

Marketing Strategy in Action

Amazon.com

In 1994 Jeff Bezos, a young senior vice president at a Wall Street investment firm, decided to become a part of the Internet revolution. He decided to try to sell books via the World Wide Web. Why books? Because about 1.3 million books were in print at the time. Also, Bezos thought he would be able to provide the customer with discounted prices, the opportunity to get any book wanted, and convenience. Bezos initially came up with a list of possible items to sell online, including books, music, PC hardware and software, and magazines. After eliminating all but books and music, he realized that only 250,000 music CDs were available at any one time compared to 1.5 million English book titles (3 million titles if all languages were considered). So Bezos decided to go with books and drew up a business plan as he and his wife drove westward in search of their new home. He subsequently decided to start his new business in Seattle and sold his first book in July 1995. And with that, Amazon.com began its rapid ascent toward becoming one of the most recognized businesses in the world.

Amazon.com has succeeded while many other fledgling Internet companies failed. Bezos, who was named *Time* magazine's "Person of the Year" and *Advertising Age's* "Marketer of the Year," is the first to admit that first-mover advantage was instrumental in the growth of his company. He also credits the company's success to the comprehensive selection of books available. "There's no way to have a physical bookstore with 1.1 million titles," he says. "Our catalog, if you were to print it, would be the size of seven New York City phone books." In addition, Amazon.com is known for its ability to fulfill and deliver, thanks to large investments in nationwide warehouse distribution centers.

If you are worried that your local Barnes & Noble bookstore might be forced out of business any time soon, however, don't be. Amazon.com cannot compete when customers want the physical presence of a bookstore. The online book behemoth cannot provide soft, comfortable couches, music, and gourmet coffee. Nor does it allow consumers the opportunity to page through a book before purchasing it, savoring the crisp new pages and the creaking of the binding when first opened. The company does, however, offer several advantages in the way of customer-to-customer and customer-to-author interaction. Customers can log on to the site, post a review of any book they have read, and have it permanently associated with that book's entry in the online catalog. Also, authors are able to answer a variety of stock interview questions, which are then posted on the site associated with all of their books. Authors can also leave their e-mail addresses so readers may e-mail their own opinions or comments. Bezos believes that his is the world's most "customer-centric" company.

Another unique feature the company offers readers who have their own Web sites is the opportunity to set up their own specialized bookstores. For example, an expert on investing can list several investment strategy books on his or her Web site and then link them from the site directly into the Amazon.com catalog. The company is able to track books that are purchased in this manner and gives the individual a commission on all sales.

What else can customers expect when purchasing a book from Amazon.com? Discounts. Roughly 30 percent of the book titles are discounted by 10 to 30 percent. The others are sold at list price.

The company's strategy of providing customers with a sense of community within its Web site seems to be working. While many e-tailers went out of business and many others were barely surviving, Amazon.com's revenues were growing at 20 percent per year and reached \$14.8 billion in 2007. Its operating profit margin at 5 percent beat most retailers' and approached Walmart's 6 percent.

The mammoth bookseller has branched into other areas. You can now purchase CDs, toys, home improvement products, software, videos and DVDs, and small appliances at Amazon.com as well as other products. With this push into selling other products, the company faces increasing competition from traditional retailers and e-commerce startups. Some believe the company risks diluting its brand name by expanding its business to too many lines, too quickly. But Bezos begs to differ. He says, "I get asked a lot, 'Are you trying to be the Walmart of the Web?' The truth is, we're not trying to be the Anything of the Web. We're genetically pioneers." The company's former UK managing director, Simon Murdoch, adds, "It's a great name. 'Amazon' is not tied to any product category. The brand is extendible; it stands for delivery."

Time will tell if the company will continue to deliver. For now, Amazon.com is recognized around the world. It is the most frequented Web site in America and one of the top few in France, Britain, Germany, and Japan. Jeff Bezos's vision has certainly become one of the great entrepreneurial success stories.

Discussion Questions

1. Why did books and CDs sell successfully online immediately while many other products took some time to sell online?
2. Do you think consumers who buy from Amazon.com also shop at other Web sites for books and CDs and buy from the site that offers the lowest price?
3. What aspects of customer service have contributed to Amazon.com's success?

4. What are the differences in the purchasing experience between buying a book at Amazon.com and at a Barnes & Noble brick-and-mortar store?
5. What problems arose when Amazon.com expanded its offerings to products other than books?

Sources: www.amazon.com, October 30, 2008; Elizabeth M. Gillespie, "Amazon Has Nothing to Fear but Success," *Wisconsin State Journal*, July 6, 2005, pp. C10+; Fred Vogelstein, "Mighty Amazon," *Fortune*, May 26, 2003, pp. 60–74; K. J. Bannan, "Book Battle," *Adweek*, February 28, 2000, pp. 90–94; "Survey: E-Commerce: Amazon's Amazing Ambition," *The Economist*, February 26, 2000, p. S24; B. Rosier, "Amazon Leads Race to Expand Web Services," *Marketing*, February 24, 2000, pp. 19–20; D. A. Williamson, "Marketer of the Year: Amazon.com—Dot-Commerce: World's Biggest E-tail Brand Writes Book on Marketing Savvy," *Advertising Age*, December 13, 1999, pp. 1, 36–40; K. Brooker, "Amazon vs. Everybody," *Fortune*, November 8, 1999, pp. 120–128; M. H. Martin, "The Next Big Thing: A Bookstore?" *Fortune*, December 9, 1996, pp. 168–170; K. Southwick, "An Interview: Jeff Bezos, Amazon.com," *Upside*, October 1996, pp. 29–33. www.amazon.com © 2006 Amazon.com, Inc. or its affiliates. All Rights Reserved. Amazon, Amazon.com and the Amazon.com logo are registered trademarks of Amazon.com, Inc. or its affiliates. Microsoft Internet Explorer screen shot reprinted with permission from Microsoft Corporation.