Amazon’s Long Term Strategy

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Amazon was incorporated in 1994 by Jeff Bezos as the online bookseller Cadabra. Since then the company has undergone a multitude of transformations to become the online retail powerhouse that it is today. Amazon’s mission is to be the leader in customer-centric online retail where consumers can find any product that they might wish to buy. This focus on the customer includes individuals and businesses and offers a staggering selection of goods and services at highly competitive prices. In 2002 Amazon brought to life Amazon Web Services (AWS) which is a cloud-based computing and analysis service that is arguably the most successful part of its business. By maintaining strict adherence to its customer-focused mission Amazon is able to maintain its base of customers as well as attract new ones who will allow the company to dominate the online retail market for the foreseeable future.

**Strategies for Long Term Growth**

As the company began to grow from a simple bookseller into an online retail behemoth, Bezos has been able to maintain adherence to his company’s mission so faithfully that to this day Bezos still includes a copy of the original letter to shareholders in the company’s yearly earnings report (Bezos, 2018). Amazon’s strategy for long-term growth is simple. Bring value to its customers. The ways that Amazon implements this strategy are multi-faceted, but all have one thing in common that is a focus on the customer.

**Customer Service**

Amazon customers know that the company is willing to stand behind the products they sell and do whatever it takes to make it right if something doesn’t go as expected. Amazon’s customer support staff have great latitude to do whatever it takes to make sure the customer is satisfied with their transaction. This high-quality customer service is something that will never go out of style and is one of the main reasons why customers of Amazon have developed a cult-like loyalty to the company. Sometimes ill-intentioned actors may take advantage of this dedication but it is inconsequential to the company because Amazon knows that the long-term loyalty that this support garners will outweigh any short term losses ten-fold. (Lang, Tinder, Zimmerman, & Harrison, 2012)

**Partnerships and Acquisitions**

Part of the reason Amazon has been able to dominate the online retail market is its ability to form strategic partnerships by acquiring successful companies whose business models are in line with its own. In 2009 Amazon acquired the online footwear retailer Zappos. Amazon bought Zappos for $850M in 2009 in one of its first large-scale acquisitions. Acquiring the customer-focused footwear retailer provided both companies with strategic advantages including an increased customer base, improved supply and distribution channels, as well as a merger of corporate cultures both focused on customer satisfaction which Amazon sees as a tangible asset. Although Amazon bought all of Zappos’ outstanding stock shares, warrants, and assets, the company remains independent to this day with their own brand and website. More recently Amazon acquired the digital-home powerhouse Ring. Ring was purchased for over $1B by amazon in 2018 and provides Amazon with a unique opportunity for customized package delivery, drawing on the need to protect the website’s deliverable products. The partnership would allow delivery drivers to drop packages inside the customer’s home, with the customer unlocking the door remotely from a smart device. If the customer doesn’t want to unlock their door, they could give instructions to the delivery driver to place the package in its desired location by way of live video-chat. This custom delivery not only has the effect of protecting the company’s merchandise, it also adds a personal touch delivering on the company’s customer-centric focus. One of the most high-profile acquisitions in recent history was Amazon’s acquisition of Whole Foods for $13.7B. (Baskin & Olszyk, 2018) Expanding the company to offer food deliveries to the customer’s doorstep has opened up a whole new market for Amazon, drastically expanding the company’s customer base. Alongside deliveries, Whole Foods now offers special discounts on in-store purchases for Prime members. This influx of business has given Whole Foods greater leverage with its suppliers, including being able to pass on the expenses of the discounted products back to the suppliers (Forbes, 2019). Not all partnerships and mergers end up being mutually beneficial for the parties involved. In June of 2019, the shipping giant FedEx announced that it would be ending its air delivery relationship with Amazon, with the termination of ground deliveries effective starting in August 2019. FedEx was frustrated, in part, that Amazon had been developing its own delivery network, making the two companies competitors. Amazon recently announced that it would be offering overnight shipping to its Prime subscription members, placing a burden on FedEx that Amazon did not want to pay the premium for. While this may hurt Amazon in the short-term, it is likely that the development of its own logistics will only serve to further empower the company in the long-term.

**Proliferation of Smart Devices.**

Amazon has been aggressively offering its smart-devices such as the Echo interactive speaker to its customers, with the digital assistant Alexa programmed into the devices. This has added benefit to Amazon’s business in several ways including the ability to place orders by simply speaking to Alexa, as well as the analytics provided by customer searches in order to target advertisements. Alexa for Business offers several features to attract employees to using the smart-speaker at work. Alexa can set up and join meetings between employees, as well as access company applications by voice command. Alexa has been distributed at a very low upfront cost to consumers, with its value to Amazon being delivered on the data it is able to mine from its customer base. Having a vast repository of its customer’s search data is an asset Amazon will be able to leverage into the future to keep its business successful. By using targeted advertisements refined from user’s search histories, Amazon will be able to market specific products and services that are relevant to its customer’s needs more effectively, leading to higher sales.

**Diversification of Businesses**

Amazon’s cloud computing infrastructure, Amazon Web Services (AWS) is perhaps the most successful subsidiary that the company operates. By diversifying the company into the cloud services, Amazon has increased its footprint in the global economy with a vast number of companies relying on AWS for their scalable data needs. Accounting for nearly 10% of its total revenues, AWS has revolutionized services available for the data needs of growing businesses. Other benefits of AWS include gaining valuable experience with artificial intelligence, machine learning, and the internet-of-things (IoT) which will be a cornerstone of online business as these technologies develop and begin to dominate the digital landscape. By investing in these resources, Amazon is looking to the future with advances in automation including robotic deliveries by drone and terrestrial autonomous vehicles, with the potential to drastically reduce labor costs. What the future holds is uncertain, but the trend of goods and services being procured online instead of physical storefronts is almost certain to continue. Amazon will continue to dominate this market segment if it continues to place customer experience first.

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