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| **Unit Code:** | ENSN201 |
| **Type of Assessment:** | Formative Assessment |
| **Length/Duration:** | One page of answer |

**Week 3**

**Chapter 11: E-commerce Retail and Services**

**Case 11.1: Walmart Takes On Amazon**

**Watch the videos at**<https://www.youtube.com/watch?v=WxQXvmnfCaw>;

L: 2:58

<https://www.youtube.com/watch?v=gdkZRpyw_FY>;

L: 6:47

**Summary:**In what promises to be the retail battle of the decade, Walmart and Amazon aregoing head-to-head for the retail consumer dollar. Walmart brings to the fray the largest physical retail presence in the United States, with over 5,200 stores. But for many years, it lacked a powerful online presence. Amazon brings to the fray the largest online retail presence in the United States, but until recently Amazon lacked a physical footprint in retail commerce. Walmart is moving towards an omni-channel approach that combines online and offline retail, while Amazon is emphasizing same-day delivery, local drop-off boxes, and may well introduce local physical stores in the future, especially with its purchase of Whole Foods in 2017. The videos for this video case provide further information on Walmart’s strategy for developing a competitive online presence.

**Case:**Traditional retail in the United States, the kind you find at the malls, and urban department stores, is in trouble. The very large retailers such as Walmart, Macy’s, Kohls, Sears, and Nordstrom all have reported only about 1% to 2% sales growth since the recession of 2008. Over the last few years, Target, Macy’s, Sears, JCPenny, and others have closed hundreds of stores. Since 2000, consumers have been shifting away from traditional retail goods like apparel and electronics (the mainstays of retail stores), and buying more services like vacations, exercise, dining, and health care.

The much bigger threat to traditional retail is coming from online retail, mostly Amazon, which has gobbled up the lion’s share of online retail and continues to grow at astounding rates. Apparel and electronics are also the most frequently purchased items for online retailers, so traditional retailers and the online giant all compete selling the same goods.

Traditional retailers have spent more than $1 billion in the last decade trying to become

online retailers and meeting consumers wherever they want to buy: online or at a physical store. It’s called an “omni-channel” strategy: using multiple channels like physical stores and the Web and mobile apps to sell products. Many traditional large retailers such as Walmart, Macy’s, and Costco, have wound up in the top ten online retail rankings. But so far the omni-channel strategy has not been especially successful in keeping up with Amazon’s growth.

In what promises to be the online battle of the decade, the two biggest players, the heavy weights, Walmart and Amazon, are going head-to-head for the consumer dollar. In a broader sense, it’s the online-business model versus the physical- department-store business model that was invented by Macy’s in 1870. But to be fair to the traditional retailers who have developed their online and mobile sales channel, it’s more accurate to say it’s the omni-channel model versus the pure-online digital model of Amazon.

Walmart’s revenues for fiscal 2019 (ending January 31, 2019) were about $514 billion, the highest of any American company, and it had net income for the year of $6.67 billion. E-commerce revenues grew by 40% and reportedly totaled over $20 billion, lifting Walmart into the number 3 online retail spot behind Amazon and eBay. In 2016, Walmart bought startup Jet.com, a small but fast-growing Amazon competitor, and since then it has invested billions on various digital initiatives. Those efforts have had a significant impact, boosting its e-commerce revenues, a trend that Walmart expects to continue. But Walmart’s online business still has a long way to go in challenging Amazon.

**Now answer the following question:**

**Q1. Why Amazon is successful in ecommerce. Describe the business model adopted by Amazon.**

**Ans:**

**Amazon’s Success in E-commerce: A Multifaceted Business Model**

Amazon’s success in e-commerce can be attributed to its innovative and customer-centered business model, which integrates technological expertise, a vast product range, and customer service-oriented marketing strategies. Amazon's model is a hybrid, weaving together four core operations—manufacturing inputs, adding value to products, sales, and acquisitions—creating a framework that shields it from the weaknesses of individual models while leveraging each one's strengths. This holistic approach has helped Amazon maintain its position as the undisputed leader in online retailing.

**The Customer-Centered Model**

Amazon’s business strategy revolves around the customer. Its mission statement—“To be Earth’s most customer-centric company”—captures this focus. The company strives to make consumers' shopping experience more convenient by offering:

* A wide selection of products.
* Personalized recommendations based on past shopping behaviors, helping customers find what they need quicker than ever.

By analyzing sales records and human behavior, Amazon anticipates customer needs and improves the shopping process continuously.

**A New Business Model: Hybrid Retailing**

Amazon operates as a hybrid retailer, combining direct sales with a marketplace for third-party sellers. This multi-tiered market approach allows:

* Amazon to offer an immense variety of products.
* Third-party businesses to sell their products on Amazon’s platform, creating a bazaar-like experience without the need for Amazon to stock every item.

This integration has helped Amazon expand internationally, using both its own sales and the products sold by other vendors to boost its presence globally.

**Amazon Web Services (AWS)**

Amazon’s venture into cloud computing through AWS has been a game-changer. AWS:

* Has become the primary driver of Amazon’s profitability, contributing significantly to the company’s growth.
* Provides a high-profit margin that supports Amazon’s continued investments in other fields, ensuring long-term financial stability and diversification.

AWS has not only boosted Amazon's profits but also positioned the company as a leader in the cloud computing industry.

**Amazon Prime and Subscription Model**

Amazon Prime, recognized as one of the most successful subscription models in retail history, is central to Amazon’s business strategy:

* Offers free shipping, exclusive content, and additional benefits to prime members.
* Induces consumers to become loyal subscribers, which guarantees recurring revenue and business continuity even during market fluctuations.

This subscription model has allowed Amazon to lock in customers, ensuring both growth and stability.

**Logistics and Delivery System**

Amazon has invested billions of dollars in creating a robust supply chain and fulfillment infrastructure. Key components of this infrastructure include:

* Warehouses and distribution centers.
* Last-mile delivery systems, which allow Amazon to offer same-day and two-day delivery, a crucial competitive advantage over traditional retailers.

This logistical network not only boosts efficiency but also enables Amazon to offer unmatched speed and customer service, keeping it ahead of its competitors.

**Data and Personalization**

Amazon's use of big data has allowed it to continuously improve the customer experience by:

* Analyzing customer behavior and preferences.
* Delivering relevant advertisements, promotions, and product suggestions based on this data.

This personalization increases conversion rates and sales margins, making Amazon's platform both efficient and profitable.

**Acquisitions and Expansion**

Amazon’s aggressive acquisition strategy has allowed it to diversify its offerings and expand its physical presence:

* Whole Foods: Acquired to merge Amazon’s online retail operations with brick-and-mortar stores.
* Ring: Acquired to expand into the smart home market.

These acquisitions have helped Amazon extend its reach beyond e-commerce into other industries, creating a more integrated business model.

**Competitive Advantages Over Traditional Retailers**

1. Price and Selection: Amazon can offer an unmatched variety of products at competitive prices, thanks to its vast network of third-party sellers.
2. Technological Superiority: With the most advanced technology stack in the retail space, Amazon utilizes machine learning algorithms for recommendations, AWS for cloud services, and Prime for customer loyalty.
3. Scalability and Global Reach: Operating in multiple countries, Amazon’s business model is easily scalable and designed to tap into global markets efficiently.

**Conclusion**

The essence of Amazon's success lies in its multi-faceted business model, which integrates online retailing, cloud computing, and subscription services. By utilizing technology, data, and a comprehensive logistics network, Amazon has reshaped the landscape of e-commerce. Its focus on low-cost operations and customer satisfaction has granted it a competitive edge that traditional brick-and-mortar stores find difficult to replicate. As a result, Amazon continues to lead the online retail space, pushing the boundaries of what is possible in the industry.

**Q2. Outline the changes that online distribution has prompted in the businesses of television program production and distribution.**

**Ans**

The rise of online distribution has greatly impacted the production and distribution industries of television. Along with the advent of the internet and online streaming platforms, television programs used to be transmitted by broadcasters, placed on cable networks, or sent by satellite. That has meant a big change in how television production is done. Television programs are now being watched whenever people have time—at home, on the go with their cell phones, or even taking a lunch break with employer-sanctioned bandwidth consumption right there in their cubicles. Television content has become less like work and more **what I want to watch**.

**Content on Demand:** The rise of on-demand streaming means that consumers can access TV shows and movies whenever they want, rather than being restricted to traditional broadcast schedules. These changes have made live television less appealing for some audiences; with the ability to view full seasons of their favorite shows in one sitting, people no longer want to wait a week for every new episode.

**Content Changes in Production: Increased Focus on Original Content**: In response to online streaming, the proliferation of new streaming platforms (Hulu, Netflix, and Amazon Prime) has forced traditional broadcasters to invest significantly in original content. Streaming platforms such as Netflix and Amazon Prime are no longer simply distributing content but have become the producers. Through producing popular original series like Stranger Things, The Crown, and The Marvelous Mrs. Maisel, these platforms have increased their offerings of content to subscribers and created shows that literally nobody else in the world can see but them.

**Diversity of Formats:** Traditional television is locked into specific formats such as sitcoms, dramas, and reality shows. Online delivery has encouraged experimentation in diverse formats, including miniseries, interactive shows, and international content, bringing a larger world audience. Delivery systems also allow entire seasons to be released at once, which leads to binge-watching, a trend changing what and how we consume content.

**New Revenue Models and Monetization Strategies: Subscription-Based Revenue**: Perhaps the most significant change in the presentation of television programs is moving from advertising as the chief source of revenue to subscriptions. For streaming services like Netflix, Hulu, and Amazon Prime, they charge a monthly fee simply to access content, providing steady income that is also somewhat predictable. This contrasts with traditional TV’s reliance on ads for both giving away free airtime and otherwise making money via cable subscriptions.

**Ad-Supported Models:** Broadly speaking, while subscription services dominate, ad-supported ones are rising again. Some examples of such paid and free platforms include Hulu and Peacock. These services still rely upon advertising as a major revenue model, but they differ from traditional TV in the ways content can be monetized.

**Digital Rights and Licensing:** Television networks are now licensing their content to streaming platforms, which gives a revenue boost from content sales. For example, popular shows such as Friends and The Office are available on streaming platforms for licensing. That has changed how revenue is derived from TV content altogether.

**Changes in Viewing and Interaction between Audience and Content: Global Scope and Access:** Online distribution lets a show reach global audiences more easily. Traditional television was geographic broadcasting, with viewers limited to certain areas. But streams also bring content to foreign viewers, which increases a program’s potential worldwide fan base exponentially.

**Viewer Control and Data Analytics:** One of the most important changes of all for the viewer is that content is now held in their hands. Streaming platforms are capable of accumulating enormous amounts of viewer data this way, making it possible to dispense tailor-made recommendations to them while adjusting content based on what type of things users like or don't like at all. This data-driven approach to content delivery gives networks and platforms a competitive edge over traditional broadcasters.

**Impact on the Distribution Chain: Elimination of Intermediaries**: In a traditional distribution chain for television program packages, the "tween stage" often involved intermediaries providing their own channels such as cable operators, satellite services, and syndicators. Online distribution platforms have greatly reduced its importance, allowing producers to provide content directly through a streaming platform, bypassing many of the old distribution layers.

**International Distribution:** Streaming services have opened the door for instantaneous international distribution opportunities, which means any show can be made available worldwide on that very same day—normally sidestepping negotiations between nations concerning how much money might actually accrue from licensing rights.

**Conclusion:** Online distribution has changed the television production and distribution industries profoundly. It has revolutionized how content is produced, monetized, and delivered, as well as the overall situation where formerly traditional broadcast and cable companies held sway. Online platforms—with their flexibility and new revenue models, along with audience analytics and global reach—are reshaping television in exciting ways. It is now more dynamic and available than ever. As the industry continues to evolve, the conflict of traditional versus online television will undoubtedly determine the future of entertainment.

**Marking Guide (Rubric):**

**Total Marks: 20**

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| **Marking Criteria** | **Lecturer Expectation** | **Marks** | **Comments** |
| Analysis | Questions answered and covered in Depth |  |  |
| Concept | Demonstrates good understanding of key concepts |  |  |
| Idea | Original and creative thoughts |  |  |
| Critical Analysis | Critical and evaluative analysis of relative importance of issues |  |  |