

# MARKETING PLAN

Developing a Marketing Plan for a new business or new product provides an entrepreneur a better understanding of the size and specific segments of a market, as well as an evaluation to determine if the target market will support the business' growth plans. The Marketing Plan is a critical part of any business plan created, whether to inform the business or to communicate to potential investors the size of the opportunity.

This analysis documents an overview of the industry that Amazon will participate in. As we narrow this sector down to the ideal customer based on Amazon's business strategy, we will define Amazon's target market. A detailed description and sizing of the target market will help the reader understand the market value Amazon has achieved (the number of potential customers multiplied by the average revenue for your product or service).

In defining the target market, we will identify key elements such as geographic location, demographics, buyer characteristics, Amazon's target market's needs and how these needs are being met currently. If there are any direct competitors, these should be compared to how Amazon deals with these competitors.

**Industry Type:** OTT stands for "Over The Top" and refers to any streaming service that delivers content over the internet. The service is delivered "over the top" of another platform, hence the moniker. The OTT (over-the-top) industry is constantly growing and is one of the most competitive amongst emerging markets with over 40 players representing all types of content providers, said the report from industry body CII and Boston Consulting Group (BCG).

**Industry Category:** Amazon's OTT platform, Prime Video is a marketplace for subscription video entertainment



**Industry Characteristics:** OTT platforms usually have the following characteristics:

- 1) Live streaming service.
- 2) Region specific content
- 3) Watchlist and Smart Recommendations.
- 4) Multiple user accounts and Multiple content categorizations.

**Trends:** The Indian OTT streaming industry is expected to grow to USD 13-15 billion over the next decade at a CAGR of 22-25 per cent, according to a joint report on media and entertainment.

**Stability:** OTT platform expansion is prominent in health and fitness, education, and other sectors. These platforms also provide lucrative prospects to budding content creators. The Indian population today uses the OTT platform beyond entertainment.

## ENVIRONMENTAL ANALYSIS

**Sociological:** An estimated 4,312,982,270 people are reported as internet users as of December 31, 2018 on the world internet usage and population statistics, with the highest penetration rate being North America (94.3%), Europe (81.4%), Australia (68%), and Latin America/Caribbean (66.5%). 'Cord-Cutting' in the US is the act of customers switching from traditional cable media to online streaming services. In 2017, US Cable companies saw the steepest loss with 2.4% on record switching. The trend of customers seeing the pricey cable options as less appealing considering the variety of online viewing options at more affordable prices has also led to more consumers moving away from tradition cable options for viewing (Bradshaw and Bond, 2017).

The video on demand streaming industry is currently thriving according to both qualitative and quantitative data. Trends in online streaming and cable cutting show usage and demographic streaming trends increasingly moving towards video on demand services.

In 2017, "About 6 in 10 young adults in the U.S. primarily use online streaming to watch TV" (Rainie, 2017). In UK markets, younger viewers are watching a third less traditional television and now turn to online streaming services for their entertainment (Bond, 2017). Many customers are moving towards watching video content on their smartphones rather than traditional larger screens. Consumers hectic lifestyle trends and an increase in smart phones and receiving more information faster has led to the demand for content to be available on small devices (Mintel, 2016).

**Technological:** Amazon.com, Inc. invests heavily in innovative technology and research and development. Amazon's Fire TV and Fire TV stick both impact the number of Amazon Prime Video users and show the company's focus on technology and customer convenience. Devices continue to be developed featuring Amazon Prime Video. Increase in Amazon devices that feature Prime Video, such as Fire TV, Fire TV sticks, and of course the continued trends in Roku devices impact the number of subscribers with convenience being essential in technological consumer trends. Increase in newer technology impacts the number of internet users, therefore impacting the number of video streamers. Video quality, convenience, cost effectiveness, and popular streaming devices contribute to the appeal

of online streaming services and cord-cutter trends, as well as trends in original content being produced in house by streaming services with technology impacting streaming entertainment studios.

The 4K television market has seen a ten-year growth of 43% in the US, with the market estimated to be worth \$71.9 billion (digitaltveurope.net, 2017). New patented tech creating a shift in 4K screen resolutions for better compression with streaming. Amazon offers 4K streaming without increasing the cost. Amazon TV devices being sold featuring Prime Video also have 4K.

Internet Infrastructure is getting better, availability increases even in remote areas, due to an increase in the mobile service coverage (Global State of Mobile Networks, 2016). 5G is expanding, enabling better quality streaming on smart phones, delivering a tenfold increase in internet speed compared to 4G networks. Continued growth in social media marketing impacting brand awareness.

**Economic:** Consumers benefit from Amazon's attempts to differentiate from competitors by adding features while attempting to keep costs constant. Student discounts for Amazon Prime, which includes Amazon Prime Video, helps make their services more appealing and economical for students. In a current global recession where many customers spending budgets are tight, services like Amazon Prime Video, included with an Amazon Prime subscription for many users is more attractive than costly traditional media subscriptions.

Amazon's focus on technological innovations, research and development, and original Prime Video content contributes to Amazon.com, Inc. economic strength, including stock prices, and net income. Since March 10, 2014, the stock has seen its sharpest rise moving from approximately \$373.74 to its current price \$1,620.80 as of March 8, 2019. (AMZN Income Statement, 2019). Amazon's net income is an estimated 10.1 Billion or \$10,073,000,000 (AMZN Balance Sheet, 2019). Amazon "has and will remain one of the world's fastest growing companies. Since 2006, the online retailer has grown an average of 31% year over year, with no end in sight" (Liang, 2018).

The documents shared with Reuters show that about "one in four Prime signups were driven by Prime Originals, like Man in the High Castle and Transparent, between late 2014 and early 2017" (Donnelly, 2018). Bezos also said the streaming audience is more engaged than those not watching film and TV on the platform, "renewing their subscriptions and converting from free trials at higher rates than members who don't use Prime for watching videos" (Donnelly, 2018).

Amazon is investing heavily in video programming according to Reuters. The company reported that nearly \$5 billion was invested for original and licensed films and TV shows making it one of the company's most significant expenses. An estimated 100 million Amazon Prime subscribers and 26 million in the U.S. for Amazon Prime Video users has been reported by Reuters.

**Ecological:** Due to the Server or Cloud Expansion impacts the increase in the video-on-demand market can lead to higher CO2 emission. Amazon is offering cloud storage and cloud computing which can eliminate the need for hardware and storage devices for the general public. A typical large-scale cloud provider achieves approximately "65% server utilization rates versus 15% on-premises, which means when companies move to the cloud, they typically provision fewer than ¼ of the servers than they would on-premises. In addition to the environmental benefits inherently associated with running applications in the cloud, AWS has a long-term commitment to achieve 100% renewable energy usage for our global infrastructure." (AWS & Sustainability, 2019). In January 2018, AWS achieved 50% renewable energy usage.

High-tech companies are taking initiative to build 100% renewable energy server farms. "These renewable energy projects are expected to deliver over 2 million MWh of energy annually onto the

electric grid powering AWS data centers located in the AWS US East (Ohio) and AWS US East (N. Virginia) Regions. The electricity produced from these projects is enough to power the equivalent of over 190,000 U.S. homes annually, which is approximately the size of the city of Atlanta, Georgia.” (AWS & Sustainability, 2019).

**Political:** Political influential factors arise from rather socialist countries, where governments can prioritize local service providers to spur national growth and block the entry of internationals.

Top technology brands have faced challenges with new regulations leading to large fines. European commissions in 2016 approved and adopted new General Data Protection Regulation (GDPR). In 2017, Amazon was hit by a fine of 250 million Euros in back taxes. Controversial EU rulings will lead to 30% European and levied taxes on traditional media.

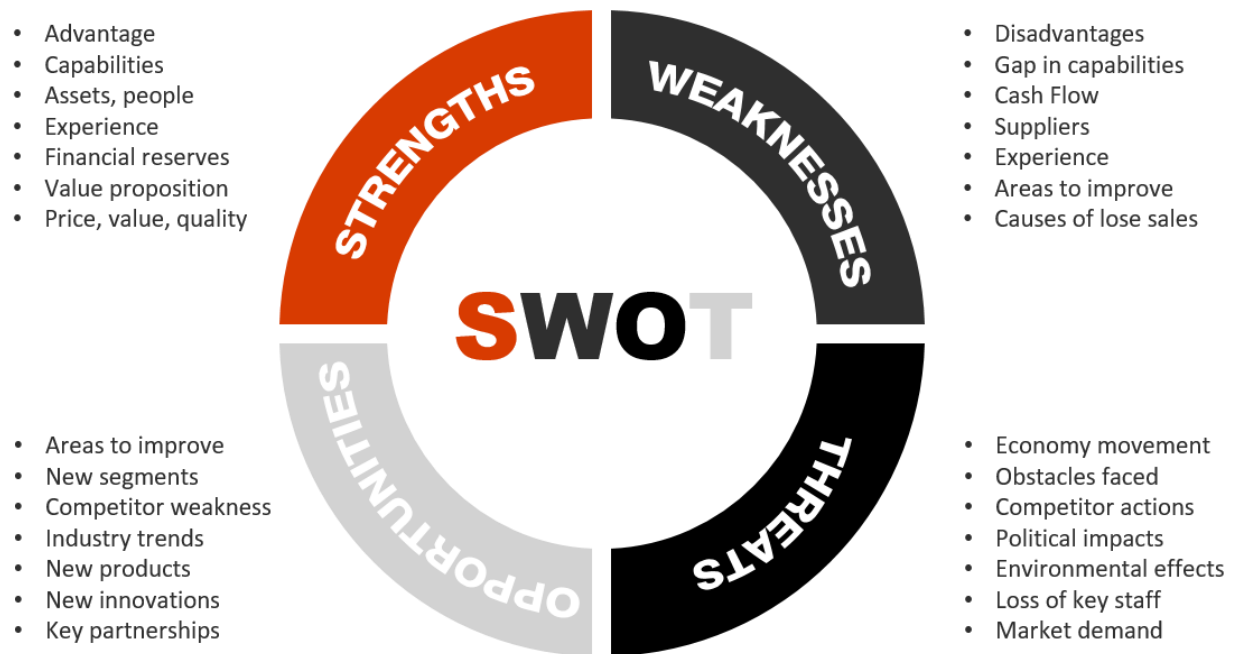
“WASHINGTON (Reuters) - Amazon.com Inc’s plan to set up a second headquarters in Northern Virginia, after being rebuffed in New York, will face its first test when local officials vote on Saturday on a proposed financial package worth an estimated \$51 million.” (Dastin, 2018).

**Legal:** Regulations and legal challenges against the technology sector impact both Amazon.com, Inc. and Amazon Prime Video, in addition to other major technology and streaming competitors. When dealing with selling multimedia over the internet you need to acquire certain rights to the media. Streaming entertainment companies also have to be aware of online data protection laws and regulations and copyright infringement laws. Today, personal information about an individual is being collected at a rate and to a degree unthinkable even five years ago. Currently, much of an individual's personal information can be legally collected, shared, exchanged, sold, and disseminated without notice to or input by the individual. Self-imposed industry codes of conduct are increasingly being implemented to address these privacy problems.” (Varney, 2014).

Issues against technological players, such as Amazon are arising in areas such as antitrust legislations, data storage and privacy, and security and taxes. “Chinese government has brought out laws restricting foreign players to operate without using a platform controlled by a Chinese-owned and licensed entity.

**Ethical:** Amazon Video launched worldwide (except for Mainland China, Cuba, Iran, North Korea, and Syria) in 2016 having a diverse customer base (Liang, 2018). Despite other competitors increasing their pricing for subscriptions, and for 4K streaming Amazon Prime Video announced that they would not be increasing prices for 4K and have also remained consistent with pricing throughout the year.

## SWOT ANALYSIS



- **Strengths:**

- 1. Leadership**

Jeff Bezos, successful CEO and owner of Amazon Prime Video built his company from selling books online to an entire e-commerce empire. Bezos successful leadership is based on Amazon's financial success, successful innovations, subsidiaries, and branches within Amazon including Amazon Prime Video, and the number of Amazon Prime subscribers. Amazon has become one of the world's largest e-commerce companies accounting for an estimated 44% of total e-commerce sales in the United States for 2017(Liang, 2018). Amazon's success largely stems from its innovative technologies and practices, many of which were championed by its CEO, Jeff Bezos. Echo, Amazon's impressive voice command device and the Fire TV stick are two such examples.

- 2. (Global reach) Geographic, content, and devices show emphasis on diversity**

Prime Video incorporates diversity being available worldwide to stream and gearing content to fit different cultures and interests. Prime Video launched worldwide (except for Mainland China, Cuba, Iran, North Korea, and Syria) in 2016 having a diverse customer base (Liang, 2018). In addition to geographic and content diversity, the company also has a wide assortment of devices that stream Amazon Prime Video.

- 3. Business Strategy with emphasis on original content and research and development**

Business strengths include, integrating Amazon Prime Video with Amazon Prime, bringing in more subscribers for both. Based on research and information provided by CEO, Jeff Bezos, original content is a factor in Amazon Prime Video and Amazon Prime's success bringing in more subscribers from their exclusive content. While Amazon is secretive about its streaming statistics, the company is transparent that "creating high quality original video programming is a strategy for converting that audience into shoppers (Liang, 2018). The documents shared with Reuters show that about" one in four Prime signups were driven by Prime Originals, like *Man in the High Castle*, between late 2014 and early 2017" (Donnelly, 2018)

#### **4. Innovative Technology, a major focus point for Parent Company, Amazon.com, Inc.**

Innovative technology, a focus of Amazon.com directly impacts Amazon Prime Video improving user experience, with options to use Fire TV sticks and Fire TVS that continuously have new upgrades and features being added, including 4K devices for streaming Amazon Prime Video with greater convenience and superior quality. "The 4K television market has seen a ten-year growth of 43% in the US, with the market estimated to be worth \$71.9 billion" (digitaltveurope.net, 2017). New patented tech creating a shift in 4K screen resolutions for better compression with streaming. Amazon currently offers 4K streaming without adding on any additional fees.

- **Weaknesses:**

##### **1. Brand Awareness**

Amazon Prime could improve their online presence using social media marketing and promoting their content more. "In an otherwise big Emmys growth story for digital platforms, Amazon was the exception." (Schneider, 2017). "However, there's a reason networks and studios plow so much money into big awards campaigns: In a competitive world where thousands of original TV series battle for audience, brand matters." (Schneider, 2017). "Amazon Prime has serious brand issues: When asked specifically about Amazon Prime Instant Video, 23 percent of respondents talked about Prime shipping instead." (Schneider, 2017). Proof of Netflix's superior platform brand identity: Users talk about "watching Netflix" as opposed to watching a specific show on Netflix. They often first decide to binge a Netflix show and then pick the series. "In other words, the platform is driving the content" (Jerde, 2018).

##### **2. Original Content Promotion**

Original Content Promotion is lacking on social media. Increasing brand engagement and sales is often done through social media. According to Forbes, "Almost 40 percent of users are following

their favorite brands on social media and 1 in 4 users are following brands on social media from which they might make a purchase” (McCue, 2018).

### **3. Main Interface**

Amazon Prime Video’s main interface is more cluttered, and less user friendly in comparison to Netflix’s clean easy to use interface. User experience improvements, simplicity, and storytelling visual elements are all areas for Amazon Prime Video to develop further. Netflix is a perfect example of a platform that promotes their content with automatic clips efficiently helping users with suggestions and enticing previews to watch when deciding on content. Netflix also features profile options, which Prime Video lacks allowing multiple members to personalize their viewing experiences.

- **Opportunities:**

1. Opportunities for Amazon Prime would be more third-party entry points for watching their platform on, such as smart TVs, devices, and projectors. Currently there are many smart TVs featuring Amazon Video, as well as streaming devices, like Roku, and Apple TV.
2. Trends in online streaming and cable cutting are major opportunities for Amazon Prime Video to grow subscribers. In 2017, “About 6 in 10 young adults in U.S. primarily use online streaming to watch TV” (Rainie, 2017).
3. Will 5G lead the way?” (McFerran, 2018). Opportunity for better quality streaming, increased cellular usage for streaming, and more opportunities to stream Prime Video for people with hectic lifestyles using 5G. “Zero buffering, no waiting. (McFerran, 2018). “5G enables much higher throughput – that is the bandwidth available to each connection, and the speed at which data is sent or delivered. The average speed on our 4G network today is 30Mbps, and 5G can increase that even further. With higher bandwidth comes higher resolution video.” (McFerran, 2018).
4. Global consumer reach will directly impact the number of subscribers. Australia and Latin America offer subscriber growth opportunities based on internet users’ worldwide statistics. An estimated 4,312,982,270 people are reported as internet users as of December 31, 2018 on the world internet usage and population statistics, with the highest penetration rate being North America (94.3%), Europe (81.4%), Australia (68%), and Latin America/Caribbean (66.5%) (Internet Usage Statistics, 2019).
5. Competitors continuing to raise their prices, while Amazon Prime Video remains the same, and even offers student discounts can impact streaming consumers leaving more expensive platforms for Prime Video, with consumers becoming less trusting and loyal to companies that continuously

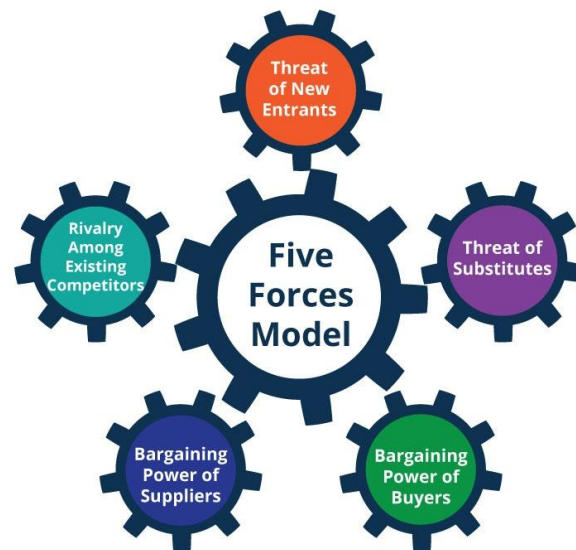
increase prices. Other companies price increase could leave more opportunity for subscriber growth and increased customer loyalty for not increasing prices.

- **Threats:**

1. One of Amazon Prime Video's biggest threats is direct competition and or increased competition. Netflix, Hulu, YouTube, DirectTV Now, and Sling TV are just a few examples of competition Prime Video faces. New streaming entrants threaten to increase the amount of competition. Ultra HD streaming is available on Netflix on many 4K devices.
2. Risk of free streaming services through pirating services and or price competition amongst similar platforms. In a current global recession where many customers spending budgets are tight, services like Amazon Prime Video which is included with Amazon Prime subscriptions for many users are more attractive than costly traditional media subscriptions (Bradshaw and Bond, 2017). Consumers benefit from Amazon's attempts to differentiate from competitors by adding features while attempting to keep costs constant. Pricing strategy is at risk if competitors change their features, content, or pricing.
3. Regulations and legal challenges against the technology sector threaten Amazon Prime Video. Prime video services being blocked from use in certain territories threaten their company and subscriber growth potential. Chinese government has brought out laws restricting foreign players to operate without using a platform controlled by a Chineseowned and licensed entity. (Ming, 2017). "Regulators have moved aggressively to curtail what the country's more than 750 million internet users can or cannot do online. While Beijing has shut out access to Google and Facebook in the past, new restrictions introduced this year have been some of the strictest ever, according to experts." (Ming, 2017).



# PORTER'S FIVE FORCES MODEL



## 1) Threat of New Entrant: High

With OTT platforms on the rise, many television companies are creating their own video streaming platform with their original content and who knows how many more there are to come.

- 1) **Switching Costs:** As these companies already are developing content for television, they are already spending money on their content. Creating their own streaming platform doesn't put a dent on their budget.
- 2) **Economies of scale:** Amazon Prime Video does have an advantage over other brands on economies of scale because of the reputation of heavily producing good content but that doesn't undermine any new players as content is subjective and anybody can create their own content and attract customers.
- 3) **Customer Loyalty:** It's not unknown to us that we don't use any OTT platform because we are loyal to that brand, we use it for the content we like. Therefore, we can definitely say that in this case customer loyalty lies where they can find good content.

## 2) Bargaining power of buyers: High

Amazon Prime Video has made its way to the heart of its customers/subscribers by providing them the content that they want as well as by producing some high-quality original content. But, with the rise of OTT platforms, it's difficult for people to manage their subscriptions for so many different streaming services hence giving an advantage to the bargaining power of the buyers.

### **3) Threat of substitute: High**

Amazon competes with so many other platforms that it can be easily be replaced. The threat of substitute is high but what keeps amazon in this game of thrones is its ability to produce quality content as well as making satirical content that other OTT platforms hesitate to make due to the fear of being boycotted by masses. But a single bad experience will drive the customers away from Amazon because of the easy availability of substitutes at a cheap rate.

### **4) Bargaining Power of Suppliers: Low to Moderate**

Suppliers provide Amazon with the content it needs but for that content to be publishes especially explicit content, it is difficult for suppliers to find other streaming services where that content can be published. But there are other platforms like Netflix who are willing to take the risk of publishing controversial content to the public.

### **5) Competitive Rivalry: High**

Amazon competes against strong competitors and, the rivalry in the OTT industry is increasing exponentially. With competitors like Netflix, Disney Plus Hotstar, SonyLiv, etc. the competition is immense and to survive in this industry all these rivals need to perform consistently in their content game or it will easily sway the public opinion in the favour of any of these companies. For now, all these platforms are known for their own content.

# VALUE CHAIN ANALYSIS

Amazon's value chain analysis consists of a company's activities into primary and support activities. Therefore, it is crucial to look at both of them separately. In the primary activities, we cover the inbound logistics, operation, outbound logistics, marketing and sales, and services while the support activities consist of the firm's infrastructure, human resources, technology development, and procurement.

## Amazon Prime Video's Primary Activities

In Amazon's value chain analysis, primary activities are those involved in obtaining raw materials, converting them, and delivering them to customers. It may also include marketing and sales activities and services. Lastly, it also consists of any services provided to customers. There are five primary activities that any company may have. For Amazon, these are as follows.

### 1) Inbound Logistics

Inbound logistics defines a company's activities involved in obtaining raw materials. A video service doesn't necessarily need any raw materials to produce. It is just an online platform to produce content.

### 2) Operations

Operations include all activities that go into converting raw material into finished goods. As we are solely focusing on Prime Video, the finished goods in this case is the content produced and the raw materials would be the content made which doesn't realistically require any operational unit except to publish content and region specific content.

### 3) Outbound Logistics

Outbound logistics consists of activities involved in storing, moving, and distributing finished products. Again, Prime Video doesn't require a distribution channel.

### 4) Marketing and Sales

- Prime Video spends heavily on marketing its content and Prime Video related products to get people to purchase its subscription. Amazon has over **200 million Prime members**.
- Sales during Prime Day on Amazon reached **\$11.79 billion** in 2021.
- Amazon Prime is available in **22 countries** as of October 2021.
- Amazon registers **\$25.21 billion** in annual revenue from retail subscription fees.

### 5) Services

Amazon Prime launched in 2005 as an Amazon membership service offering free two-day shipping. It gained limited customer traction during the first years, but after 2011 it started quickly taking off and now has more than 200 million members across 19 countries. Prime membership has evolved and now includes streaming, shopping, reading, and other benefits besides free shipping.

### **Amazon Prime Video's Support Activities**

In Amazon's value chain analysis, support activities are those that don't come as a result of core activities. These are activities that all companies have. According to the value chain analysis, there are four support activities that every business has. These are the firm's infrastructure, human resources, technology development, and procurement.

#### **1) Firm's Infrastructure**

Being part of Amazon is Prime Video's biggest strength, and challenge. Amazon has always put the maximum effort into building an infrastructure that supports its online business. Amazon has learned from its past mistakes and adopted its business to rectify those mistakes. Amazon has also successfully converted some of its firm infrastructures into business, for example, cloud computing.

A company the calibre of Amazon can't run without a robust firm infrastructure. While Amazon has been successful in the past, its firm infrastructure has always supported its primary activities. Managing and organizing a business of Amazon's size is challenging. However, its firm infrastructure does an outstanding job of managing it.

#### **2) Human Resources**

Human resources involve activities a business participates in to manage its human capital. Amazon has a great working environment for employees. It provides employees with the best training. Similarly, it gives its human resources the recognition it deserves through its promotions and reports. Amazon's recruitment and employee management process has been one of the primary elements of its success.

#### **3) Technology Development**

Amazon has developed Fire TV, Fire TV stick to ensure that its customers get the Prime experience along with other streaming services all in one place.

#### **4) Procurement**

The only procurement that Amazon needs to focus on is the procurement of content.

# PRODUCT LIFE CYCLE ANALYSIS

There are four stages that you should be looking at to see if each product has viability for the long run. On Amazon Prime Video, a movie or a show for example can easily be classified as a product and hence let's try to analyze content as products. Product Life Cycle can be tracked by plotting a graph of Introduction, Growth, Maturity and Decline with Time as the X-axis and Sales as the Y-axis. Sales in Prime Video's case would be the viewership.

## The Three Traits of a Successful Product on Amazon

1. Reviews

The critic reviews of any content produced on Amazon Prime Video will help make its case to its subscribers and help that content to establish itself in the market.

2. Ratings

There are many rating websites out there like IMDb that again many users refer to because the sea of content is never ending and these ratings definitely help users to select what they want to watch.

3. Ranking in a category

This could also be a deciding factor for many users if they have not heard of that particular show.



## Introduction

This occurs when a product is pretty new to the market and you'll need to work on establishing it. Any new content that is new to the platform will initially reach only a few subscribers through the recommendation system.

## Growth

The content has been established on the platform and is grabbing a few eyes spreading the word of mouth and attracting more and more users but not to the point where the pendulum has tipped in their favor.

## Maturity

This is where the content gets a considerable amount of audience and can be considered a success on the platform. Some shows/movies even surpass this to become a phenomenon and create a hype train for the people where anyone will feel left out if they haven't watched it since everybody is talking about it. Such content stays in the market for the long run.

## Decline

Any content produced on Amazon will eventually meet its decline as people have already watched it and there is only so many times people can watch it. Though there might be exceptional cases where a show or a movie will influence people for generations, (For example: F.R.I.E.N.D.S.) the viewership won't be as high as it was during its peak and the graph will eventually decline.

# CONSUMER BEHAVIOUR

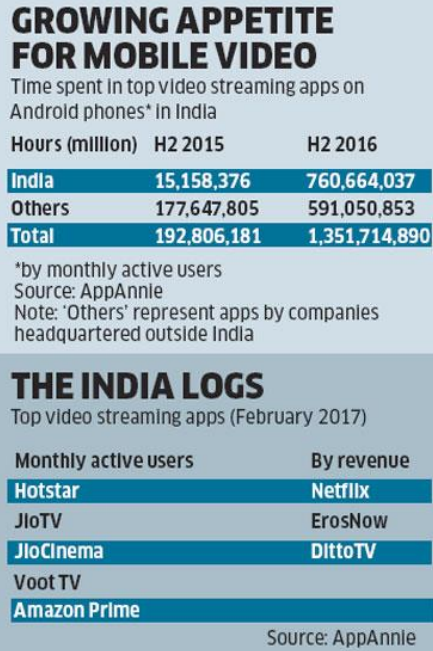
## The Indian Viewer

Internet-video services like Hotstar, Netflix or Amazon Prime are called 'over-the-top' because they don't ride on traditional broadcasting or single-telecom networks. Thanks to net neutrality, OTT video doesn't require any affiliation with any operator.



In 2011, the Cable Television Networks (Regulation) Amendment Act pushed local cable operators to digitize networks—basically organize the market (see 'TV Market Gets Organized'). Call this traditional TV, where a single cable or satellite TV subscription is consumed by a household whose industry average is five viewers. Even with a conservative estimate of four persons per household, this is more than 700 million viewers.

In comparison, OTT video growth has been tangential to traditional TV market, thanks to price competition among smartphone brands, as well as between telecom operators after Reliance Jio's largesse to unveil 4G networks. In 15 months, the online segment for video rose from 66 million unique users in 2015 to more than 80 million in end 2016. It's not the 21% growth that is exciting broadcasting networks (Star Networks, Tata Sky), content owners (Yash Raj Films, Balaji Telefilms) and telcos (Vodafone, Airtel) to push for OTT. It is the behavioral or habit shift that caught their eye.



“When distribution becomes free because of the internet to directly access consumers, then competition keeps the market honest,” says a digital media entrepreneur. “The distribution (cable) guy is not the king, consumer is actually king.” “In absolute terms, the 80-million number is significant,” says Vidya S Nath, director, digital media, Frost & Sullivan, adding that it is the population of European nations like France or Germany, where traditional cable networks are under threat. “We have got to this scale without adequate broadband infrastructure support,” she adds. The icing on the cake: “These are unique viewers, each of whom is present on one or more platforms.” Services led by data analytics of unique viewer habits make for more sharply-targeted advertisements – the raison d’être of Google or even Hotstar, the OTT brand of Star Networks which has more than 70 million mobile-device installations.

A digital-media industry source, who has worked with content owners and telecom operators for more than a decade, notes this has to do with Amazon’s global strategy of high engagement on its platform. Just like in the US, Amazon is giving a lot more value for Prime than just providing video. “Video is clubbed with instant e-commerce delivery (for Rs 499 per year). You don’t pay extra for faster deliveries,” he says. Further, video helps Amazon because consumers keep returning to the platform, even when they are not shopping online for products. “For Amazon, investing in Prime Video is like investing in customer retention.”

Amazon founder Jeff Bezos no less spelt it out in the 2015 shareholder letter, justifying large spends on creating original video content a la Netflix. “(Video) shows are great for customers and they feed the Prime



flywheel – members who watch Prime Video are more likely to convert from free trial to a paid membership and to renew annual subscriptions. ... Prime has become an all-you-can-eat, physical-digital hybrid that members love.” Amazon’s video play, which is less than four months old, cannot be seen in isolation of its overall digital ambitions, even in India.

## Hunger Games

The first users of internet in the US were for paid-utilities like shopping (eBay, Amazon) and internet-enabled home services, apart from email. But in India’s next wave of growth, online users will consume video before buying products online. That’s the bet. “The top three app growth categories in India are music, media and entertainment,” says Pratik Poddar, vice-president at Nexus Venture Partners, a venture-capital (VC) firm in Mumbai. “People are hungry for content and we are seeing significant behavior change where many users are spending more than 15 minutes a day on new content destination companies.”

<b>TELEVISION MARKET GETS ORGANISED</b>		
Subscribers (million)		
Fiscal Year	Cable TV	DTH
2010	68	21.4
2011	92	35.6
2012	94	46.3
2013	97	56.5
2014	99	64.8
2015	101	76.1
Note: Each subscriber denotes a household of 4-5 viewers. Only 60% of set top box activations are active		
Source: Trai		

<b>EXISTING REVENUE STREAMS</b>		
Broadcasters' subscription revenue has grown faster and in absolute terms		
Fiscal Year	Subscription (₹ cr)	Advertising (₹ cr)
2011	19,400	10,300
2012	21,400	11,600
2013	24,500	12,500
2014	28,100	13,600
2015	32,000	15,500
Source: Trai		

If Amazon can ensure customer stickiness after getting new users from its OTT service, it can enhance their ecommerce business in the next wave of growth. For this, Prime Video has tied up with mobile operator Vodafone (and is exploring other such partnerships) to tap into new prepaid mobile customers. Until then, Amazon is focusing on increasing customer engagement on Prime, and converting Amazon.in in users to Prime subscribers.

Google and Facebook have done this naturally beyond core search and social network businesses, respectively. Until 2015-end, a lion's share of the OTT market belonged to YouTube, part of the Google arsenal. And WhatsApp, a Facebook company, is emerging as a dominant channel for videos to go viral apart from the parent company's video ambitions.

In the US, the \$136-billion online retail giant has added Reading (Kindle-based), Twitch (gaming), Audible Channels (audio content), and Photo Family Vault as new Prime exclusive digital benefits last year. Stratecherry, a subscription-based newsletter featuring analysis of tech and media news, quoted a Consumer Intelligent Research Partners estimate in March 2016 that Amazon has 54 million Prime members, "which at \$99/member would generate \$5.3 billion in revenue" globally. Like in India, Prime Video is available at no extra cost to Amazon Prime members in Belgium, Canada, France, Italy and Spain.

The OTT fight between YouTube, Netflix and Amazon has been more than a wake-up call for broadcasters, telecom operators and content creators who are rejigging plans for the OTT consumer.

"They have to move," says Brian Morris, general manager of global media and entertainment services at Tata Communications. "If they want to stay competitive, and provide reach to mobile consumers, OTT is not an option. It is a requirement."

Launched in February 2015, Hotstar has stood out for its timing and heavy investment in marketing the brand whose live sports events usher in masses of users. "The biggest gain in OTT is from Indian Premier League T20 Cricket, which is why Hotstar is what it is," Nath says.

A sports series guarantees mobile-video platforms of 5-10 million users depending on the targeted geography. "The biggest gain in OTT is from IPL (Indian Premier League T20 Cricket), which is why Hotstar is what it is," Nath says.

It involves bagging the digital rights for IPL, which are up for bids after the 2017 season. "World over, the primary move to lock in a consumer online is sports," she says. "Anybody who has rights for sports especially cricket in India, football world over locks in consumers." A sports series guarantees mobile-video platforms of 5 million-10 million users depending on the targeted geography.

This is interwoven in strategy. "Sports brings us loyal fans and users to come and spend humongous amounts of time," says Uday Sodhi, head of digital business for Sony Pictures Networks India. "It's a long-term passion. We get great support from advertisers because users love the sports." SonyLiv uses its TV

broadcast muscle to source the sports content from three television sports brands: SonySix, ESPN and TenSports. “This covers cricket and onto our football portfolio which is probably our deepest,” he adds. While sports content is free on its OTT, SonyLIV’s movie section is a paid service.

### **Content Wins**

OTT video means customers increase their data consumption, and mobile operators will see average revenue per user go up. Content owners too can choose from a range of platforms. They are in the spotlight.

The battle is on for content, as Netflix alone added 600 hours of original programming – apart from licensed TV shows and movies – to its year-old service here. In absolute numbers, online video advertising dominates subscription figures, but that is not sustainable as Vice Media, a digital media company headquartered in New York discovered in North America. Amazon Prime knows there is no such thing as a free lunch. It is a risky gambit for OTT in India, but smart for its consolidated plans.

# MARKET RESEARCH AND STRATEGY

## OBJECTIVE

Based on current video streaming and marketing trends, suggest ways in which Amazon Prime Video can improve both their marketing strategy and user experience to strengthen brand awareness and increase subscriber growth.

## RESEARCH METHODOLOGY

The information collected for the Market Analysis report consists of external, secondary sources from the Internet and online databases. There is a mix between qualitative and quantitative research gathered in the Month of March of 2019. Internet usage statistics are from 2018 and March of 2019. Internet usage statistics and charts are current with quantitative data from both 2018 and 2019. Streaming trends mentioned in Laposky's article include quantitative data as well collected in 2017.

## RESEARCH AND KEY FINDINGS

Amazon Prime Video is a video on demand service developed, owned, and operated by Amazon.com, Inc. Prime Video offers a large library of television shows and movies including their original content. Options to subscribe to over a hundred premium channels and select sporting event are also included in Prime Video. Users can watch on hundreds of streaming media devices and web browsers. Prime Video's parent company, Amazon.com, Inc. is the leading global e-commerce company defined by net sales. The company is financially secure, having a net income of 10.1 billion in March of 2019 and a net profit margin of 4.33% (AMZN Balance Sheet, 2019). Since March 10, 2014, the stock has seen its sharpest rise moving from approximately \$373.74 to its current price \$1,620.80 as of March 8, 2019. (AMZN Income Statement, 2019). This rise is largely due to the company's investment in innovative technology. Popular Amazon devices include, Echo, Fire TV and Fire TV sticks. Prime Video original content is also a large contributor to Amazon.com, Inc.'s financial success.

According to Reuters, Amazon invests heavily in video programming, "The company reported that nearly \$5 billion was invested for original and licensed films and TV shows" making it one of the company's most significant expenses. (Donnelly, 2018). An estimated 100 million Amazon Prime subscribers and 26 million Prime Video subscribers in the U.S. is reported by Reuters (Donnelly, 2018). The documents shared with Reuters show that about "one in four Prime signups were driven by Prime Originals, like Man in the High Castle and Transparent, between late 2014 and early 2017" (Donnelly, 2018). Bezos also said the

streaming audience is more engaged than those not watching film and TV on the platform, “renewing their subscriptions and converting from free trials at higher rates than members who don’t use Prime for watching videos” (Donnelly, 2018). The company reported that nearly \$5 billion was invested for original and licensed films and TV shows making it one of the company’s most significant expenses. An estimated 100 million Amazon Prime subscribers and 26 million in the U.S. for Amazon Prime Video users has been reported by Reuters (Dastin, 2018).

Prime original movies attract users from around the globe including the United States, Canada, India, France, and the UK. Their target audience includes females and males aged 18-34, Amazon Prime subscribers, movie and TV lovers, and people who prefer affordable, convenient ways to stream content without network restrictions, and frequent commercials ("U.S. Amazon Prime user age distribution 2017 | Statistic", 2019).

### Streaming Trends

The video on demand streaming industry is currently thriving according to both qualitative and quantitative research conducted. Trends in online streaming and cable cutting directly impact the number of Amazon Prime Video subscribers, usage, demographics, and behaviors for TV and movie watching. More people are increasingly moving towards video on demand services. In 2017, “About 6 in 10 young adults in the U.S. primarily use online streaming to watch TV” (Rainie, 2017). In UK markets, younger viewers are watching a third less traditional television and now turn to online streaming services for their entertainment (Bond, 2017). Quantitative research shows adult streaming trends as well, “The Interactive Advertising Bureau (IAB) today released “The Changing TV Experience: 2017,” a comprehensive study revealing that most U.S. adults (56%) own a Streaming Enabled TV, a 56 percent rise from just two years ago, a fundamental shift in the way that Americans watch television.” (IAB, 2017). Many customers are moving towards watching video content on their smartphones rather than traditional larger screens. Consumers hectic lifestyle trends and an increase in smart phones and receiving more information faster has led to the demand for content to be available on small devices (Intel, 2016).

An increase in global internet usage additionally impacts streaming trends. An estimated 4,312,982,270 people are reported as internet users as of December 31, 2018 on the world internet usage and population statistics, with the highest penetration rate being North America (94.3%), Europe (81.4%), Australia (68%), and Latin America/Caribbean (66.5%). America/Caribbean (66.5%) (Internet Usage Statistics, 2019).

“Cord-Cutting’ in the US is the act of customers switching from traditional cable media to online streaming services. (Global State of Mobile Networks, 2016). In 2017, US Cable companies saw the steepest loss with 2.4% on record switching. The trend of customers seeing the pricey cable options as less appealing considering the variety of online viewing options at more affordable prices has also led to more consumers moving away from tradition cable options for viewing (Bradshaw and Bond, 2017). “The study, from Adobe Digital Insight, revealed that two-thirds of consumers under 35 regularly use online streaming services, and cutting from traditional broadcast and cable TV continues to grow. A quarter of all viewers under 35 watch content exclusively via streaming. Another 30 percent of those under 35 said they expect to stream content exclusively within two years.” (Laposky, 2017).

Streaming trends likewise include emphasis on user experience with personalization and convenience being important values to video streamers. Customers feel profile options are an important feature lacking in Amazon Prime Video’s platform, with competitors like Netflix and Hulu having profile options and even a child profile option. “The company has at least publicly acknowledged that profiles are something it knows users want” (Perez, 2018). Overall, the interface has always felt more focused on pushing Prime content in a variety of ways, rather than helping you discover new things you’ll actually like.

“What makes this worse is that Amazon doesn’t offer user profiles, where household members could each have their own watchlist and set of recommendations – features that are standard on rival streaming apps today, including Hulu, Netflix, and even newcomers like YouTube TV. Netflix uses a content similarity algorithm, as well as a trending now, and continue watching lists adding personalization and convenience to users and increasing customer engagement.” (Perez, 2018).

### **Technology’s Impact on Video Streaming Trends**

Amazon.com, Inc. invests heavily in innovative technology and research and development. Amazon’s Fire TV and Fire TV stick both impact the number of Amazon Prime Video users and show the company’s focus on technology and customer convenience. “Streaming Enabled TVs have changed the way Americans watch television,” said Chris Kuist, Senior Vice President, Research and Impact, IAB.” (IAB, 2017). Devices continue to be developed featuring Amazon Prime Video. Increase in Amazon devices that feature Prime Video, such as Fire TV, Fire TV sticks, and of course the continued trends in Roku devices impact the number of subscribers with convenience being essential in technological consumer trends. Increase in newer technology impacts the number of internet users, therefore impacting the number of video

streamers. Video quality, convenience, cost effectiveness, and popular streaming devices contribute to the appeal of online streaming services and cord-cutter trends, as well as trends in original content being produced in house by streaming services.

### **Marketing Strategy**

Increasing brand engagement and sales is often done through social media (McCue, 2018). According to Forbes, “Almost 40 percent of users are following their favorite brands on social media and 1 in 4 users are following brands on social media from which they might make a purchase” (McCue, 2018). The parent company, Amazon.com has one of the strongest online presences. “When asked specifically about Amazon Prime Instant Video, 23 percent of respondents talked about Prime shipping instead.” (Schneider, 2017). Proof of Netflix's superior platform brand identity: Users talk about "watching Netflix" as opposed to watching a Page 10 specific show on Netflix. They often first decide to binge a Netflix show and then pick the series. “In other words, the platform is driving the content” (Jerde, 2018).

### **Conclusions**

Overall Amazon Prime Video ranks high amongst its competitors and is well respected in the online streaming video industry using number of subscribers, financial security, brand identity, content library size, bundled options, pricing and discounts as well as global reach to support Prime Video's position. Although, well positioned amongst similar services, weaknesses leave Prime Video vulnerable. Improvements are needed in platform and application systems to enhance user experience emphasizing personalization and convenience. Based on the research and findings, Prime Video is not keeping up with similar services in areas of user experience and marketing strategy. Strategies are needed for both of these areas to improve Amazon Prime Video's standing amongst competitors, build greater brand awareness, and grow subscribers.

Global consumer reach will directly impact the number of subscribers based off of the above-mentioned research and findings. Using the internet usage and penetration statistics, Amazon Prime Video must find key geographic areas that yield the greatest potential for subscriber expansion. Prime Video must then focus on content that aligns with target areas culture in addition to developing ways to build brand awareness, with brand identity being an important factor in attracting and maintaining Prime Video subscribers.

### **Recommendations**

Based on the research and conclusions, Amazon Prime Video needs to focus on streaming trends to better reach their target audience. Focus should be placed on improving their current streaming platform, creating user friendly features and personalized suggestions using predictive algorithms, profiles, and parental guidance options similar to Netflix's platform. Suggestions from Netflix's successful strategy include trending now, your list, because you watched this, continue watching, genre lists, original content category, individualized profiles, and child profile options in addition to their automatic previews/trailers that entice current, and deciding subscribers to watch their content and their original content being featured. I would suggest to invest more in making the platform easier, and more suggestive with being such a large content library, too many choices can seem overwhelming to flip through without personalized recommendations.

In order for Amazon Prime Video to compete amongst similar streaming services, Marketing tactics can be adjusted, focusing on growing subscribers in Australia and Latin America by creating original content that resonates with their cultures based on research and development. Focusing on culturally diverse content will be essential to Prime Video future subscriber growth as well as increasing the amount of Amazon Prime Video original content.

I recommend setting specific, measurable, achievable, realistic, and time-bound goals focused on social media engagement. I suggest, in one month, Amazon Prime Video increasing weekly Facebook shares by 20% by using the Buffer social media tool to schedule posts at optimum times for high engagement and easily adding high-quality images to each social media post”.

Social media is furthermore a great way to promote Prime Video's student discount to help increase brand awareness. Discounts should be promoted through social media and college and university websites to help reach a large portion of their target audience using affordable pricing, flexibility, and being bundled with Amazon Prime to attract students. Amazon should also continue to invest in innovative technology that incorporates and promotes Prime Video. Another suggestion for increasing brand awareness is to partner with Apple, Inc. or Roku further and offer appealing promotions.

Prime Video should consider investing in research and development to improve or enhance mobile viewing experiences with the research found on streaming trends and watching behavior. The last recommendation I will mention is more research on original content geared towards 18 to 35-year-old entertainment interests based on the demographic information collected.



## VISION-MISSION

Amazon's mission statement is to "serve consumers through online and physical stores and focus on selection, price, and convenience." Amazon's vision statement is "to be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible prices."



### Breaking down the Amazon mission statement

As pointed out by Amazon, "when Amazon.com launched in 1995, it was with the mission "to be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible prices."

In its annual report for 2019, Amazon highlights its mission as to "serve consumers through online and physical stores and focus on selection, price, and convenience."

I've highlighted in Amazon Flywheel or Virtuous Cycle how this focus has been in place since the start, and it has been one of the critical elements of Amazon speed!



The Amazon Flywheel or Amazon Virtuous Cycle is a strategy that leverages customer experience to drive traffic to the platform and third-party sellers. That improves the selections of goods, and Amazon further improves its cost structure so it can decrease prices which spins the flywheel.

### Breaking down the Amazon vision statement

Amazon vision statement is an extension of its mission as “to be Earth’s most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible prices.”

However, its vision gets traction from a core belief summarized as always being in “day one.” Jeff Bezos explained day one in these terms, “day 2 is stasis. Followed by irrelevance. Followed by excruciating, painful decline. Followed by death. And that is why it is always Day 1”

Now, it might be easy to say that Jeff Bezos made it, so he can say whatever he likes. However, he has been obsessed with this concept since the beginning. In the 1997 Shareholders Letter, Jeff Bezos explained:

But this is Day 1 for the Internet and, if we execute well, for Amazon.com. Today, online commerce saves customers money and precious time. Tomorrow, through personalization, online commerce will accelerate the very process of discovery. Amazon.com uses the Internet to create real value for its customers and, by doing so, hopes to create an enduring franchise, even in established and large markets.

## Market Segmentation, Targeting and Positioning

Amazon segmentation, targeting and positioning involves a set of activities aimed at determining specific groups of people as customers and developing products and services attractive to this group.

Segmentation involves dividing population into groups according to certain characteristics, whereas targeting implies choosing specific groups identified as a result of segmentation to sell products to. Positioning refers to the selection of the marketing mix the most suitable for the target customer segment.

### Segmentation and Targeting

Type of segmentation	Segmentation criteria	Amazon target customer segment
Geographic	Region	More than 100 countries
	Density	Urban and rural
Demographic	Age	14 and older
	Gender	Males & Females
	Life-cycle stage	Bachelor Stage young, single people not living at home Newly Married Couples young, no children  Full Nest I youngest child under six  Full Nest II youngest child six or over  Full Nest III older married couples with dependent children  Empty Nest I older married couples, no children living with them  Empty Nest II older married couples, retired, no children living at home  Solitary Survivor I in labour force  Solitary Survivor II retired
	Occupation	Students, employees and professionals
Behavioural	Degree of loyalty	'Hard core loyal customers'
		'Soft core customers'
		'Switchers'
	Benefits sought	Widest range of products
		Convenience of online purchasing

		Competitive prices
	Personality	Easy-going, determined and ambitious
	User status	non-users, potential users, first-time users, regular users, or ex-users of a product
Psychographic	Social class	All social classes: lower class, working class, middle class and upper class
	Lifestyle	Resigned, Struggler, Mainstreamer, Aspirer, Succeeder, Explorer Reformer

## Positioning

Amazon mainly uses the following two types of positioning:

**Multi-segment positioning** Amazon offers a wide range of products and services, successfully exploiting more than one segment at the same time. Specifically, the online retail giant sells almost 120 million products, appealing to the needs and wants of a wide range of customer segments.

**Adaptive positioning.** The online retail giant closely monitors changes in external marketplace and addresses increasing customer expectations by periodically repositioning of products and services according to changes in the segment.

**Anticipatory positioning.** This refers to positioning to a market segment that has low turnover with the anticipation that the turnover will increase in the future. Amazon Web Services (AWS) is a stark example for anticipatory positioning. Company's founder and CEO Jeff Bezos notes that "no one asked for AWS. No one. Turns out the world was in fact ready and hungry for an offering like AWS but didn't know it" Additional examples of anticipatory positioning applications by the e-commerce giant include Amazon Sage Maker, Amazon Comprehend and Amazon Recognition.

## Marketing Mix

The marketing mix refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. The 7Ps of a marketing mix - Product, Price, Place, Promotion, People, Process and Physical Evidence.



### 1. Product

According to Philip Kotler: "A product is anything that can be offered to a market for attention, acquisition, use or consumption. It includes physical objects, services, personalities, place, organizations and ideas." A good product is primary to an organization's success. Good products need less efforts on advertising as they "sell themselves" through positive word of mouth through satisfied customers. In the streaming industry the product or content is the important aspect of marketing mix. Customers are drawn to these apps because they find their offerings more interesting than on television.

**The product strategy of Amazon Prime Video:** There are more inclusive and public favorite programs on Amazon ranging from drama to comedy than on Netflix. Many of its shows are on top trending list such as 'Marvelous Mrs. Mazer', 'Homecoming', 'Bosch' and 'Mirzapur'. It also has numerous regional shows making it more popular than Netflix.

### 2. Price

India is a price sensitive country. Customers are known to leave brands they have been using since decades to adopt a low-priced product. Changes in price levels are done very cautiously and the assured price strategy has been penetration pricing.

**The pricing strategy of Amazon Prime Video:** One can avail prime video membership just by subscribing to prime delivery service which costs a meagre 499 rupees. It's the lowest among its contemporaries and smartly converts its website customers to streaming ones. Since its marked at the lowest price point, which can also be termed as penetration pricing, it is easily the best strategy to win more number of customers faster.

### 3. Place

The most incredible aspect of streaming services is that they don't need a physical space to cater to their customers. All of the competitors in this space used both web and mobile platforms. Mobile platforms got more attention from customers making it easier for them to watch their shows on the go.

### 4. Promotion

Promotion is defined as providing information for persuasion.

**The promotion strategy of Amazon Prime Video:** Amazon Prime Video, the underdog, isn't staying behind the game. With a balanced set of content on its platform and an equally competitive attitude like the others, Amazon's premium subscription platform is relying on creative content marketing for the promotions of its shows. It launched a three-phase marketing campaign for its original show 'Breathe' and Vijay Subramaniam, Director, Content, Amazon Prime Video India revealed that the multi-media campaign for upcoming new shows and movies was designed keeping all creatives with respective mediums in mind and how to interact with them. He predicted that Amazon prime's digital space would be extremely interactive and innovative especially on Twitter, Facebook and Instagram.

### 5. People

People refers to the staff of the company and how they represent the brand. This can mostly be seen through their social media presence, and how the marketing team and social media managers portray the brand to be friendly, funny and relatable. They always reach out to their customers regarding any issue or concern they might have, and their customer service is cordial and replies quickly.

Amazon's reputation precedes Prime Video and it's been proven extremely well for the platform. Amazon is known for commitment to its customers and providing products at lowest possible

price making it more trustworthy to customers who search for value for money. However, like Hotstar, Amazon also doesn't have a good social media presence depicting its company culture and people.

#### **6. Process**

Process refers to the way in which a service is provided or delivered.

The process to avail Amazon's prime video subscription is the easiest as it comes free with Amazon prime membership. The customer need not to purposely go to the website to create an account as its already linked with Amazon's account. Also, its speed is much better than Hotstar, giving it an edge in this aspect.

#### **7. Physical Evidence**

Physical evidence is the tangible aspects of a service, but as OTT's are digital brands, the only physical evidence of the company are the bills of the customers who paid using various digital measures.

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