Amazon Marketing Toolkit

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Amazon is a multinational corporation that focuses on e-commerce, digital streaming, online advertising, cloud computing and artificial intelligence. Amazon's strengths are its reputation, technological infrastructure, high loyalty enhanced by Amazon Prime and a strong supply chain. There are many opportunities for Amazon to grow, which this marketing toolkit will look to take advantage of.

• **Grow market share of current products (e-commerce, Amazon Prime).** This opportunity has arisen because online purchasing has increased since the start of the pandemic, according to 67% of consumers of a survey conducted (Bretous,2022).

• **Offer and promote new products to meet evolving customer needs**. A need that has evolved in this manner is personalization, as 70% of consumers said that brands must offer a personalized experience (Bretous,2022).

• **Maximize ROI by allocating resources effectively and optimizing promotional activities.** If achieved, Amazon can distribute succeeding profit to future promotions and development of Prime which they are looking to grow as the video streaming industry is very competitive with Netflix and Disney+ (FlixPatrol,n.d). Also, effective resource allocation and the optimal promotion campaigns will increase its competitive advantage.

This marketing toolkit uses the following marketing analytics tools (MATs) to address these needs.

Cluster Analysis: Segmentation into homogenous customer subsets and description

SEGMENT	DESCRIPTION OF CUSTOMERS/SEGMENTS	Use
High Value Customers	Large purchases (20% above average customer purchase cost in $ and above), frequent purchases (10% below average time between purchases over the previous year and below) and Prime Subscribers.	Loyal. Their insight on why they are is useful
Early Adopters	20% below average time taken to adopt (engage or purchase) new products or technologies and below.	Attentive. Useful for targeting innovation.
Weak Geographic Segment	Urban segments of all countries that have 20% below average number of Amazon users for the population size and below (users: Prime subscribers, account holders who are buyers or sellers)	Potentially competitor dominated segment.
Niche Customers	50% of total purchases being of a certain category and above, and minimum of 10% below average number of purchases, over the past year and above	Very Targetable
Cross-border Customers	40% of total purchases being cross-border and above, average number of purchases over the past year and above, and 10% below average time between cross-border purchases over the previous year and below	Loyal. Their insight on why they are is useful
Churn Risk Customers	25% below average number of purchases over the past year and below, and 25% above average time between purchases over the previous year and above,	At risk. Their insight is useful inorder to bring them back

These segments require the most attention by Amazon when strategizing and will be used by other MATs to construct predictive models that lead to the formulation of strategies based on Ansoff's Matrix and targeting, and positioning actions. These segments are unique but also overlap, so the segments can be grouped to survey for other marketing tools. Prior to its introduction, Amazon would have used a cluster analysis as a base to predict the effectiveness of its personalized recommendation system. A challenge that Amazon would face here is maintaining data quality, security and customer privacy, which will be resolved later.

Choice Modelling: The following diagram considers choices of existing products, attributes with the highest expected weights and their levels.

First, data is collected through a survey conducted with the above segments where the respondents are asked about their preferences for each attribute, where they are presented with hypothetical scenarios where the levels of attributes are varied. A multinomial logistic regression formula, $Y=\beta 0 +\beta 1\ X1 +\beta 2\ X2 +\ldots+\beta n\ Xn +\varepsilon$, is then used where the 'Choice' is the dependent variable (Y), the 'Attributes' are the independent variables (Xn) and the coefficients of Xn (βn) are the weights of each attribute determined by the survey results. With this model, predictions can be made based on choice likelihood by consumers. Amazon can also further segment the respondent sample and target customers according to their choice likelihood. This would help Amazon maximize ROI by generating a pricing strategy, using resources to change attributes to suit preferences and position each product through promotional activities in terms of weight, which is product development in Ansoff's matrix. This will also help increase the competitive advantage of each product by potentially reducing the amount of churn risk customers and the weak geographic segment by catering to preferences (market penetration). Challenges are discussed below.

Conjoint Analysis: In addition to existing products, Amazon can look to develop new products. Conjoint analysis is used in this case and is similar to choice modelling as a specialized survey is conducted with the same segments where they must rank the importance of attributes of potential products and their preferences for each to identify market gaps and the customer needs of the industry. Through Amazon's infrastructure and effective supply chain, there is an opportunity to adopt product development in healthcare. They could leverage their online marketplace to facilitate trade between established distributors of over-the-counter drugs and buyers as well as the delivery of them, and they could use Prime for remote healthcare services, which could lead to consumers being able to buy prescribed drugs. In terms of health and fitness, they could leverage their brand reputation to successfully launch a fitness tracker that has Alexa integration. Conjoint analysis is used here to understand where to target their marketing efforts in launching a new product and how to position themselves in the industry. Amazon would have used choice models and conjoint analysis in developing their dynamic pricing system which made them a more attractive marketplace than competitors (Naceva,2024). Amazon faces many challenges with choice modelling and conjoint analysis. Firstly, the quality and security of data collected must be maintained, which will be discussed later. They also face the high cost of research and development and transition to green processes. A cost-benefit analysis should be done to assess whether the above innovations should be even undertaken and if so, the costs should be spread over time and using economies of scale. Amazon has made a successful transition in the past with the introduction of electric delivery vans, so they have the infrastructure to undertake these projects. Amazon must also face the volatility of consumer behaviour and economic shocks that could reduce consumer confidence which reduces return on investment in their innovation. Amazon must leverage their predictive tools, expertise and be proactive to overcome this. Another challenge here is that choice models and conjoint analysis can often be complex and hard to interpret. Analysts needs to make sure that the information is simplified and that models aren't too difficult to put into action.

Propensity Score Matching: This is a non-experimental causal interference technique. Amazon can use it for existing and potential products. It is useful in advertising as the following example will show and can be used as a framework for all other products when this MAT is deployed. If Amazon launches an advertisement to promote their new fitness tracking watch as above, it should target customers in the health, fitness, sport, technology niche groups from the Amazon marketplace and Prime. According to theory provided by (Cunningham,2021)(Chapter 5.2), it should aim to evaluate the effectiveness of the advertisement by estimating the propensity score using logistic regression and generating probabilities based on the covariates; demographics (age, gender, location), purchase history (ex: purchase of health goods) and behavior (ex: number of viewings of health goods). The probabilities are the likelihood of a customer responding to the ad (ex: clicking on it, sharing etc.). Next, for each customer of the treated group (exposed to the ad), 1 or more members of the control group (not exposed) are matched on the closeness of propensity scores. The treatment effect is then measured using the average treatment effect (ATE) formula which compares the outcomes, which is the interest in the tracker, of the treated and control group. This model measures the causal effect of the advertisement on the future interest and is therefore useful alongside a conjoint analysis as it measures the success of marketing campaigns, which is an essential part of a marketing mix. If the campaign was to fail, Amazon can learn from mistakes and redesign their promotion methods. This could help Amazon improve ROI if modifications are based on previous shortcomings and increase revenue from new products if future promotions are then successful. Again, Amazon faces the challenge of data governance. Optimal data quality is when the accuracy, validity, reliability, relevance, timeliness, and completeness is maximized. Data security is maintained by deploying cybersecurity measures to stop leakages. User privacy must also be protected. The user's consent to use data is a requirement and boundaries with the use of consumer data must be set and be made public. Amazon has the technological infrastructure and expertise to ensure that data quality, security and privacy is maintained.

To conclude, this marketing toolkit looks at a variety of strategies aimed at accomplishing 3 very broad marketing needs that are achieved through a step-by-step process and carefully deploying MATs that offer a well-rounded solution.

References

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