015).

Use of Technologies by Amazon

Businesses that are operating through the medium of the Internet involve the use of advanced technological tools in order to achieve income and customer satisfaction. Amazon is the market leader in e-commerce and uses advanced technology, which mostly focuses on customized features while maintaining customer satisfaction. This is another significant reason for customer loyalty towards Amazon because of its user-friendly features, which make it easy for customers to make any kind of purchase. With the growing technology and rapidly changing scope of the market towards the internet, all businesses must gain an understanding of the internet and give the customer the ease of accessing products and services electronically. In recent years, online businesses have secured their position in the market because customers find it more convenient to purchase online than physically visiting stores. It is a challenge for all businesses operating online or not to gain access to extensive knowledge of technology and adopt these methods. However, Amazon is ahead of all the other businesses, especially those that are Amazon competitors. The use of advanced technology, even the adaptation and implementation of those features, makes them able to achieve the position for the next ten years. The coming technology will give them the edge in the book business (Rayna and Striukova, 2016).

The recent acquisition, which took place between Amazon and Booksurge for the printing of books, along with the MobiPocket for the eBook, has given Amazon an edge. Analysts claim it will bring revolution to the field of publishing and provide access to eBooks around the world. The main aim is to provide the services to the customer for on-demand printing of their required and favorite book. This will keep the balance between demand and supply by offering the required products and services to customers. This will not only help the business but will provide the solution to the problem of keeping the stocks in the warehouses, which wastes the place. Another significant factor is that waste of material will not be eliminated, and it's an environmentally friendly approach. Not only will it benefit bookstores and publishers, but it will also create a strong relationship among many other leading businesses to Amazon. This technology is known as POD, which will start with Amazon, and it will soon be adopted by all the other businesses for efficient and effective results (DaSilva and Trkman, 2014).

Now, using advanced technology, Amazon is on the road to cutting the cost as much as possible by using a different approach. All these approaches will make Amazon the first one to use such approaches, which had never been used before. The restructuring is being done in Amazon to cut costs and make operational activity advanced and efficient. In the past, Amazon took similar actions and achieved the goals of efficient work by cutting costs and redesigning the structure of the business. Not only this, they also provided the benefit to workers with new roles and increased the scope of their work (Labes, Hanner, and Zarnekow, 2015).

Pricing Strategy

Amazon's pricing strategy is specially designed for giving the benefit to consumers the first preference. Effective marketing communication, which Amazon adopted through its pricing strategy, has proven to be beneficial. When the customer receives a low-priced quality product, they will praise Amazon, which further increases the number of customers. This strategy has not only proved to be more profitable, but they are also able to save the cost of marketing. This pricing strategy is also being adopted by small online retailers that offer Amazon products and services. They gained positive remarks on providing quality products at low prices, which further helped both small retailer recommendations and Amazon achieve their aim of a customer-centric approach. The future of Amazon, by providing such a customer-centric approach, has been secured, and the small businesses that are becoming part of Amazon are helping build the business strength by focusing on the customer. There are several other businesses that are rising in the market as competitors of Amazon through the same approach Amazon is using, but Amazon's adopted approach of technological services in the field of retail business on the internet is far too achievable by any other organization. The use of patents, which is the nature of the business Amazon is operating, gives it further leverage to compete with other similar organizations and firms. The era of Amazon and the e-commerce business is still under the influence of Amazon, and despite all these, Amazon is working on behalf of its customers (Huicho et al., 2017).

Conclusion

In conclusion, this report is being done by going through several articles, journals, and website information provided by Amazon. The extensive research provided significant results, which are based on Amazon’s success as an e-commerce company. The use of advanced technology is yet again proven by the practical example of Amazon, which shows that market trend adoption and change involve success. They prefer the details over the products. The buying behavior of those customers who, when making it in regards to music and books, look for the information. For the first time, Amazon introduced the feature of reviews and recommendations on the products they are offering online. This feature has also been able to make an extra profit on the sale of each purchase because buyers are willing to pay an extra amount for quality products, which were influenced by the recommendations and positive reviews. Lately, Amazon’s prices have been brought to the lowest possible level due to competition and market scenarios, but they are following the practice of adopting change and modifying their business model to supply quality products at the lowest possible prices. The market trend has also influenced Amazon’s product margin, which has included magazines and computers with all the accessories and subscription services. Features include the option of instant order update, which helps the customer to assess one order and product twice through the message of warning so as not to make mistakes by providing guidelines. The significant reason for standing out from other online businesses is their business model, which is divided into three sections. The first section of their business was online store where the customer makes purchases directly to Amazon, the second section provides services to collaborate between the buyers and sellers by giving the opportunity to customers that can sell their products. The third section focuses on collaboration with other business holders who can sell and purchase through the Amazon platform.

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They had hired a number of people as staff, who undertook all necessary duties, including the most important task of keeping check and balance to those partners who are doing business on behalf of Amazon. With the growing technology and rapidly changing scope of the market towards the internet, all businesses must gain an understanding of the internet and give the customer the ease of accessing products and services electronically. In recent years, online businesses have secured their position in the market because customers find it more convenient to purchase online than physically visiting stores. It is a challenge for all businesses operating online or not to gain access to extensive knowledge of technology and adopt these methods. Analysts claim it will bring revolution to the field of publishing and provide access to eBooks around the world. The main aim is to provide the services to the customer for on-demand printing of their required and favorite book. This will keep the balance between demand and supply by offering the required products and services to customers. This will not only help the business but will provide the solution to the problem of keeping the stocks in the warehouses, which wastes the place. The key to their success is not only the use of advanced technology but their focus on the customer, which aims to place them first and, after that, change with every market trend.

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