# Main Strategies in Amazon

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## Introduction:

Amazon is one of the well-known companies whose operations are known in the gig economy as well. Taking full advantage of the World Wide Web, the company is developing global business strategies that are turning Amazon into a more powerful company with the support of technology. Along with the support of the technology Amazon is introducing different kinds of products and services as well keeping in mind that their sole purpose is to make their customers satisfied. Current business strategies of the company are in accordance with the external and the internal environment. Without the specification of internal and external environment no company is able to achieve the highest level of success. The company started on a small scale in 1995 but later became one of the world's largest retailers. Amazon reported net sales of approximately $88.99 billion for 2014. After the year 2014, the business strategies of the company were revised which eventually made the sales to increase by 36% annually. Currently, Amazon has two main types of strategies operating. One is the business level strategy while the other is named as corporate level strategy. In this essay, both these strategies will be assessed along with the SWOT and positional analysis of the company.

## Main Strategies in Amazon:

The two main strategies operating in Amazon are customer-centric that is the company believes in making their customers happy and satisfied. Three different kinds of groups are being analyzed by the company in this case. These customers include consumers, sellers and developers. With the wide range of products provided by Amazon even at low prices makes the customers buy the products. Since Amazon facilitates the sellers hence seller customers are attracted in huge numbers to his platform. Developers are intrigued by the updated infrastructure of Amazon which comes up with different modifications after a certain passage of time to keep the customers involved in the platform.

## Business Level Strategy:

Amazon works by exploring the core competencies in different markets. In certain cases, specific markets are considered. After the analysis id one action and set of commitments are decided by the company to follow. Since the advancement of technology, more focus of the company lies on gaining a competitive advantage. To obtain a competitive advantage, the company is following the three

generic strategies. One of the general strategies is the strategy of cost leadership. Besides cost leadership, the other two general strategies include differentiation and focus. A pictorial illustration of the general strategies for obtaining competitive advantages.

As far as Amazon is concerned, the company is using a hybrid business strategy. In this strategy, any two strategies from the general strategies mentioned above are combined. The combination made in the strategy depends on the market in which the company is dealing in. Conventionally it is observed that all three strategies cannot be combined on a single platform. For instance, cost, leadership and differentiation together will make no sense since differentiation is an expensive strategy method. The duration of 2009 to 2012 was highly fortunate for the Amazon Company since one of the chapters of this platform changed the perspective of the people about reading technology. This technology was named as 'E-book' technology. Even at the present time, the e-book is valued and liked by many of the people. In the development of this subsection, the bossiness focus strategy and cost leadership were combined together. Amazon's own book present in the form of 'Kindle' was shipped in bulk at that time. It was mentioned that at a time more than 200 million units (Rao, 2011) were sold online. Although the company introduced the new product to the already existing market the innovative idea and the compactness in the addition of Kindle made people drool over it.

The idea of cost leadership and differentiation going hand in hand seems to be a dream accomplishment in many of the companies however Amazon knows its way in this specific niche. Amazon is successfully introducing products within the already existing market. Such products like 'Kindle' are adding to the pride of the Company. The company believes in cutting the cost down for the customers so they can easily carry on the operation in the rural areas. Urban areas have high rates of land while the rates of land in rural areas are less hence Amazon is based in a rural area due to the lower cost of the land. Besides this, locating the warehouse of the company in the rural area has made the company generate numerous job options for the native people. Hence, the company feels pride in serving good quality products all over the world. Web services of the company including the cloud service are making the company well-known throughout the world. The company is known as the best strategic player in the world of technology throughout the world (Rao, 2011).

# Corporate Strategy of Amazon:

Corporate strategies revolve around the three major types of customers which have been discussed in the above section. In this case, the focus of attracting all the customers is to increase the growth rate of the company. Figure 2 shows the focus of the company on growth through various strategic implementations.

Focus on the customers is based on the E-commerce utilization since many people at present are more involved in smartphones and their one-button away solutions. In 1995, when Jeff started the business he started with a vision to take the company to the highest standards of e-commerce. At that time the growth of the company was nearly 5%, (Managementstudyguide.com, 2018) however,

Jeff was confident that the time is not far when the company will be leading among the technology-based companies. Besides this, Jeff analyzed that the market of the United States will be more promising since it involves highly informed people and with the passage of time the people will be more aware and interested in technological advancements. Jeff's decision to start off the United States as their first-ever international market proved exceptionally true and successful for the company.

To evaluate the growth of Amazon under the focus of Amazon, usually, researchers usually use the Ansoff Matrix. In this matrix, all the growth options are considered. The idea of growth rarely ends on a good note itself. In the case of Amazon, the growth is mostly depending on the expected products and development of already existing according to the latest advancements. For the last four years, Amazon has been tending to present High-Quality products having the latest technology and good enough to gather the attention of consumers. Product development is a major part of Amazon's Strategy. At the time when Apple launched its iPad Amazon also remained in the competition by introducing a new product in the market. Along with Kindle, Kindle fire was launched to give rivalry to the iPad (Teece, 2010). On a corporate level, Amazon is taking the theories related to diversification as well. At this level, the strategy focuses beyond the idea of products but the limitations of the company are never forgotten. Starting from a retail store in 1996 to becoming one of the biggest retailers in the world is a story of hundreds of steps taken with wise strategies. The idea of diversification launched by Amazon has made the platform to construct never-ending relationships with consumers in different forms. Successful diversification can be seen from the successful implementation of the economies in the resources utilized by the company. The strong online base makes the company enter the world of new ventures.

Other than this, the company has offered the idea of market development in the new territories. The market development along with offering existing products is expanding the website. Within a few passages of time, the website will be able to work globally. The time is not far from when Amazon will become a leading retailer in all corners of the world. Companies, where e-commerce is successfully operating, will enjoy the perks of full-fledged Amazon services. In 2010, Amazon many offered countries like China to buy from their platform and pay according to their own currency. This was a prominent step in the market development of the company. This kind of market development became a source of recognition for the company. Many clothing retail companies had to work for years to achieve this level of market development. One of the executive members of Gap Company (Zhu and Liu, 2014) also mentioned about the astonishing technique used by Amazon. Since the western countries have major economies hence the global expansion and hitting of the company in their markets will be beneficial for the company in the long run. The Dominance of the e-commerce company will be better observed when the company launches its market development in the territory of India.

# SWOT Analysis of the company:

No company is perfect. There is always room for the development of the company. A brief SWOT analysis of the company is mentioned below:

Strengths:

- The first strength of the company lies in the trust gained by the company over the years. Being one of the best online retailers the company has the tendency to influence the international market as well. However, the basic strength of Amazon is in cost leadership and differentiation.
- The use of E-commerce has proved to be an easy way for the company to make its position in the market. The primary competitive advantage of the company lies in the in-time use of trending technology.
- Consumers from development and highly ranked countries based on their economies are the topmost customers of the Amazon Business.
- Better customer fulfilment is done by the company using its corporate-level strategy.

## Weaknesses:

- In the present time, the idea of diversification has been used by the company but in the utilization of this idea, the company has spread too thin in the market. This can make the company lose its long-made trust and respect in the market.
- Free shipping offered by the company may increase the margins. In this case, the company might have to pay from their pocket for the free delivery of the products.
- Stereotyping people are not comfortable all the time with the idea of online shopping. The online retailer and expansion idea may seem different to such consumers.

## Opportunities:

- The introduction of the payment system with the currency of the country will make it a good choice for all consumers to utilize. The company margins will be improved in this case as well.
- The introduction of the product under the name of its own brand is a plus point for the company.
- Global expansion itself is a great opportunity for all the companies operating in the present world. Termed as the competitive online retailing market the company is known for its global expansion techniques as well.

## Threats:

- One of the biggest threats to Amazon is the fraud companies that are operating in almost all

countries. Online theft is another addition to the fear of online shopping. His Amazon might have to suffer however, the company needs to work more on maintaining the relationship of trust with the customers.

- Aggressive pricing strategies and a significant increase in market competition are some other threats to the company.

# Conclusion:

Amazon is one of the leading retail brands worldwide. The company which started in 1995 has been able to achieve its new position with the help of its business-level and corporate-level strategies. The corporate-level strategy of the company offers a combination of differentiation and cost leadership. This combination has been favourable for the company. However, the analysis done in the form of a SWOT analysis gives the company a road map to follow in the father strategies since competition at this time of the world is increasing with every passing minute. Instead of offering free delivery, the company should come up with something to meet its target of profitability. Global expansion may be insufficient to give higher profit.

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