Amazon Analysis

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Amazon Inc. continues to be a leader in the online retail industry. One of the reasons Amazon has continually dominated the market is by ensuring it navigates and deals with business challenges such as those outlined in the Porter five analysis. The analysis model was developed as a business tool for analyzing external business forces, they affect businesses. In this Amazon analysis, the external forces elate to those conditions experienced in the e-commerce industry but focusing more on the online retail market. Since the company engages in a wide variety of services and industries such as cloud computing, consumer electronics, and digital content distribution, the company could face a myriad of factors. To maintain a leading position in the industry for a long time, the company regularly regulates these external factors to ensure dominance (Althafairi et al., 2019). This paper seeks to analyze Amazon’s five forces analysis and how it still leads the online retail industry.

**Competitive Rivalry**

Over the past decade, the online retail industry rivalry has increased exponentially, mainly due to the increase in the number of players recently. Another reason for the strong intensity of competition is that traditional brands also enter the online sale business. Since most traditional stores had already established trust in the people, engaging in online retailing poses a significant threat to online-based companies such as Amazon (Wang & Ng, 2018). Some of the main competitors of Amazon include eBay, Alibaba, Walmart, and Newegg, among others.

Retail companies tend to be aggressive, and in most cases, they strongly compete against each other. Amazon faces stiff competition from Walmart, especially with a large and growing e-commerce website. The main reason why the retail industry is generally highly competitive is due to the strong presence of substitutes. For instance, when it comes to books, both Amazon and Walmart sell books. Some customers may prefer physically visiting Walmart to check out the book, while others are comfortable getting a softcopy of the book. Due to the high number of competitors in the industry, Amazon has to ensure it offers the best services to beat the competition and win more customers (Zhu & Liu, 2018).

**Customers**

Amazon's vision statement highlights that the company focuses on being customer-centric in all their e-commerce business transactions. According to Porter’s Five Forces, a Customer’s bargaining power seeks to determine the consumer’s influence on companies and the industry. Amazon strives to ensure customer satisfaction and deliver quality products. Also, Amazon serves customers from all the markets despite their economic backgrounds. This strategy ensures that customers of different social classes can easily get the product they need. Due to this fact, Amazon has products ranging from $1 to thousands of dollars. This ensures that customers from all walks of life can get a product that suits their budget. This is essential in ensuring a steady market growth rate in the future.

Additionally, by ensuring customer satisfaction, and that the products are delivered on time, and that any returns are handled properly, Amazon seeks to ensure they have repeat customers. Customer bargaining power is strong since customers nowadays have access to information regarding online retailers' services and their products. Additionally, customers have the power to find alternatives in the event a particular online retailer like Amazon hikes their prices. Amazon strives to ensure it reaches the global market by embracing global shipping, where customers from other continents can order and receive their products. Also, the company offers various incentives, discounts, and services to promote brand loyalty (Smith & Linden, 2017).

**Collaborators**

Amazon is an online franchise; Amazon does depend on suppliers for the availability of supplies and materials for its e-commerce business. However, being an already established and leader in the industry, one can say that Amazon has the upper hand over the suppliers in the supply chain. While Amazon has multiple suppliers to sustain its customer’s global demand for products, these suppliers have to follow some of the rules and guidelines laid down by Amazon. The switching cost of suppliers for Amazon is almost negligible, considering many suppliers are in the market. According to Greenspan (2017), due to Amazon’s large sales for specific items, other suppliers are willing and ready to supply to Amazon if approached. For this reason, suppliers cannot attempt to go against Amazon. However, when a group of large suppliers joins hands to bring change, such as increasing price, they can directly impact the company.

Being a company with a strong international presence, Amazon has to ensure that they understand the taste and preference of various target markets to succeed. For this reason, Amazon has collaborated with various collaborators, which allowed the company to develop new product lines, which can quickly grab the market’s attention. Ensuring a good relationship with collaborators is essential for any successful business. Amazon Inc. strives to ensure this relationship is maintained to ensure future business.

**Internal and External Analysis**

For internal analysis, Amazon has adopted an elaborate CRM system to ensure uninterrupted information flow between customers and the company. By adopting such information communication technology, Amazon can maintain quick and effective communication between the company and customers by quickly responding to clients' queries. The company’s strong financial position also adds to the strategic capability of the company. This allows Amazon to exploit opportunities in the industry, thus resulting in innovative products. Also, the company has an excellent and superb delivery network which is another internal strength. By partnering with other logistics companies, the company ensures quick and quality delivery services.

Looking at the external environment, Amazon is facing some opportunities and threats like any other company. Looking at the political environment, the company has established itself in most developed countries which are more stable. However, for developing countries such as India, the country may face political instability issues. Additionally, economic factors in developing countries may not be favorable for those countries. In terms of technology, the company has done an excellent job of developing its cloud-based systems. According to Jain & Sharma (2017), Amazon has acquired several tech companies to ensure it gets to enjoy leading technological innovations.

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