

Amazon has a Business to Business and Business to Customer model. Through Amazon Associates, individuals could link Amazon products to their websites which drove traffic to Amazon. Merchants who want to sell their products on Amazon and consumers who are ready to buy these products are the customers for Amazon. Traditional rivals or the competitors such as Walmart and BestBuy pose a challenge. New entrants would not pose a threat as Amazon has been equipping new products often and has the infrastructure. Apart from Ingram, the Merchants could also be the suppliers. Amazon should focus on retaining its existing customers/suppliers and explore new strategies to attract new customers as many customers would be brand-specific and remain loyal to some brands. The services offered by traditional bookstores are the substitute for Amazon. The core competencies are Amazon's ability to provide the best customer service, meet all the requirements of the customers and provide them with a premium service.

The book retailing business in the 1990s was complicated and encountered various problems of inventory and returns. Also, customers found it challenging to choose the right book among thousands of books available at the physical stores and had to rely on reviews and best sellers. There were a lot of intermediary stages before the book could reach the customers. Amazon's business model to create an attractive e-commerce website through which the customers could make purchases directly at any point in time and easily choose the books they want among the wide range of selections just by an internet search resonated well with the customers. Through a one-click system, customers could place the orders instantly and just needed a credit card, email id, and password. Amazon made sure that the customers felt secure to use their platform and ensured refunds. It also offered deeply discounted products which was a significant move to attract customers in the beginning. This business model overcame the existing retailing business problems. The decision to choose Seattle to start the business was an excellent strategic move as it has a location advantage, close access to the largest book wholesaler-Ingram and Amazon did not have to pay any sales tax, whereas the local bookstores had to. This proved to be an advantage to Amazon. All these factors drove Amazon's early success.

I believe Amazon's decision to become an online marketplace was an additional revenue generator to Amazon in the beginning. Customers benefitted from a much broader range of products as both new and used products were sold in Marketplace. This led to an increase in the customer base for Amazon and third-party retailers. But the number of sales made through Marketplace compared to the ones made through Amazon.com over time is alarming. Sales from Marketplace exceeded 50% of all Amazon sales in 2017, which was higher than Amazon.com sales. Amazon received less than a five percentage of sales made on Marketplace and the rest went to the retailers. This hurt Amazon's sales itself. As Amazon does not have complete control of what products are being sold on Marketplace, this might be a disadvantage to Amazon. Also, Amazon should compete with the existing Marketplaces such as Walmart, Facebook, and BestBuy by implementing new strategies.

Amazon practically wanted to take charge of every product out there. They wanted to broaden their range of products to increase the customer base and profit. Amazon Prime was one such successful move. The many benefits of Amazon prime such as free one-day/two-day/2 hours deliveries, free video, and music streaming led to millions of customers opting for prime subscriptions for a reasonable price. Hence, Prime users were purchasing more products compared to non-prime users because of free shipping and this of course increased the revenue for Amazon significantly. Continued debate for the increase in the subscription fee created noise. Introducing Kindle Fire provided a sophisticated use of a smart tablet to customers with improved specifications at a much lower price compared to its competitor iPad. The introduction of Kindle increased the sales on overall products of Amazon. Through Amazon's digital platform, authors could self-publish their books, customers could download and watch thousands of movies and TV shows. This encouraged Amazon to create its own content, attracting a lot of new and existing Prime users. Amazon web services was a unique and challenging move by Amazon, stepping into the technical world. Allowed developers to make use of Amazon's computing environment for a much lower price. Over the years AWS provided hundreds of features to customers and accounted for more than half of Amazon's profit.

I would recommend Amazon to expand into physical stores based on the numbers from the case study. Amazon has a steady increase in the market shares of overall retailing compared to Amazon's competitors such as Walmart, whose growth has been constant over the years. (Exhibit 61). Amazon's 'just walk out' technology is convenient to the customers and customers would want to see more of such stores.