Case Study

Amazon

PROF A. BASILE - 2011
Summary

- Business Idea
- Some History
- Business Sector
- (SBU aka ASA) Strategical Business Unit
- Abell Matrix
- Customers
- Market
- Business Model
- Porter’s Five Forces
- Value Chain
- e-Business model
Business Idea

From the beginning, our focus has been on offering our customers compelling value.

We realized that the Web was, and still is, the World Wide Wait. Therefore, we set out to offer customers something they simply could not get any other way, and began serving them with books. We brought them much more selection than was possible in a physical store (our store would now occupy 6 football fields), and presented it in a useful, easy-to-search, and easy-to-browse format in a store open 365 days a year, 24 hours a day. We maintained a dogged focus on improving the shopping experience, and in 1997 substantially enhanced our store. We now offer customers gift certificates, 1-Click(SM) shopping, and vastly more reviews, content, browsing options, and recommendation features. We dramatically lowered prices, further increasing customer value. Word of mouth remains the most powerful customer acquisition tool we have, and we are grateful for the trust our customers have placed in us. Repeat purchases and word of mouth have combined to make Amazon.com the market leader in online bookselling.
We seek to be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavor to offer customers the lowest possible prices.
Our vision is to be Earth's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online.
Mission Statement

The company’s six core values: customer obsession, ownership, bias for action, frugality, high hiring bar, and innovation. The company motto: ‘Work Hard, Have Fun, and Make History’.
Proposed Vision

To continue expanding in all countries with Internet access, while maximizing total commitment in becoming the number one company in Internet transactions.
Some History... (1)

Amazon.com, Inc. was incorporated in 1994 in the state of Washington and reincorporated in 1996 in the state of Delaware. Our principal corporate offices are located in Seattle, Washington. We completed our initial public offering in May 1997 and our common stock is listed on the Nasdaq Global Select Market under the symbol “AMZN.”

From Amazon Investor Relations
Amazon.com opened its virtual doors on the World Wide Web in July 1995 and offers Earth’s Biggest Selection. We seek to be Earth’s most customer-centric company for three primary customer sets: consumers, sellers, and enterprises. In addition, we generate revenue through other marketing and promotional services, such as online advertising, and co-branded credit card agreements.

From Amazon Investor Relations
Jeff Bezos founded Amazon.com, Inc. in 1994 and the site went online in 1995. The company was originally named Cadabra, Inc., but the name was changed when it was discovered that people sometimes heard the name as "Cadaver". The name Amazon.com was chosen because the Amazon River is one of the largest rivers in the world and so the name suggests large size, and also in part because it starts with "A" and therefore would show up near the beginning of alphabetical lists. Amazon.com started as an online bookstore, but soon diversified, selling DVDs, CDs, MP3 downloads, computer software, video games, electronics, apparel, furniture, food, and toys. Amazon has established separate websites in Canada, the United Kingdom, Germany, France, Italy, Japan, and China. It also provides international shipping to certain countries for some of its products.
Business Industry

- Bookstore
- Market Place
- Web Services
- Third-party seller
Acquisitions

- 1998: Bookpages.co.uk,[a UK online book retailer, which became Amazon UK on October 15, 1998.][19]
- 1999: Internet Movie Database (IMDb).; Cambridge, Massachusetts-based PlanetAll, a reminder service; Sunnyvale-based Junglee.com, an XML-based data mining startup[Alexa Internet], Accept.com, and Exchange.com
- 2003: online music retailer CD Now.[citation needed]
- 2005: BookSurge, a print on demand company, and Mobipocket.com, an eBook software company.CreateSpace.com (formerly CustomFlix), a Scotts Valley, California-based distributor of on-demand DVDs. CreateSpace has since expanded to include on-demand books, CDs, and video.
- 2006: Shopbop, a Madison, Wisconsin-based retailer of designer clothing and accessories for women.
- 2007: dpreview.com, a London-based digital photography review website; Brilliance Audio, the largest independent publisher of audiobooks in the United States.[16]
- 2008: Audible.com; Fabric.com; Box Office Mojo; AbeBooks;[Shelfari;] (including a 40% stake in LibraryThing and whole ownership of Bookfinder.com, Gojaba.com, and FillZ); Reflexive Entertainment,[26] a casual video game development company.
- 2009: Zappos, an online shoe and apparel retailer Lexcycle
- 2010: Touchco., Woot,[Quidsi], Buyvip, Amie Street.
- 2011: Lovefilm

Investments
- 2010: LivingSocial, a local deal site.[17]

Spinoffs
- 2004: A9.com, a company focused on researching and building innovative technology.[citation needed]
- 2004: Lab126, developers of integrated consumer electronics such as the Kindle.
- 2007: Endless.com, an e-commerce brand focusing on shoes.[34]
Acquisition (2)
Total Assets
Macro-segmentation
Industry - Market - Business

ICT

Information Technology

Catalog & Mail Order Houses
SBU - ASA
Strategic Business Unit

AMZN Sector / Industry Membership

Sector:

Services

Industry:

Catalog & Mail Order Houses
Evolution...
Abel’s Matrix

- Groups of customer service (who)
- Functions to serve customer (what)
- Technology (how)
Consumers

Amazon defines what it refers to as three consumer sets customers, seller customers and developer customers.

There are over 76 million customer accounts, but just 1.3 million active seller customers in its marketplaces and Amazon is seeking to increase this. Amazon is unusual for a retailer in that it identifies “developer customers” who use its Amazon Web Services, which provides access to technology infrastructure such as hosting that developers can use to develop their own web services.

Members are also encouraged to join a loyalty programme, Amazon Prime, a fee-based membership program in which members receive free or discounted express shipping, in the United States, the United Kingdom, Germany and Japan.

From Amazon Investor Relations
Amazon product lines include books, music CDs, videotapes and DVDs, software, consumer electronics, kitchen items, tools, lawn and garden items, toys & games, baby products, apparel, sporting goods, gourmet food, jewelry, watches, health and personal-care items, beauty products, musical instruments, clothing, industrial & scientific supplies, and groceries.

The company launched amazon.com Auctions, a Web auctions service, in March 1999. However, it failed to chip away at industry pioneer eBay’s large market share. Amazon.com Auctions was followed by the launch of a fixed-price marketplace business, zShops, in September 1999, and the now defunct Sotheby’s/Amazon partnership called amazon.com in November. Auctions and zShops evolved into Amazon Marketplace, a service launched in November 2000 that let customers sell used books, CDs, DVDs, and other products alongside new items. Today, Amazon Marketplace’s main rival is eBay’s Half.com service.
In August 2005, Amazon began selling products under its own private label, "Pinzon"; the trademark applications indicated that the label would be used for textiles, kitchen utensils, and other household goods. In March 2007, the company applied to expand the trademark to cover a more diverse list of goods, and to register a new design consisting of the "word PINZON in stylized letters with a notched letter O whose space appears at the "one o'clock" position". Coverage by the trademark grew to include items such as paints, carpets, wallpaper, hair accessories, clothing, footwear, headgear, cleaning products, and jewelry. On September 2008, Amazon filed to have the name registered. USPTO has finished its review of the application, but Amazon has yet to receive an official registration for the name.

Amazon MP3, its own online music store, launched in the US on September 25, 2007, selling downloads exclusively in MP3 format without digital rights management. This was the first online offering of DRM-free music from all four major record companies.

In August 2007, Amazon announced AmazonFresh, a grocery service offering perishable and nonperishable foods. Customers can have orders delivered to their homes at dawn or during a specified daytime window. Delivery was initially restricted to residents of Mercer Island, Washington, and was later expanded to several ZIP codes in Seattle proper. AmazonFresh also operated pick-up locations in the suburbs of Bellevue and Kirkland from summer 2007 through early 2008.
In 2008 Amazon expanded into film production, producing the film The Stolen Child with 20th Century Fox.

Amazon's Honor System was launched in 2001 to allow customers to make donations or buy digital content, with Amazon collecting a percentage of the payment plus a fee. The service was discontinued in 2008.[60] and replaced by Amazon Payments. Amazon launched Amazon Web Services (AWS) in 2002, which provides programmatic access to latent features on its website. Amazon also created "channels" to benefit certain causes. In 2004, Amazon's "Presidential Candidates" allowed customers to donate $5–200 to the campaigns of 2004 U.S. presidential hopefuls. Amazon has periodically reactivated a Red Cross donation channel after crises such as the 9/11, Hurricane Katrina, and the 2004 earthquake and tsunami in the Indian Ocean. By January 2005, nearly 200,000 people had donated over $15.7 million in the US.
What Amazon sell?

Amazon offers a wide range of products including:

- **Unlimited Instant Videos**
- **Prime Instant Videos**
- **Learn More About Amazon Prime**
- **Amazon Instant Video Store**
- **Your Video Library**
- **Watch On Your TV**
- **MP3s & Cloud Player**
- **MP3 Music Store**
- **Cloud Player for Web**
- **Cloud Player for Android**
- **Amazon MP3 for Mobile**
- **Amazon Cloud Drive**
- **Your Cloud Drive**
- **Learn More About Cloud Drive**
- **Kindle**
  - **Kindle (Wi-fi)**
  - **Kindle 3G (Free 3G + Wi-fi)**
  - **Kindle DX**
- **Free Kindle Reading Apps**
- **Accessories**
- **eBooks**
- **Newspapers**
- **Magazines**
- **Kindle Store**
- **Manage Your Kindle**
- **Appstore for Android**
- **Apps**
  - **Games**
  - **Free Amazon Apps**

**Digital Games & Software**
- **Game Downloads**
- **Software Downloads**
- **Your Games & Software Library**

**Audible Audiobooks**
- **Audible Membership**
- **Audible AudioBooks & More**
- **Bestsellers**
- **New & Notable**
- **Listener Favorites**

**Books**
- **Books**
- **Kindle eBooks**
- **Textbooks**
- **Audiobooks**
- **Magazines**

**Movies, Music & Games**
- **Movies & TV**
  - **Blu-ray**
  - **Amazon Instant Video**
- **Music**
  - **MP3 Downloads**
  - **Musical Instruments**
- **Video Games**
  - **Game Downloads**

**Electronics & Computers**
- **TV & Video**
- **Home Audio & Theater**
- **Camera, Photo & Video**
- **Cell Phones & Accessories**
- **Video Games**
  - **MP3 Players & Accessories**
- **Car Electronics & GPS**
- **Appliances**
- **Musical Instruments**
- **Laptops, Tablets & Netbooks**
- **Desktops & Servers**
- **Computer Accessories**
- **Computer Parts & Components**
- **Software**
- **PC Games**
- **Printers & Ink**
- **Office & School Supplies**

**Home, Garden & Tools**
- **Kitchen & Dining**
- **Furniture & Decor**
- **Bedding & Bath**
- **Appliances**
- **Patio, Lawn & Garden**
- **Home Improvement**
- **Power & Hand Tools**
- **Lamps & Light Fixtures**
- **Kitchen & Bath Fixtures**
- **Hardware**
- **Building Supplies**
- **Arts, Crafts & Sewing**
- **Pet Supplies**

**Grocery, Health & Beauty**
- **Grocery & Gourmet Food**
- **Natural & Organic**
- **Health & Personal Care**
- **Beauty**
- **Toys, Kids & Baby**
  - **Toys & Games**
  - **Baby**
- **Clothing (Kids & Baby)**
- **Video Games for Kids**
- **Clothing, Shoes & Jewelry**
- **Clothing**
- **Shoes & Handbags**
- **Accessories**
- **Luggage**
- **Jewelry**
- **Watches**

**Sports & Outdoors**
- **Exercise & Fitness**
- **Outdoor Recreation**
- **Athletic & Outdoor Clothing**
- **Team Sports**
- **Bikes & Scooters**
- **Golf**
- **Beating & Water Sports**
- **Fan Shop**
- **All Sports & Outdoors**

**Automotive & Industrial**
- **Automotive Parts & Accessories**
- **Automotive Tools & Equipment**
- **Car Electronics & GPS**
- **Wheels & Tires**
- **Motorcycle & ATV**
- **Industrial & Scientific**
The true core competence of Amazon may be its technology and its web site that manifests it.
Substantially all of Amazon.com's computer and communications hardware is located at its physical site in Seattle, USA.
Amazon.com uses an internally developed system for its Website and substantially all aspects of transaction processing, including:
- Order management
- Cash and credit card processing
- Purchasing
- Inventory management
- Shipping.
Amazon.com uses Netscape Secure Commerce Server over SSL for order and customer accounts management. Customers' credit card information is stored in a separate machine connected to the Commerce Server via a proprietary one-way interface.
It runs a RealAudio Server over TCP with media stream transmission via UDP for supplying sound clips.
1-Click

1-Click, also called one-click or one-click buying, is the technique of allowing customers to make online purchases with a single click, with the payment information needed to complete the purchase already entered by the user previously. More particularly, it allows an online shopper using an internet marketplace to purchase an item without having to use shopping cart software. Instead of manually inputting billing and shipping information for a purchase, a user can use one-click buying to use a predefined address and credit card number to purchase one or more items.
aStore

aStore is an Amazon.com affiliate product which website owners can use to create an online store on their site. The program is free and is available world-wide.

The aStore interface is intended to be accessible to those with basic HTML skills, using configuration pages to customize the content and design.

The store does not allow website owners to sell their own products directly. Website owners pick products from Amazon’s store and earn advertising referral fees on the products purchased by their readers. The current fee structure ranges from 4% to 15% of the product price; with a cap for electronics, and a few exclusions.

The "aStore" itself is a giant widget that is not meant to be used as a free standing site. It is hosted on Amazon’s computers and is meant to be integrated into an independent website or blog.

The aStore program does not actually require the use of an aStore. A website owner may chose not to use it, and instead take advantage of the data, images, links, and other widgets that Amazon provides its associates. These may be used in conjunction with, or without the aStore.
Carbonado

Carbonado is an open source relational database mapping framework, written in Java. Rather than following a typical O/R mapping approach, the relational model is preserved, while still being object-oriented. Not being tied to specific features of SQL or JDBC, Carbonado also supports non-SQL database products such as Berkeley DB. In doing so, relational features such as queries and indexes are supported, without the overhead of SQL.
Dynamo

Dynamo is a highly available, proprietary key-value structured storage system or a distributed data store. It has properties of both databases and distributed hash tables (DHTs). It is not directly exposed as a Web service, but is used to power parts of other Amazon Web Services.
Lab126

Lab126, Inc is a small, Cupertino, California-based subsidiary of Amazon.com, best known for developing Amazon's Kindle device. Lab126 is led by Gregg Zehr. In addition to the Kindle, Lab126 is developing other "easy-to-use, highly integrated consumer products to serve Amazon customers".
Obidos

Obidos was the name used by Amazon.com for their original page rendering engine, and appears in many of their URLs. Obidos was phased out on August 31, 2006 at 20:59:17 PDT and replaced by the Gurupa engine.

It was named after the town of Óbidos in Brazil near the Amazon River.
Micro-segmentation
### Audience Demographics for Amazon.com

Relative to the general internet population, how popular is amazon.com with each audience below?

#### Age
- 18-24
- 25-34
- 35-44
- 45-54
- 55-64
- 65+

#### Gender
- Male
- Female

#### Has Children
- Yes
- No

#### Education
- No College
- Some College
- College
- Graduate School

#### Browsing Location
- Home
- School
- Work
### Advanced Demographics for amazon.com

Audience breakdown by income, ethnicity, age, education, gender, children and browsing location.

<table>
<thead>
<tr>
<th>Age</th>
<th>Education</th>
<th>Gender</th>
<th>Has Children</th>
<th>Browsing Location</th>
<th>Income</th>
<th>Ethnicity</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24</td>
<td>amazon.com</td>
<td>buy.com</td>
<td>amazon.co.uk</td>
<td>ebay.com</td>
<td>barnesandnoble.com</td>
<td></td>
</tr>
<tr>
<td>25-34</td>
<td></td>
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<tr>
<td>35-44</td>
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<tr>
<td>45-54</td>
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<td>55-64</td>
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<tr>
<td>65+</td>
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</tr>
</tbody>
</table>
Customer satisfaction

<table>
<thead>
<tr>
<th>2011 Internet Retailer Ranking</th>
<th>Website</th>
<th>2010 Satisfaction</th>
<th>2011 Satisfaction</th>
<th>Point change 2010 - 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Amazon.com</td>
<td>86</td>
<td>86</td>
<td>0</td>
</tr>
<tr>
<td>13</td>
<td>Netflix.com</td>
<td>87</td>
<td>85</td>
<td>-2</td>
</tr>
<tr>
<td>31</td>
<td>Avon.com</td>
<td>83</td>
<td>84</td>
<td>1</td>
</tr>
<tr>
<td>12</td>
<td>QVC.com</td>
<td>82</td>
<td>84</td>
<td>2</td>
</tr>
<tr>
<td>11</td>
<td>Newegg.com</td>
<td>80</td>
<td>83</td>
<td>3</td>
</tr>
<tr>
<td>83</td>
<td>BassPro.com</td>
<td>81</td>
<td>82</td>
<td>1</td>
</tr>
<tr>
<td>27</td>
<td>HSN.com</td>
<td>80</td>
<td>82</td>
<td>2</td>
</tr>
<tr>
<td>63</td>
<td>Shutterfly.com</td>
<td>79</td>
<td>82</td>
<td>3</td>
</tr>
<tr>
<td>39</td>
<td>Cabelas.com</td>
<td>81</td>
<td>81</td>
<td>0</td>
</tr>
<tr>
<td>97</td>
<td>Keurig.com</td>
<td>82</td>
<td>81</td>
<td>-1</td>
</tr>
<tr>
<td>26</td>
<td>LLBean.com</td>
<td>82</td>
<td>81</td>
<td>-1</td>
</tr>
<tr>
<td>42</td>
<td>MusiciansFriend.com</td>
<td>80</td>
<td>81</td>
<td>1</td>
</tr>
</tbody>
</table>
Purchase intent

The purchase intent metrics shown in the following table are calculated based on a site visitor’s likelihood to purchase online or offline. Looking at purchase intent sheds light on some key competitive situations by showing which websites have a greater impact on their site visitors’ likelihood to purchase from any channel.

<table>
<thead>
<tr>
<th>URL</th>
<th>Purchase Intent (any channel)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon.com</td>
<td>93</td>
</tr>
<tr>
<td>Kohls.com</td>
<td>90</td>
</tr>
<tr>
<td>Costco.com</td>
<td>90</td>
</tr>
<tr>
<td>Walmart.com</td>
<td>89</td>
</tr>
<tr>
<td>JCP.com</td>
<td>89</td>
</tr>
<tr>
<td>QVC.com</td>
<td>89</td>
</tr>
<tr>
<td>Scholastic.com</td>
<td>88</td>
</tr>
<tr>
<td>Target.com</td>
<td>88</td>
</tr>
<tr>
<td>Avon.com</td>
<td>88</td>
</tr>
<tr>
<td>Vitacost.com</td>
<td>88</td>
</tr>
<tr>
<td>BN.com</td>
<td>87</td>
</tr>
</tbody>
</table>
Positioning Map

Amazon.com

HMV Group on line

Quelle.com

Barnes & Noble on line
BestBuy.com

Wall-Mart on line
(Asda.com)

Tesco on line shopping

Yahoo.com
Target.com
Argos.com
Overstock.com

eBay.com

Product line breadth
Firm Infrastructure

**Value creation**

- Huge central customer data warehouse available to all business units.
- Central planning function in Seattle corporate headquarters for 7 functions.

**Cost reduction**

- Amazon.com has a single Technology platform with services being incrementally distributed to other worldwide locations, thus reducing costs by leveraging investments (Cone, CIO Insight, 2007).
Human Resource Management

🌟 Value creation

🌟 Amazon.com offers employees unique benefits such as medical, paid time off and stock grants and relocation allowances. Such a strategy means warehouses could be located in economically cheaper areas yet these benefits can attract highly skilled workers (Ward, 2007).

🌟 Cost reduction

🌟 For example in Kentucky, Amazon.com offers a decent rate of pay of about $11 - $12 thus reducing cost of labour.

🌟 Amazon.com sources expertise from highly experienced workers from other competitors such as Walmart (Howells, 1998).
Technology Development

- **Value creation**
  
  - High investments in technology development to leverage new but unknown opportunities in digital sales of music, books, and videos (The Economist, August 2006). For example, being able to quickly digitize media for direct online sales/digital download or for “Search inside the book” service. Using standard hardware systems from HP to reduce cost of maintenance and compatibility (Neel, 2000).

- **Cost reduction**
  
  - Building an IT strategy, IT infrastructure, and Data Centre on Linux open source software to reduce cost of technology development. Renting computing resources to other companies reduces total cost of ownership (Business Wire, 2007).
Procurement

* **Value creation**

  Using the Strategic Business Unit – BookSurge to keep a rich inventory of digital copies of books so as to make this readily available for customers through print-on-demand and reduce time of delivery (The Economist, August 2006).

* **Cost reduction**

  Specially built distribution centres, warehouses and fulfilment centres to increase the speed of order processing thus avoiding transaction costs of contracting out Laseter et al (2000).
Inbound Logistic

- Highly reduced returns to suppliers (such as unsold books and media) due to available accurate forecasting technology Laseter et al (2000).

- Efficiently gathering information about customer experiences to inform service inputs and inventory controls.
Operations

- Easy and fast payment systems.
- Online customer contact and feedback.
- 24-hour warehouse operations to meet customer demands.
Outbound logistics

* Close proximity to motorways e.g. UK Fulfilment Centre in Bedfordshire located next to M1.

* Ability to aggregate orders bound for specific locations.
Discounts and price reductions made available with suggested product mixes.

Similar products recommended to customers interactively.

Interactive shipping and parcelling price calculations.

Free delivery based on single transaction spend.
Service

- Free returns policy within 30 days.
- Uses marketplace to increase channel and range of goods through 3rd parties and customers.
- Price comparison of new products with used products in marketplace shops.
Porter’s Five Forces

- Bargaining Power of Suppliers
- Threat of New Entrants
- Bargaining Power of Customers
- Threat of Substitute Products
- Competitive Rivalry within an Industry

From Wikimedia
Power of Suppliers

- For standardised products that are easily available supplier power will be low

+ Specialised products and brands increase switching costs for buyers so the suppliers have high power. With Amazon products such as Harry Potter books are exclusive from publisher

+ Online shop making it easier for publishers/brands to sell directly to consumers without a third party, suppliers may not need Amazon

+ If there is a concentration of suppliers for certain products in the industry rather than fragmented

- Global shipping has increased the amount of suppliers available
Power of Customers

Buyer power in the book retail industry is very high. This fact can be directly associated with the significant amount of substitutes and intense rivalry in the industry. As mentioned earlier, if a consumer is looking to purchase a book he/she has many options. The amount of buyer power ultimately depends on the need or desire for the book (cited in University of Texas at Dallas.com n.d.).
New Entrant

– For online established retailers a strong brand image generates consumer trust (Johnson et al, 2006)

- Economies of scale. Retailers that have refined technology and processes and are able to buy in bulk can offer the lowest prices. This is a major competitive advantage as there is much choice online (Johnson et al, 2006)

- Strong experience in the online retail industry gives e-retailers advantages in terms of cost and customer loyalty

+ Capital requirement entry is a low for online businesses’ as cost of lease premises is minimal (Wiley et al, 2001)
Substitute Products

+ Physical stores and touch, feel, hear factors (Ward, 2001)

+ Renting products online instead of buying them is increasing in popularity. This is a major concern for Amazon in their book sales as online retailers such as Textbookflix.com and BookRenter.com are providing much cheaper options than buying (RedOrbit, 2007)

+ The internet is a “Global Market”, consumers can substitute any product by purchasing from companies overseas where products are cheaper, but of good quality (Bennett, 2007)

– Catalogue/mail order although not as popular still a substitute to online buying (Bennett, 2007)
Competitive Rivalry

+ As search engines are becoming the first choice for consumers when shopping on-line e.g. Google. This increases the opportunities for other retailers (Cassiman & Sieber, 2002)

+ There is an increasing amount of dotcom companies due to the little capital needed to start up. Smaller niche affiliate online stores when combined create even more competition (Bennett, 2007)
7c’s Framework

- Context
- Content
- Community
- Customization
- Communication
- Connection
- Commerce
### SWOT Analysis

#### Strengths
- Global brand
- Focus on research and development
- Strategic location
- Customer-centric vision
- Diverse products
- Applied advanced technology
- Amazon.com’s Merchant Program
- Skilled workforce
- Strong logistics

#### Weaknesses
- No physical presence
- Low profit margins
- Low cash flows
- Weak performance in China

#### Opportunities
- Growth in movie downloads
- Social networking
- Growth of online shopping in China
- Beijing Olympics 2008
- Expansion through acquisitions
- Growing e-commerce sales
- Growth in digital media
- Increased consumer spending in India

#### Threats
- Dependent on vendors
- Strong competition
- Patent infringement
Maintaining and improving operational efficiencies is the key to sustainable competitive advantage of Amazon.com. The ability to offer shopping convenience, ease of purchase, speed, decision-enabling information, a wide selection, discounted pricing, and reliability of order fulfillment are all tied directly to the company's logistical competencies.

By purchasing large volumes of products directly from publishers the company offers a wide selection to customers and receives great discounts from suppliers.

Amazon.com aims to ship 95% of products on the day they are ordered. Direct model enables Amazon.com to shorten shipping times. The company invested also heavily in warehousing and material handling systems to achieve multifold improvement in throughput.
e-Business Model

- Timmers: Third Party MarketPlace
- Rappa: Merchant --> Virtual Merchant
- Tappscott: Agorà
Business Model Canvas

- Online Retailing
- Auctions & zShops
- Marketplaces

Partnerships and Logistic Service Provider

E-commerce Platform/Web Services

eBooks/Kindle
9 Building Blocks

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Propositions</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>LOGISTIC PARTNERS</td>
<td>FULFILMENT &amp; IT INFRASTRUCTURE DEVELOPMENT AND MAINTENANCE</td>
<td>LOW PRICES</td>
<td>AUTOMATED SERVICES &amp; CO-CREATION (CUSTOMISED ONLINE PROFILES &amp; RECOMMENDATIONS)</td>
<td>GLOBAL MARKET (CONSUMERS)</td>
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<tr>
<td>AFFILIATES (PUBLISHERS, AUTHORS, BOOKSTORES...)</td>
<td>PRODUCT DEVELOPMENT, AND PROMOTION</td>
<td>CONVENIENCE</td>
<td>PARTNERSHIPS &amp; ALLIANCES</td>
<td>GLOBAL MARKET (SELLERS &amp; CONSUMERS)</td>
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<td>HARDWARE MANUFACTURERS</td>
<td>AGGREGATION OF DEMAND (LONGTAIL)</td>
<td>WIDE SELECTION</td>
<td>CHANNELS</td>
<td>SELLERS (COMPANIES &amp; INDIVIDUALS)</td>
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<td>COMPANIES (ONLINE &amp; TRADITIONAL RETAILERS)</td>
<td>IT INFRASTRUCTURE, SOFTWARE &amp; EXPERTS</td>
<td>CUSTOMER EXPERIENCE</td>
<td>CHANNELS</td>
<td>COMPANIES (ONLINE &amp; TRADITIONAL RETAILERS)</td>
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<td>GLOBAL FULFILMENT INFRASTRUCTURE</td>
<td>GLOBAL FULFILMENT INFRASTRUCTURE</td>
<td>INTERMEDIATION SERVICES</td>
<td>LOGISTICS NETWORK</td>
<td>DEVELOPERS</td>
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<td>PORTABLE DEVICE</td>
<td>PORTABLE DEVICE</td>
<td>MASS-CUSTOMISED WEB SERVICES</td>
<td>AFFILIATES</td>
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<tr>
<th>Cost Structure</th>
<th>Revenue Streams</th>
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<tbody>
<tr>
<td>MARKETING TECHNOLOGY &amp; CONTENT FULFILMENT</td>
<td>SALES MARGINS</td>
</tr>
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<td>COMMISSIONS</td>
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</table>

amazon.com®
Amazon.com's privacy statement details what information it collects from users when placing order or signing onto a specific service. Its policy states that the company personalise shopping experience by using purchases to shape recommendations about products to individual customers. The information collected from users is also used for specific notifications. Users can control whether to receive such information by amending account details. Amazon.com's cookies do not contain any personally identifying information.
Risks

Amazon.com has identified various risks inherent in an international on-line business:

• Unexpected changes in regulatory requirements
• Export and import restrictions
• Tariffs and other trade barriers
• Difficulties in staffing and managing foreign operations
• Longer payment cycles
• Political instability
• Fluctuations in currency exchange rates
• Seasonal reductions in business activity in other parts of the world
• Potentially adverse tax consequences

• Given current developments concerning the regulation of domain names, there is a risk that Amazon.com may not be able to acquire or maintain relevant domain names in all the countries that it conducts, or intends to conduct, business.
Alexa - Summary

<table>
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<tr>
<th>amazon.com</th>
<th>Amazon.com</th>
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<tbody>
<tr>
<td><strong>17</strong></td>
<td><strong>5</strong></td>
</tr>
<tr>
<td>Alexa Traffic Rank</td>
<td>Traffic Rank in US</td>
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<tr>
<td><strong>84 Reviews</strong></td>
<td><strong>275,172</strong></td>
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<td>Sites Linking In</td>
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<tr>
<td><strong>Search Analytics</strong></td>
<td><strong>Wayback Machine</strong></td>
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<tr>
<td>Top queries driving traffic to amazon.com</td>
<td>See how amazon.com looked in the past</td>
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<table>
<thead>
<tr>
<th>Related Links</th>
<th>Slow</th>
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<tbody>
<tr>
<td>Buy.com, Inc.</td>
<td>(1.798 Seconds)</td>
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<tr>
<td>Amazon UK</td>
<td>62% of sites are faster</td>
</tr>
<tr>
<td>eBay</td>
<td>Average Load Time</td>
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</tbody>
</table>
The best USA website

1. Google
2. Facebook
3. Yahoo!
4. YouTube
5. Amazon
7. Blogger
8. Twitter
...
Top sites (Shopping)

1. Amazon.com
2. Ebay.com
3. Netflix
4. Amazon.co.uk
5. Groupon
Stock Prize (22-28 June)
## Financial report

<table>
<thead>
<tr>
<th>USD in Million except per share data</th>
<th>2006-12</th>
<th>2007-12</th>
<th>2008-12</th>
<th>2009-12</th>
<th>2010-12</th>
<th>TTM</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>10,711</td>
<td>14,836</td>
<td>19,166</td>
<td>24,509</td>
<td>34,204</td>
<td>36,936</td>
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<tr>
<td>Cost of revenue</td>
<td>8,255</td>
<td>11,462</td>
<td>14,696</td>
<td>18,978</td>
<td>26,551</td>
<td>28,666</td>
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<tr>
<td>Gross profit</td>
<td>2,456</td>
<td>3,353</td>
<td>4,270</td>
<td>5,531</td>
<td>7,543</td>
<td>8,262</td>
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<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales, General and adm...</td>
<td>1,405</td>
<td>1,880</td>
<td>2,395</td>
<td>4,300</td>
<td>6,131</td>
<td>6,815</td>
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<tr>
<td>Other operating expenses</td>
<td>662</td>
<td>818</td>
<td>1,033</td>
<td>102</td>
<td>106</td>
<td>113</td>
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<tr>
<td><strong>Total operating expenses</strong></td>
<td><strong>2,067</strong></td>
<td><strong>2,698</strong></td>
<td><strong>3,428</strong></td>
<td><strong>4,402</strong></td>
<td><strong>6,237</strong></td>
<td><strong>6,926</strong></td>
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<tr>
<td>Operating income</td>
<td>389</td>
<td>655</td>
<td>842</td>
<td>1,129</td>
<td>1,406</td>
<td>1,334</td>
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<tr>
<td>Interest Expense</td>
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<td>77</td>
<td>71</td>
<td>34</td>
<td>39</td>
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<tr>
<td>Other income (expense)</td>
<td>66</td>
<td>82</td>
<td>130</td>
<td>65</td>
<td>130</td>
<td>113</td>
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<tr>
<td>Income before income t...</td>
<td>377</td>
<td>660</td>
<td>901</td>
<td>1,161</td>
<td>1,497</td>
<td>1,403</td>
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<td>Provision for income t...</td>
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<td>164</td>
<td>247</td>
<td>253</td>
<td>352</td>
<td>341</td>
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<tr>
<td>Other income</td>
<td>—</td>
<td>—</td>
<td>(9)</td>
<td>(6)</td>
<td>7</td>
<td>(8)</td>
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<tr>
<td>Net income from contin...</td>
<td>190</td>
<td>476</td>
<td>645</td>
<td>902</td>
<td>1,152</td>
<td>1,054</td>
</tr>
<tr>
<td>Net income</td>
<td>190</td>
<td>476</td>
<td>645</td>
<td>902</td>
<td>1,152</td>
<td>1,054</td>
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<tr>
<td>Net income available t...</td>
<td>190</td>
<td>476</td>
<td>645</td>
<td>902</td>
<td>1,152</td>
<td>1,054</td>
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<tr>
<td>Earnings per share</td>
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<td></td>
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<tr>
<td>Basic</td>
<td>0.46</td>
<td>1.15</td>
<td>1.52</td>
<td>2.03</td>
<td>2.58</td>
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<td>Diluted</td>
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<td>1.12</td>
<td>1.49</td>
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<td>Weighted average share...</td>
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<td>Basic</td>
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<td>413</td>
<td>423</td>
<td>433</td>
<td>447</td>
<td>449</td>
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<td>Diluted</td>
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<td>424</td>
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</tbody>
</table>
Charts

Annual

Quarterly

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