

# Amazon .com Marketing Strategies

Deliver with smile



ALLIANCE  
UNIVERSITY

## **Group 6**

Dheeraj Chaubey  
Mohit Shukla  
Mrigankshi Aggarwal  
Venkat Swaroop

## **Abstract**

This report has been designed to provide Amazon.com with a strategic plan for their global operations within the e-retailing industry. Amazon.com is a leading e-retailer and is a globally recognised brand, but is facing increasing competition from bricks and mortar companies setting up an online presence and current e-retailers increasing their geographical and product scope. The internal and external analysis reveals that Amazon.com has been under-performing in China; thus it has been recommended that Amazon.com penetrate the Chinese market. This will require implementing a marketing strategy, and by introducing the Merchant Program in order to make the company more locally responsive and take advantage of the growing online market. A possible change in structure has also been suggested to aid strategy implementation.

## Introduction



- Founded in 1994
- Founder Jeff Bezos.
- World's largest online retailer.
- The company started as Cadabra then renamed after the Amazon River, one of the largest rivers in the world.
- Amazon.com started as an online bookstore, but soon diversified, selling DVDs, CDs, MP3 downloads, software, video games, electronics, apparel, furniture, food, toys, and jewelry.

## Portfolio



- Acquired many businesses.
- Helped in diversifying product line.
- Entered into different in business with strong brand image.
- Targeted different segments.

## Business Model

### Build

From time to time, Amazon simply **created a new category**.

In May 2011, Amazon launched **MyHabit**, even though VentePrivée was the market leader.

**MYHABIT**

### Buy

When competitors are already well established, Amazon may **buy out** an incumbent.

**Quidsi** (Diapers + Soap) acquired for \$540 m in 2010.

**diapers**  
.com  
**SOAP**  
.com

### Partner

In some vertical markets, Amazon **offers its technology service** and e-commerce expertise to third parties.

Co-branded webstore with **Toys "R" Us**.

**Toys "R" Us**

2000: exclusivity for 10 years  
2006: ended by a lawsuit

Thanks to this strategy, Amazon had been able to **offer massive inventory**

## **SWOT Analysis**



## TOWS Matrix

TOWS matrix (Johnson et al, 2006, p347) enables the generation of strategic options by using the SWOT matrix.

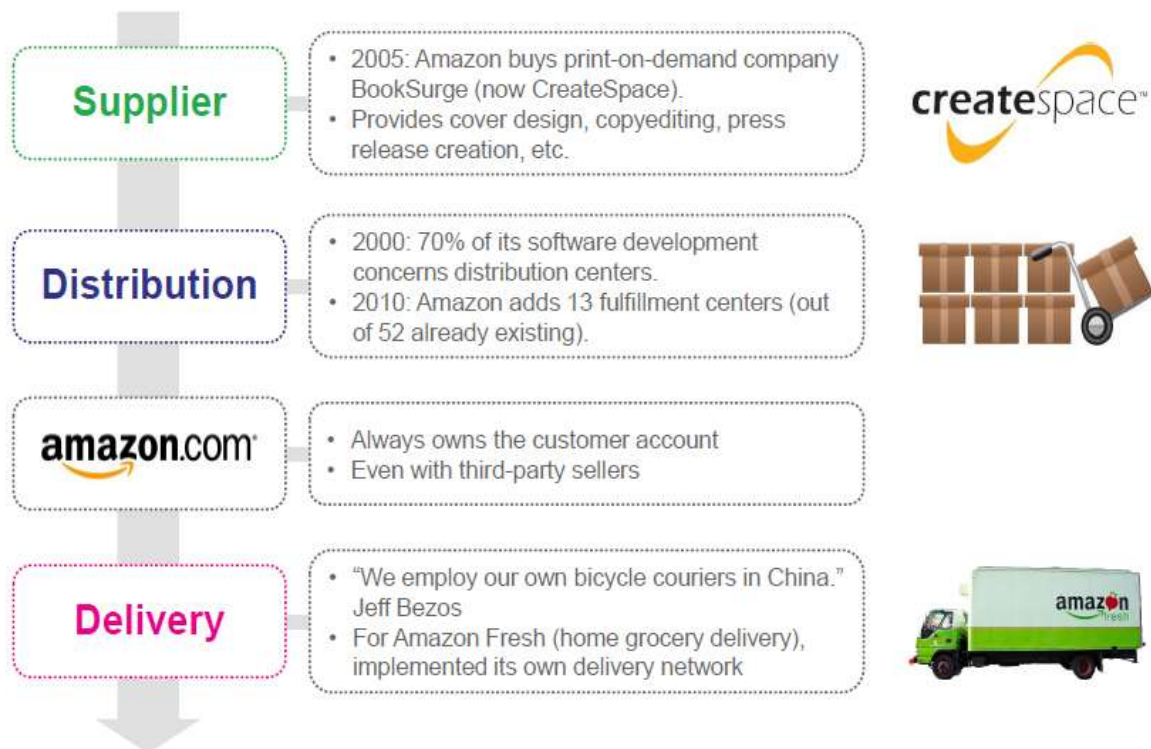
	<b><u>Strength</u></b> <b>Strong global brand(s1)</b> <b>Diverse products(s2)</b> <b>Strong focus on r&amp;d (s3)</b> <b>Applied advance techn.(s4)</b> <b>Strategic location(s5)</b> <b>Associate programme(s6)</b> <b>customer centric vision(s7)</b> <b>skilled workforce(s8)</b> <b>strong logistics(s9)</b>	<b><u>Weakness</u></b> <b>No physical presence or store w1</b> <b>Low profit margins w2</b> <b>Low cash flows w3</b> <b>Weak performance in china w4</b>
<b><u>Opportunity</u></b> <b>Growth in internet usage in china (o4)</b> <b>Growth in digital media (o7)</b> <b>Growing e-commerce sales(o6)</b> <b>growth in social networking(o2)</b> <b>recent acquisitions(o5)</b> <b>Increased consumer spending in India(o6)</b>	<b>S1+s9+o6</b> Use such strengths to make sure as much of the new expected expenditure as possible is spent at amazon.com <b>S2+o6+o8</b> keep diversifying to increase probability of predicted expenditure occurring on amazon.com <b>S6+s9+o6</b> diversify into new markets via association <b>O2 +s6+s1</b> Promote amazon.com by such means. <b>O5+s6</b> combine these to gain greater market share	<b>W4+o4</b> Review and improve on current strategy in china. <b>O8+o6+w2</b> Tap into these in a bid to increase profit margins. Very competitive market
<b><u>Threat</u></b> <b>Huge dependence on vendors(t2)</b> <b>Involvement in patent violation disputes(t3)</b> <b>Pressure groups on being environmental friendly (T4)</b>	<b>S9+T4</b> = Improve current delivery process to be more environmentally friendly <b>S1+S2+S9+T2</b> = Use these to remain competitive	<b>W2+T2</b> = improve this in order to stay ahead of rivals <b>T3+W2+W3</b> = reduce such disputes to improve increase retained earnings

## BCG Matrix





## Value Chain



Source: [Amazon.com Q4 2010 transcript](#), [Wired](#), [CreateSpace](#), Image: [Atomic Taco](#)

## **PESTLE Analysis**

PEST Analysis is a simple but important and widely-used tool that helps you understand the big picture of the political, economical, socio-Cultural and technological issues that we are operating in. PEST is used by business leaders worldwide to build their vision of the future.

### **POLITICAL**

International policies: International policies in particular countries may interfere with the expected growth of the company for example; google.com has been banned in China for governmental decision arguing that Google threatens the community and national market with inappropriate contents in his data bases. In addition, Google has lost potential market, as China could be, due to political decisions.

Regulations: safety above e-commerce is not considered as an important issue in various countries for example, 76% of internet users in Peru do not trust internet web pages and never have experienced a purchase online, a survey conceded (national newspaper in Peru) conclude that internet users do not believe online contents and in some cases such as internet crime, one cannot attend to legal authorities into the field because those do not exist.

### **ECONOMICAL**

Currency fluctuations: in various countries where currencies are highly devaluated in comparison with the dollar, it may bring additional costs to the company. Furthermore some products prices may be increase, affecting the main attraction of the company (lowest prices).

Economical tendencies: in most cases, individuals rather buy in their neighbourhood stores, than going online. Customers prefer doing the regular commercial process of going to the store, paying the product and getting it instantly than going online, processing their bank details and waiting for several days to obtain the item.

### **SOCIAL**

Ethical and religious factors: In some cultures Internet use is not allowed due to the fact that at some point contents may damage their cultural, ethical and social believes.

### **TECHNOLOGICAL**

Amazon.com is a company highly involved into the technologically field, and its success has been well achieved over the past six years, although many challenges face Amazon in the fast paced environment of the Internet hence, amazon.com has to face this challenge, finding innovative ways to stay ahead of their competitors.

### **ENVIRONMENT**

Global Warming/ Pollution Awareness by Less car journeys, more shopping online. Have to become more “green” to attract consumers Changing business methods and environment to become more “green”, i.e. with postage and packaging, work environment.

### **LEGAL**

It embraces legislative constraints or changes such as health and safety legislation on company mergers and acquisitions.

### **Summary of PESTEL**

Political, economic, social, technological progress indicates an increasing and attractive market to be exploited by Amazon.com. The Chinese and Indian markets have shown exceptional growth. The use of internet as a social networking channel has created new opportunities to be exploited. Additionally, as environmental awareness increases globally (Stern et al, 2006) it is important that Amazon.com’s strategy support environmentally friendly activities. The global nature of Amazon.com’s activities also suggests that strategies developed should comply with the different legal obligations internationally.

## CRM OF AMAZON:

### **Invest in customers first**

“If you do build a great experience, customers tell each other about that. Word of mouth is very powerful.” Jeff Bezos

Amazon created a **trusted, informative and loyal** relationship with its customers.

### Customer focus

- “We start with the customer and work backward.”
- Following a bottom-up approach, every decision at Amazon is driven by the customer’s needs.

### Frugality

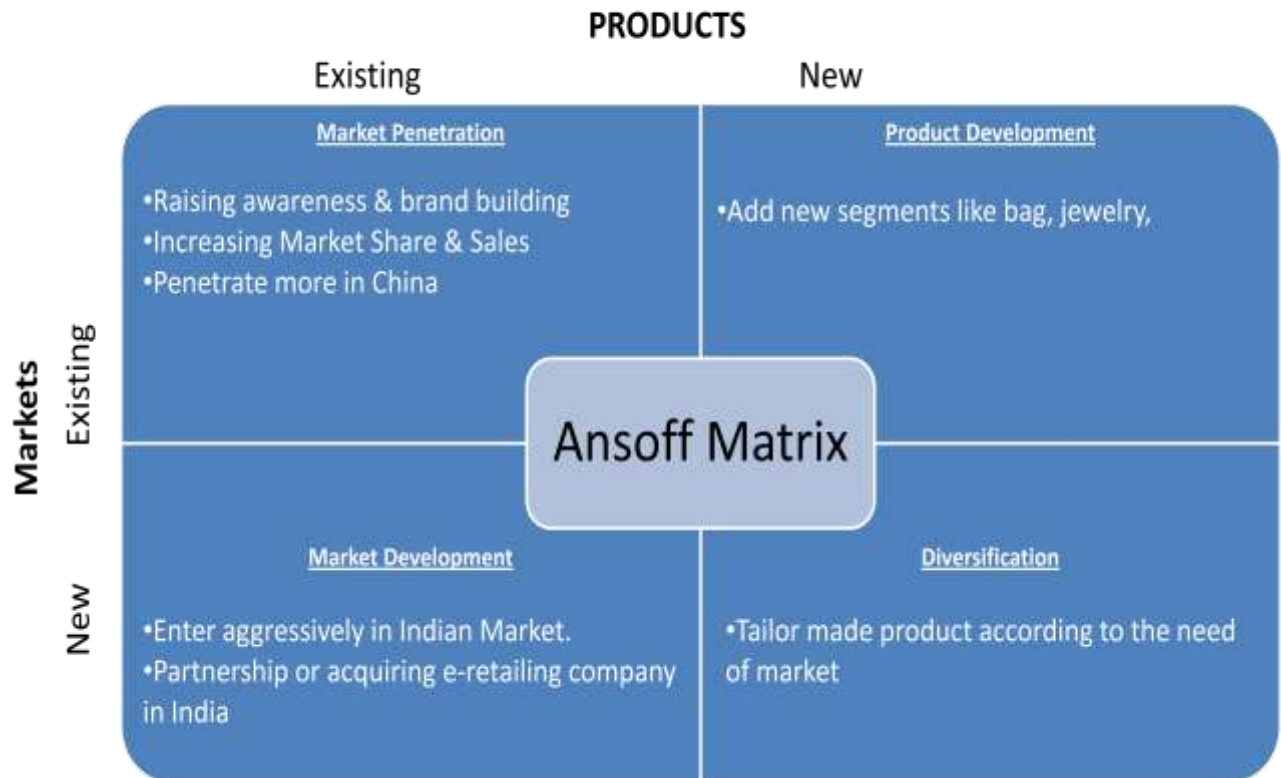
- “Amazon is spending money on things that matter to customers.”
- Frugality is part of the company’s DNA: Amazon is continually looking for ways to do things cost-effectively

### Innovation

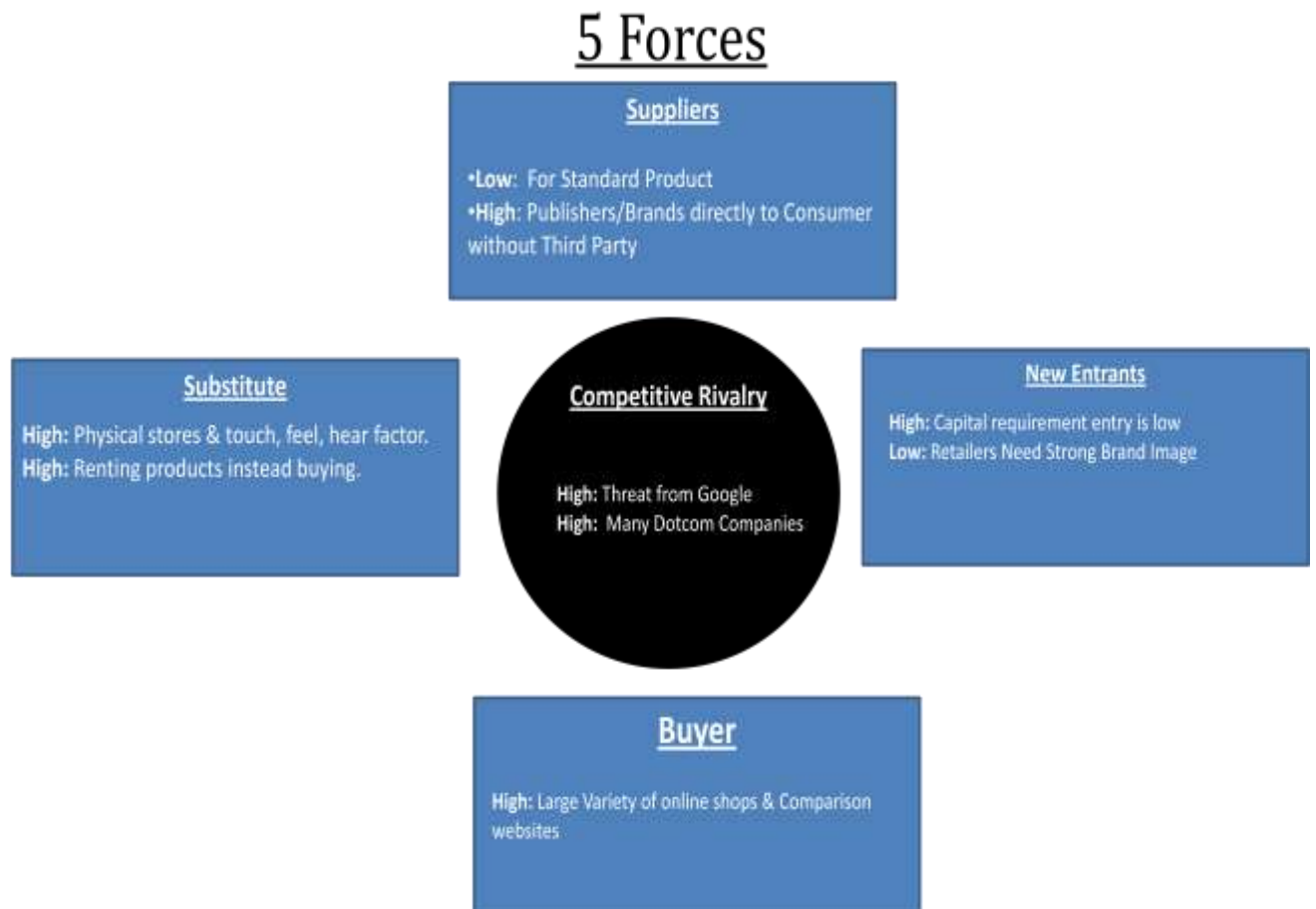
- “I think frugality drives innovation, just like other constraints do.”
- Amazon is always looking for simple solutions in order to provide lower prices to its customer.

## Ansoff Matrix

### Strategic Development



## **Porter's Five Force Model**



## **E-Marketing**

Amazon.com bases its marketing stratagem on six pillars.

1. It freely proffers products and services.
2. It uses a customer-friendly interface.
3. It scales easily from small to large.
4. It exploits its affiliate's products and resources.
5. It uses existing communication systems.
6. It utilizes universal behaviors and mentalities.

Much of its marketing is subliminal or indirect – it does not run \$1 million dollar ads during Super Bowls nor post flyers in mall marketplaces. Amazon.com relies on wily online ploys, strong partner relations and a constant declaration of quality to market itself to the masses.

## **CSR Strategy**

- *No. 7 in Most Admired Companies*
- *No. 6 in Social Responsibility in the Internet Services and Retailing industry*

Known as a leading online retailer and the creator of the e-reader industry, Amazon is the Seattle area's most admired company, according to Fortune. But that hasn't necessarily earned the Seattle-based company much respect in the eyes of corporate giving advocates. Over the past few years Amazon has been roundly criticized for a lack of corporate giving. That criticism has echoed partly because its board of directors includes Patricia Stonesifer, former CEO of the world's largest charity, the Bill & Melinda Gates Foundation. Regardless, Amazon has been a strong supporter of select causes and become more public about disclosing its charity. Over the past decade, Amazon's online appeals to its customers have raised more than \$35 million in disaster relief funds. The company offers a suite of tools for nonprofits to use to raise donations, generate online-based income and appeal for in-kind contributions. Amazon has also made grants to dozens of writing- and reading-based charities in Washington and around the country. Company employees have performed a wide variety of volunteer services for charities in seven states, according to the company's website.