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Introduction

Technology has changed people's lives and has the potential to connect organizations and their customers. Since innovation boosts productivity, flexibility, and adaptability, digital transformation is gaining popularity. The world's efficiency can be improved significantly by digitizing each industry. However, opportunities are usually accompanied by challenges, such as cyber threats. This report will focus on Amazon's growth strategy from now until 2027 in the context of digitization, i.e., Industry 4.0.

Strategic Analysis

Amazon is affected by many external factors since it competes globally. PESTEL Analysis is used to evaluate the effect of macroenvironmental factors.

Macro-Environmental Analysis (PESTEL)

The analysis is shown below.

	Opportunities	Threats
Political	Political stability and increased government efforts towards cybersecurity	Trade restrictions
Economic	Economic stability in developed countries and growth prospects in developing countries	Brexit, economic recession and currency exchange rates
Social	Online purchasing habits	Inactive Lifestyle
Technological	Technological progress	Cybercrime
Environmental	Environmental programs	Carbon emissions
Legal	Counterfeit Product Regulations	Consumer Privacy Act

Figure 1: PESTEL Analysis

Amazon can grow or diversify in developed countries like the US and UK due to political stability. With the rise of digital transformation, governments around the globe are enhancing cybersecurity (Greenspan, 2019). However, trade barriers in countries for material imports and product exports can severely hinder the organization. In terms of economic factors, developing countries have a lot of potential to grow their business, while developed countries have minimal risk. Nevertheless, Brexit and a possible Chinese economic recession make it difficult for Amazon to expand. Since international markets make up around 30% of the company's sales (Trefis Team, 2019), a strong dollar affects operations and net sales. Amazon, known for its online retail operations, may benefit from consumers' growing preference for online shopping. However, it shows how Amazon's online shopping and home delivery options, including same-day shipping, unintentionally promote an inactive lifestyle. Additionally, Amazon has always emphasized technology to boost market share, online sales productivity, and operational efficiency. However, cybercrime poses a threat to customers' personal information like home addresses and credit card details. Furthermore, waste management and low energy consumption can improve the company's environmental impact but Amazon Prime's next-day delivery increases carbon emissions as well. Moreover, Amazon can also restrict or ban similar products due to counterfeit product laws. The Consumer Privacy Act allows consumers to opt-out of data storage, which could threaten Amazon, which relies heavily on consumer data (Edubirdie, 2022).

Shopping habits have changed, and technology has become a key business driver, especially in e-commerce. Porter's Five Forces Model is now used to determine Amazon's industry dynamics and competitive position.

Industry and Competitor Analysis (Porter's Five Forces)

The analysis is shown below.

Factors	Degree of the force
Threat of New Entrants	Weak
Bargaining Power of Buyers or Customers	Strong
Threat of Substitutes	Strong
Bargaining Power of Suppliers	Moderate
Industry Rivalry	Strong

Figure 2: Porter's Five Forces Analysis

Due to low switching costs, new entrants may hinder Amazon. However, Amazon's substantial investment in the brand image makes newcomers struggle to compete. Their economic scale and customer loyalty give them an edge. Amazon seems to understand that customers come first. They sell a variety of products and services at the lowest prices, but customers have strong bargaining power due to access to quality information about other retailers and high market competition. Due to low switching costs and increased availability, substitutes pose a high threat. Amazon sells mostly retail products, so lower-cost alternatives can be a major issue (Panchal, 2020). Amazon has a lot of power in e-commerce and can easily switch suppliers. Suppliers have little control over Amazon product sales. However, products with fewer suppliers may have more leverage against Amazon. Competition in e-commerce is rising. Due to its low switching costs, Amazon competes against small businesses alongside market leaders like Walmart, Flipkart, eBay, and others (Panchal, 2020). Amazon also operates in several industries and has acquired several businesses. These include IMDb, Whole Foods Market, Twitch, and Zappos (Cuofano, 2022). Amazon's competitive advantages entail the reputation they've cultivated, significant financial investments in logistics, and an expansion strategy beyond the retail industry.

Current Position

The Strategy Pyramid will be used to analyze Amazon's current position.

Figure 3: Strategy Pyramid

Vision and Mission (Strategy Pyramid)

Amazon's <u>vision</u> is "to be Earth's most customer-centric company (Amazon, 2018)."
Additionally, Amazon's <u>mission</u> statement reads, "Our mission is to continually raise the bar of the customer experience by using the internet and technology to help consumers find, discover and buy anything, and empower businesses and content creators to maximize their success (Amazon, 2018)."

Amazon has started many things in recent years. Given Industry 4.0's evolution, Amazon's <u>strategic objective</u> is to use technology to benefit customers. According to Jeff Bezos, the company is considering using Machine Learning and AI to develop autonomous Prime Air delivery drones, improve Alexa and Echo, optimize search results and product recommendations for customers, enhance inventory forecasting, and so on (Bishop, 2017). It desires to be the leading AI-as-a-service provider (CBInsights, 2018).
Along with retail and technology, Amazon's other <u>objectives</u> are to improve logistics through Amazon Prime Air and logistics applications, optimize web services in collaboration with Amazon Web Services (AWS), focus on merger & acquisition strategy, produce success stories such as Whole Foods Market, test FinTech, and attain returns in the entertainment industry through Amazon Prime Video and Amazon Prime Music.

Some of Amazon's <u>activities</u> include investing in various technologies to implement Amazon Robotics, which designs robots for the picking and packing process, Amazon Drones for package deliveries, Alexa Everywhere strategy by providing a multilingual facility, Amazon Go for cashier-free shopping, and AWS for cloud computing, in addition to filing patents for logistics and cloud computing. MGM was acquired in 2021 to expand its streaming services. Along with their partnership with Leclerc and the acquisition of Zoox for autonomous vehicles, they have partnered with Grail to apply AI to healthcare (Singh, 2022).

AI is helping Amazon achieve its <u>strategic outcomes</u>. FastCompany named them the most innovative company in 2017, and in 2021, their revenue rose 22% to $469 billion. They closed 30+ merger and acquisition deals in the last five years, including investments in cybersecurity company Harvest.ai and software productivity company Do.com (Singh, 2022). According to the company's most recent 10K, AWS had nearly $17.5 billion in sales and close to $4.5 billion in profit in 2017. In October 2017, Jeff Bezos announced that Amazon Alexa had already sold over 20 million units (CBInsights, 2018).

Current Growth Strategy (Ansoff Matrix)

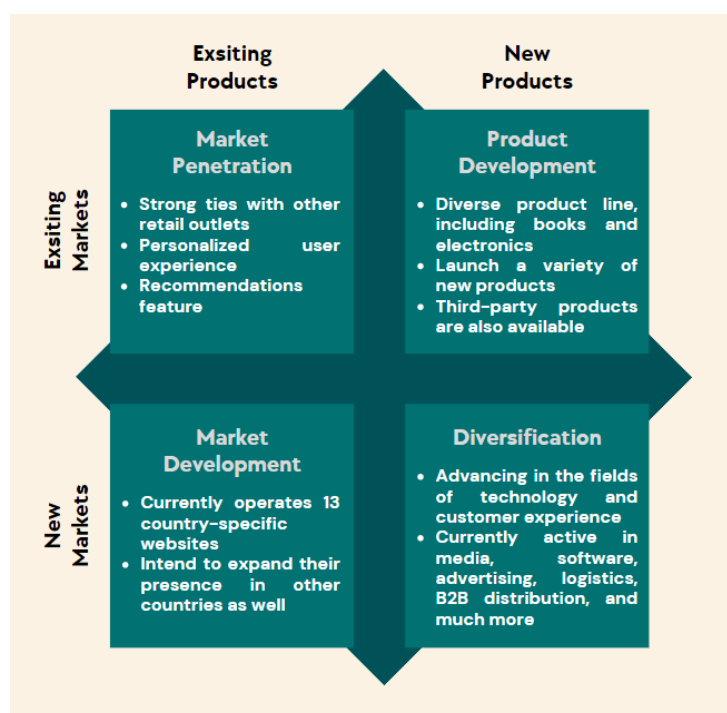The Ansoff Matrix is used to analyze Amazon's current growth strategy (Dudovskiy, 2022).

Figure 4: Ansoff Matrix

Amazon penetrates markets by strengthening relationships with regional retailers and improving customer recommendation features. Product development strategy involves building a diverse product line and selling third-party products on its platform. Additionally, Amazon has 13 country-specific websites and plans to expand to boost market development. Furthermore, Amazon utilizes the diversification strategy extensively and is advancing in terms of technology, which it uses to optimize customer experience and dominate various industries.

Strategy Development

Threats should be considered alongside technologies. Industry 4.0 has spurred interest in Smart factories, supply chain digitization, delivery drones, and more. Taking these into account, the number of cyber threats increases significantly and could have a major impact on Amazon, as indicated in the technological aspect of PESTEL analysis. According to Porter's Five Forces, industry rivalry is strong. Customers can switch preferences if they think their data isn't secure. Thus, Amazon's growth strategy until 2027 should emphasize cybersecurity. They want to be the most customer-centric company, but data breaches drive customers away. Cybersecurity demonstrates Amazon's commitment to data security, which enhances customer trust and loyalty.

Key Performance Questions (KPQs) and Key performance indicators (KPIs)

KPQs:
- How can we reduce the organization's exposure to cyberattacks?
- How can we gain customers' trust in exchange for sensitive data?
- Can we use advanced technologies to avoid or mitigate cyber threats?
- What is the Nature and Scope of Change?

KPIs:
- Technological Advancement
- Customer Feedback

TOWS Matrix

The TOWS Matrix is used to develop strategic options, as shown below.

TOWS Matrix	Strengths (S) - High technological innovation capability - Intends to enhance their technological aspects - Strong and resilient brand	Weaknesses (O) - A decrease in mergers and acquisitions - Additional concerns in protecting sensitive data due to its volume
Opportunities (O) - Technological Evolution	- Using artificial intelligence to create threat detection software to address vulnerabilities	- Protect Data from all technological devices (such as IoT) and the cloud by using cutting-edge innovation such as Machine Learning
Threats (T) - Cybercrime	- Incorporate cybersecurity into the concept phase from the beginning - Being resilient against cyberattacks and have a response plan prepared	- More mergers and acquisitions with technology companies aimed at improving cybersecurity

Figure 5: TOWS Matrix

Analyzing the TOWS Matrix, the intended strategies would include integrating cybersecurity into the concept stage, using AI to develop threat detection software to confront vulnerabilities that humans might miss, and implementing Machine Learning solutions to protect sensitive data from devices and the cloud. Additionally, emergent strategies would include preparing response plans and attracting tech companies for mergers and acquisitions to increase cybersecurity focus.

Nature and Scope of Change

	Scope of change	
	Realignment	Transformation
Incremental	Adaptation	Evolution
Big Bang	Reconstruction	Revolution

Figure 6: Nature and Scope of Change

Given the nature and scope of change, the suggested strategies would fall under Evolution since the whole organization and most stakeholders will be affected, but it can be done gradually.

Blue Ocean Strategy Tools and Approaches

Red and Blue Ocean

Let's analyze Amazon's red and blue ocean strategies.

Red Ocean Strategy	Blue Ocean Strategy
Amazon competes in existing markets such as retail.	Amazon creates new uncontested market spaces, such as Alexa and AWS.
Amazon competes with established competitors like Walmart and operates within well-defined industry boundaries.	Amazon redefined industry boundaries and made competitors such as Siri irrelevant.
Amazon attempts to take full advantage of existing demand, such as trending retail products.	Amazon creates new and innovative demand, such as AWS and delivery drones.
Amazon makes the value-cost trade-off.	Amazon breaks the value-cost trade-off.
Amazon chooses a particular direction for its strategic activities based on either low prices or differentiation, such as Prime.	Amazon continues to pursue both differentiation and low cost, such as AWS.

Figure 7: Red and Blue Ocean

Amazon, which competes in red oceans in retail, has created blue oceans by creating new market space. By developing the smart speaker Echo, Amazon Alexa has created a new market niche and expanded into B2B and B2C markets, making Siri irrelevant. Another instance is AWS, which generates product demand by introducing innovations that increase their value (Abeysinghe, 2020). The strategy varies based on the products and market expansion.

Four Actions Framework

Let's observe the four actions framework to determine how Amazon can generate a new value curve in 2027.

Eliminate	Raise
- Items or concepts that are a liability and don't benefit customers - Outdated or underutilized technology - Repetitive operational processes - Strict HR regulations	- AWS-related technological innovation - Additional third-party seller services - More distribution centers and a broader product availability
Reduce	**Create**
- Expansion plans that don't help achieve the objective or maximise benefit, especially in uncontested markets	- AI-based threat detection software - Machine Learning solutions for cyberthreat protection

Figure 8: Four Actions Framework

Amazon should remove outdated technology and unprofitable products. In addition, they should focus more on AWS, as its operating income reached $5.4 billion in Q3 2022, despite the company's operating loss of $2.5 billion (Wiggers, 2022). Third-party seller services made up 22.6% of net sales (Conley, 2022). Due to digitization, they should reduce expansion plans that don't meet objectives and focus on AI-based cybersecurity threat detection software to create a new uncontested market space.

The benefits and risks of the proposed new value curve are summarized below.

Benefits	Risks
- Enhance customer trust and loyalty when cybersecurity is prioritized - Reduce losses by eliminating outdated technology and unprofitable products - More revenue by concentrating on diverse sectors - Establishing an unchallenged space	- Incomplete organizational policies towards security and fewer resources to research and develop strategy - No company can be completely immune to cyberthreats, leading to the rise of unpopular opinions such as a waste of resources and still being attacked - Reduction in expansion plans can decrease revenue - Digitization, particularly supply chain management, can become complicated

Figure 9: Benefits and Risks

Four Hurdles to Strategy Execution

Let's analyze the four hurdles to strategy execution.

Cognitive	Resource
- Demonstrate the consequences of a cyberattack on the organization - Inform people of the benefits of cybersecurity - Getting managers or employees meet with dissatisfied customers whose information was compromised due to a lack of security	- Integrating cybersecurity into AWS can reduce the number of resources required for research and development of threat detection software and machine learning solutions.
Motivational	**Political**
- Getting key influencers (kingpins) in the organization to support the strategy - Offering incentives like training and free higher education for certain employees who want to learn cybersecurity	- Acquire and maintain close contact with a person who is knowledgeable about every aspect of the organization's operations and its employees. - Deal with opposition early on, either bringing them on board or making the difficult decision

Figure 10: Four Hurdles to Strategy Execution

To overcome the cognitive barrier, educate individuals about cybersecurity and introduce them to dissatisfied customers who were affected by a lack of security. Cybersecurity strategy can be integrated into AWS to reduce resources. Sponsoring education programs, particularly in the area of cybersecurity, and bringing key influencers on board can motivate staff. To overcome the political barrier, maintain an awareness of the organization and its people, deal with opposition promptly, and if necessary, make difficult decisions (Spillane, 2016).

Customer Experience

The customer experience (CX) is the factor that differentiates a business from its competitors. The six stages of successful customer experience management are outlined below (Watcadmin, 2020).
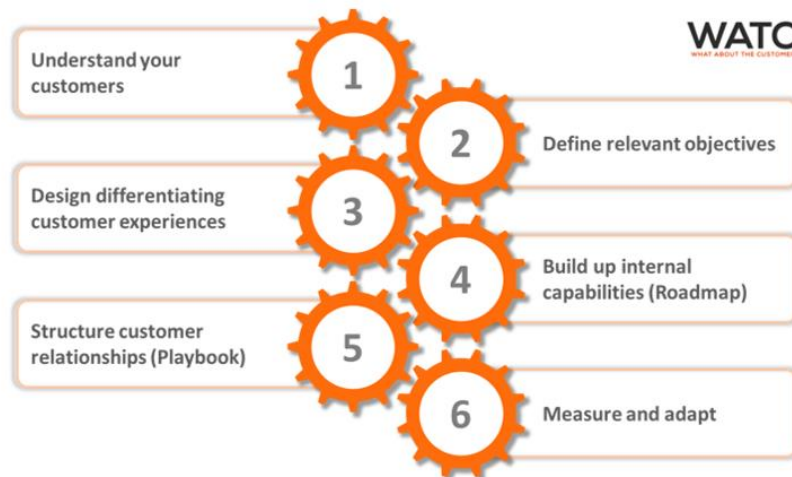

Figure 11: Customer experience

Understanding customer needs, emotions, influences, interactions, and involvements are the initial step. The following step is to establish objectives that are both financial (e.g., sales, revenue, etc.) and behavioral (e.g., loyalty, satisfaction, etc.). Then, we must design a target CX for each customer segment based on our findings. The subsequent two steps involve execution. It includes an overview of what must be done to deliver the desired CX and activities to adapt to change when it comes to modifying the customer relationship. The final step would involve monitoring whether or not the set objectives have been attained (Watcadmin, 2020).

Dynamic Organizational Capability

To assess Amazon's Dynamic Organizational Capability, Innovation Climate (i.e., the Daring Caring Matrix) will be considered (Dolphin Index, 2013).

Figure 12: Daring Caring Matrix

Amazon values innovation, and team leaders expect their teams to innovate. It also promotes experimentation among its employees. A prime instance refers to AWS. It was initially created for Amazon's organizational requirements, but they experimented with it as a revenue-generating service, and it is now one of Amazon's most valuable ventures. However, Amazon is not known for being a caring company. The company encourages nonconformity and unconventional thinking. They handle conflicts harshly and don't promote diversity or care (Razzetti, 2021). Thus, we could say that Amazon belongs to the Cold Dynamism section.

Recommendations and Conclusion

To maximize technological opportunities, the recommendations would emphasize cybersecurity within the context of digitalization. This involves integrating cybersecurity from the start and leveraging AI and Machine Learning solutions to develop threat detection software and safeguard confidential data.

In conclusion, as technology usage increases, cyber threats will increase significantly, so it is now more important than ever to take preventative measures. Protecting sensitive data would benefit Amazon in the future and beyond by fostering customer trust and loyalty.

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