

# Mobile & Internet Business Project

EE2078 Electronic Enterprise Systems

This assignment aims to evaluate the mobile and internet based business of Amazon.com. It looks at the history and the development of Amazon and analyses its business model from all aspects. A satisfaction survey has also been carried out which looks at Amazon customer satisfaction.

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<b>Values Chain Analysis</b>	Maria Bosco
<b>E-Process Description and Analysis</b>	Tolu Akinsete
<b>Technical Analysis of the design and programming structure of web-based activities</b>	Maria Bosco
<b>Analysis of strength and weaknesses of the design and business model</b>	Tolu Akinsete
<b>Customer Satisfaction Survey and analysis</b>	Tolu Akinsete & Maria Bosco
<b>Conclusion</b>	Tolu Akinsete & Maria Bosco

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## Introduction

***“We have one strategy at Amazon.com - provide the customer with the best shopping experience.”  
Additionally, “...our goal is nothing short of building the world's most customer-centric Company.”  
Lastly, “our Company mission is to leverage technology and expertise to provide the best buying  
experience on the Internet”. [J.Bezos, CEO Amazon]***

Since starting out in 1995, Amazon has expanded their product range, international sites, and worldwide fulfilment and customer service centres. Today Amazon offer a shopping experience like no other, selling everything from books, electronics to clothing. With partnership opportunities including their online search engine and comparing prices tool, Amazon are undoubtedly at the top of their game; something most certainly live up to each and every day.

Maintaining over 20 fulfilment centres around the world and operating sites all over the globe including the United Kingdom, German, United States and France, Amazon is indisputably the revolutionary book store on the internet; being the first online retail business of its kind.

With what started out as an online bookstore operating under the name Cadabra.com, Amazon now revolves around having the biggest selection of books, DVD's, electronic devices and much more, managing to diversify their product range drastically. Differentiating themselves by being competitive with their prices and being a cost leader, Amazon is able to offer great quality products.

Technological innovation drives the escalation of Amazon.com and in recent years Amazon.com has grown massively, from what started out as only a bookstore to what now exists as a personalised shopping experience for each and every individual customer. Fabricating the phrase “Earth's biggest selection”, this is a phrase for once a company actually lives up to; offering everything from book discovery through “Search inside the Book”, to convenient checkout services using “1-Click Shopping” all the way to Live Bidding sites.

***“This evolution of Amazon.com from Web site to e-commerce partner to development platform is driven by the spirit of innovation that is part of the company's DNA. E-commerce is still in its infancy. In the years to come, you'll see Amazon.com create new technologies, expand into more geographies and continue to improve the lives of shoppers and sellers around the world.” [Amazon.com]***



## History & the Development of Amazon

Amazon holds its place firmly as one of the most successful and innovative Internet enterprises to date. What stands today as the undisputed leader of e-commerce, started back in 1994 from humble beginnings.

The business began in the garage of a two bedroom house in Seattle. Its creator Jeff Bezos set eyes upon the unparalleled potential and level of efficiency the Internet could generate for businesses and took the opportunity to cash in. The main drive behind the idea of Amazon was that “ books were the commodity for which no comprehensive mail order catalogue existed, because any such catalogue would be too big to mail; perfect for the Internet, which could share a vast database with a virtually limitless number of people.” His idea effectively re-engineered the concept of selling books by providing the service on the Internet.<sup>11</sup>

By its fourth month in business, the company were selling more than 100 books a day. What had been created was more than just an online bookstore; Jeff Bezos had created a community. The website was revolutionary early on for allowing average consumers to create online product reviews which could be read and shared with others. Therefore it was not only customers wanting to buy books that visited the site but also those who wanted to research a book before buying.

“Amazon was probably the first truly worldwide community that was built online” [Scott Lipsky, former Amazon executive] “They happened to sell books. But the fact that everyone was sharing their thoughts and book reviews made it a community unto itself, very much like e-Bay” [Scott Lipsky, former Amazon executive]

By 1996 Amazon had generated \$15.7 million in sales, that figure would increase by 800 percent the following year. The rocketing sales were partly due to the expansion of the company. The people behind Amazon saw the opportunity to expand as a business into other product lines. In 1997 Amazon added CD’s and videos as items for sale on the site. Later that year they went on to add toys, electronics, software and video games among others. This businesses move has had long lasting success and has been one of Amazon’s long standing competitive advantages. The company are renowned for the extremely broad product range they provide to their customers. Not only is the product range broad, but it also includes high quality products. This is due to Amazon offering its e-commerce service to brand name retailers. Today on the website customers can purchase items manufactured by leading brands such as Sony, Samsung and Microsoft.

Although the sales were steadily increasing the company were not making a significant turnover. The initial business plan for Amazon was “unusual: the company did not expect to turn a profit for four to five years.” This served to see them through the dot-com crash where many of the internet companies’ that had seen quick success in the 90’s crashed and went out of business. Amazon however remained, persevering and in 2002 produced their first profit 7 years after launching. The profit stood at \$5 million.<sup>10</sup>

### Development

Prior to the 2002 profit the company reported a loss of \$1.4 billion. In order for the company to recover and begin making a profit a restructure of its business model was undertaken. This involved

- Laying off 15% of staff
- Down-sizing by closing two warehouses and shutting down a customer service centre

- Better management of the merchandise it carried
- Delivering packages pre-sorted by geography to postal hubs
- Analyse relationships between items that customers bought so that they could be grouped in the same warehouses

The changes took place across all areas of the business and mostly looked at improving efficient production. Change and innovation have been consistent features within Amazon's business life cycle. Both fall into the category of a cyclic function, activities that are repeated throughout the lifecycle in order to sustain the business. Amazon developed by adding original features and services, for example adding diversity to their product line when there were little competition from other companies doing the same thing. They gradually worked on expanding creating a global presence and therefore increasing sales opportunities.

In "August 2007, Amazon began selling products under its own private label. This meant they were now manufacturing and handling their own goods as opposed to those from third parties." In September 2007 the company launched their own online music store. Not only do the companies compete by offering innovative services but they also tap into the current market and see what areas can be successful for them too. The online music store would be direct competition for Apple's iTunes. However not all ideas for Amazon were successful. Z-shops was designed as a fixed price market place but was an unsuccessful launch for Amazon, unable to compete with other online marketplaces such as E-bay. This did lead to the development of Amazon Marketplace a more successful version of z-shops.

Future development of Amazon looks set to expand the services beyond that of e-procurement and providing an all round shopping experience. An example of business process re-engineering, Amazon has re-thought the design of their businesses processes. The company have made changes to their core business strategy by branching into web services and have developed their own Web Services Platform. The company have now taken on the role of a software and web services company offering to other businesses.

### Amazon Web Services Stack



Alex Iskold for Read/WriteWeb

## 3

## Amazon Business Model

Today, Amazon's stated mission is to be a place where "people can come to find and discover anything they might want to buy online". Amazon's key to success is by lowering prices, offering convenience, expanding selection, and increasing availability.<sup>1</sup> With this they are able to operate both a business-to-business and business-to-consumer model. Amazon provides a website where customers can search among a large selection of items, order them online, pay by credit card, and receive delivery in a short period of time. All these factors are interrelated in what Amazon refers to as a virtuous cycle.

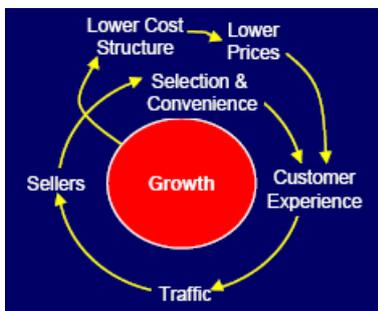


Figure 1: The Virtuous Cycle (Source: [www.wikinest.com/stock/Amazon.com-\(AMZN\)#Business-Model](http://www.wikinest.com/stock/Amazon.com-(AMZN)#Business-Model))

Amazon originally started out with a pure-play business model. A "Pre-Play" Business Model dictates that a business' primary mode of operation is via the internet. This includes matters of order processing and remediation.<sup>2</sup> This model, however, did not support Amazon's buying and distribution process, in which Amazon moved to a retail business model, opening its own bricks and clicks distribution centres to increase efficiency, and at this stage were operating non-cyclic functions which included being able to create, lay groundwork and at the launch phase of the business model life cycle. This type of business model often relies on third party providers such as Borders and Barnes Noble, to maintain its sufficient supplies.

Amazon's business-to-consumer online model allows it to keep its inventory in a small number of strategically located large warehouses, letting the company offer a vast selection of goods and without the capital investment and inventory risk.<sup>1</sup> Amazon has managed to build a retail business with a negative operating cash flow cycle, which means Amazon gets paid for by customers before they have to pay their suppliers for the goods.<sup>1</sup> This business-to-consumer approach allow Amazon to keep track of their customer preferences, showing recommendations according to their shopping and browsing trends.

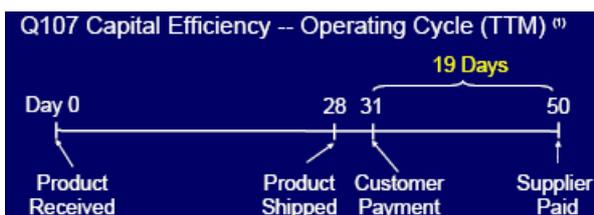
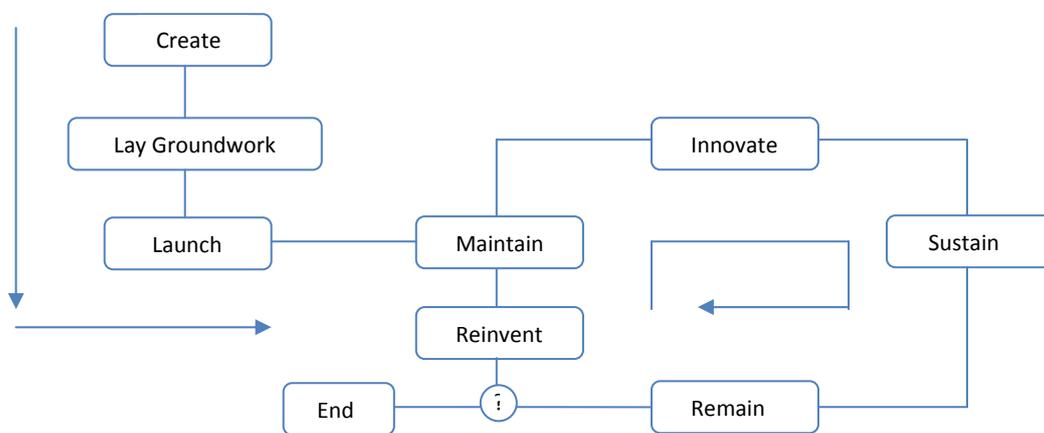


Figure 2: Amazon's business-to-consumer online model (Source: [www.wikinest.com/stock/Amazon.com-\(AMZN\)#Business-Model](http://www.wikinest.com/stock/Amazon.com-(AMZN)#Business-Model))

By persistently revolving their business model around their customers, Amazon provides a platform for a successful electronic and internet business. The concept of a viable system is undoubtedly clear for Amazon, focusing on data acquisition, information processing and viability. As it stands today, Amazon currently remains around the cyclic functions of the business model life cycle (refer to figure3). Amazon are consistently maintaining their business activities, consolidating its customer relationships through an innovative business system. Amazon are always looking at ways of improving their product range; initially starting out with only books, they now cover every market thinkable including electronics, clothing and household products. Amazon deals with a viable system, being able to remain around for so long, consistently keeping up with the changes and meeting the needs of its customers. These changes have been both cultural and technological; spanning their products diversification massively to the restructuring of its original business model. This approach has constantly allowed Amazon to reinvent itself, and for now looks no further away from the end; with what originally started out as a company in Seattle now has servers throughout the US, UK, Germany and more. However, with all these advantages, the retail business model experiences a quick cyclical growth; posing a threat to Amazon, and in turn reducing profit margins.



**Figure 3:** Business Model Life Cycle

Amazon operates an E-Procurement business. E-Procurement is when a business' operation is electronically, tendering and procurement of goods and services. E-Procurement brings the experience of Amazon to the purchase of academic supplies and equipment. The standard of ease and speed of acquisition has been set for all by the model pioneered in the public experience by Amazon.<sup>3</sup> Amazon gain a number of benefits including a wider choice of suppliers, which results in lower costs, better quality, and improved delivery and reduced cost of procurement through their business-to-business approach. Electronic negotiation and contracting and collaborative work further enhance time and cost savings and convenience.<sup>6</sup>

There are three operational strategies that have helped Amazon to enhance its competitive advantage, including cost-leadership, customer differentiation and focus strategies. The first strategy, cost-leadership is achieved by Amazon by differentiating itself primarily on the basis of price. Amazon always makes sure that it offers the same quality and products as other companies for significantly lower prices. Amazon's consumers tend to go for cheaper deals, and with such knowledge segmenting the market, Amazon try to offer competitive prices. Amazon's second strategy, customer differentiation, provides it current and prospective customers with differentiation through design, quality and convenience. Amazon always selects a differentiator that is different among its competitors. Amazon recognises and differentiates its products from its competitors. The last strategy that Amazon uses is a focus strategy. This strategy takes one of the two other strategies and applies it to a niche within the market.<sup>4</sup> Amazon focuses on outstanding

customer service as a niche but not the whole market because each nice has its own demand and requirement.

Values also play an important role in Amazon succeeding. Amazon's values and philosophy are at the centre of the organisation and often determine the difference between success and failure of the enterprise.<sup>4</sup> These values include customer satisfaction and operational frugality. These two values complement Amazon's operational strategies in achieving and maintain an effective competitive advantage and encouraging employee and corporate performance.<sup>4</sup>

Amazon also offers an electronic implementation of building mechanism, known as the E-Auction business model. Amazon offers integration of the bidding process with contracting, payments and delivery. Amazon auctions provide a venue for people to sell anything that they wish. Listing the items an Amazon's auctions makes them accessible to registered Amazon customers. Amazon offers secure payments which are unique, safe and secure, allowing payments with buyers keeping payment information private. Amazon's sources of income are in selling the technology platform, in transaction fees and advertising. There are also benefits for the suppliers of the goods being auctioned and the buyers of the items, as efficiency is increased and time saving benefits, as there is no need to dispatch items until the deal has been established, and global sourcing. Suppliers are not made to have a fixed amount of stock, therefore reduced surplus stock acts as a source of income. Better utilization of production capacity and lower sales overheads. Buyers benefit as costs of goods is reduced and purchasing overhead costs are lower. Amazon's main features of electronic and mobile auction business model include its budding facilities with an interactive interface, security, provision of attractive products and community building through a trusted platform.

Amazon's Marketplace provides a venue for people to buy and sell new, used, collectible and refurbished items; live on the Amazon website, on the same page that they display the new items.<sup>5</sup> Sellers set the price of the items that they list. Items offered by Amazon Marketplace all have in common that they offer at least a user interface to the suppliers' product catalogues. Additional features include branding, payment logistics ordering and secure transactions. This business-to-consumer approach, have benefits for buyers, including a wider choice with better prices from third parties on the same page that Amazon sells the items new on. It's an easy and efficient service with "more buying choices", with a list of alternative prices. Transactions are secure as payments are managed with Amazon payments. Finally it is a quick service with communication via email and delivery within two days.<sup>5</sup> Benefits for sellers of Amazon Marketplace include access to millions of customers registered with Amazon. Secure payment systems allow all information to be safe and confidential. Amazon offers a special service for bulk sellers selling thirty items or more. Amazon receives a commission on products sold via its Marketplace, and although gross margins on these transactions is generally less than if Amazon sold them directly, the Marketplace strategy creates a one-stop shopping destination with a consistent experience for the customer.<sup>4</sup>

Amazon also operates in the E-Shops business model, also known to its customers as Amazon zshops. Amazon's zshops acts as a web marketing tool for Amazon, to promote the company and its goods and services. The possibility of ordering and paying online is increasingly added to Amazon's zshops. Benefits for Amazon include increased demand, a low cost approach to global presence and cost reduction in promotion and sales. Customers of Amazon also benefit as they are offered lower prices compared to traditional offering, wider choice, better information and convenience in browsing, comparing, buying and delivery, including 24 hours availability. Amazon's website acts as a business-to-consumer electronic shop as well as a business-to-business e-shop. Amazon zshops enables professional and volume sellers to sell new, used, collectible and refurbished items that they do not currently offer, live on their website. Amazon requires sellers at zshops to have a pro-merchant subscription, anticipating on selling thirty items or more.

## Value Chain Analysis

Michael Porter's (1985) Value Chain is used to identify the key activities within a business that add value. Amazon's end products such as items that customers receive from their order are a culmination of the company's value adding activities. Some of Amazon's value chain activities can be described below:

### **Primary Activities**

- Transportation of products (inbound, logistics)
- Purchasing and sourcing
- Selling the products (sales)
- Customer Service
- Shipping of ordered items (distribution)

### **Support Activities**

- Warehouse Management
- Demand Forecasts
- Inventory Planning

The activities and processes in the Amazon value chain all work together and rely on one another however each activity has a specific purpose in which value is added. For example efficient management of Amazon's warehouses is essential and builds value by ensuring that the items customers order are organised in a way that is efficient and saves money. Problems such as back-log of orders are avoided by the well organised management system.

Outbound shipping is considered a primary activity, as it is involved with the process of getting the product to the customer. Outbound Shipping has enabled Amazon to provide products to customers all around the world. Although the company does not have a website or warehouse assigned to every country they are still able to maintain a large market share by offering their services on an international scale.

When compared with value chains belonging to other companies it can be seen how Amazon's value adding activities create a successful competitive edge for themselves. Amazon's supply chain places great emphasis on technology-based activities. This makes it unique. "In the last four years, Amazon has worked to minimize the need for human intervention in its supply chain, apps communicate in real time a rarity when most companies have to integrate a variety of software, tools and manual processes such as phone and fax orders"<sup>12</sup>

It can be seen that Amazon make use of technology and rely heavily on this to add value, they have even reduced the amount of human activities by using technology to fill the roles that would usually require people.

Amazon's value chain optimizes technology and information. The sophisticated systems designed by Amazon themselves, allow them to bring information to their customers that will benefit their shopping experience. In turn this gives the company a competitive advantage over other e-procurement companies. The technology used consists of a series of systems that communicate with one another in real time. If a customer places an order for example a CD they will be informed in a matter of seconds how long the order is likely to take to be shipped and delivered. This is achieved by Amazon's order system communicating with the inventory and warehouse managements system in order to locate the warehouse that has the CD in stock and is situated nearest to the customer. This works to support the distribution of the CD, distribution is another activity within the value chain. Customer will receive the item efficiently.

Another technology-based activity that builds value is Amazon's recommendation system built on collaborative filtering. This system allows Amazon to create personalized content and product page for all customers. A user of the website does not have to be logged in or have even visited the site before yet can still learn about products that they are interested in and that are likely to meet their requirements.

The shopping experience on Amazon is renowned for its simplicity and ease, in most cases items are easy to find, the range of items is extremely large and so customers very often find what they are looking for, the delivery of products is efficient. This has all been made possible by the carefully engineered value chain that supports the outcome of a product and service that has given Amazon the edge they have today.

## 4 Amazon's e-Processes

Amazon has devised a number of strategies for calibrating their website through minute attention to their business processes that create their customer relationship. These strategies developed by Amazon are not simply online transactions but transforms Amazon's operations and economics.

Amazon's creation of electronic links to business partners such as live bidding and drugstores enhances relationships with these businesses, adding value to the services rather than remaining an isolated website.

Amazon has a patent for "one click" purchasing technology. One-click shopping allows the prospective buyer to bypass the use of a "shopping cart", which is cumbersome for many users.<sup>6</sup> The feature allows consumers to designate and preset credit card information and shipping details, adding value to the online shoppers overall experience by enabling repeat customers to submit an order with literally one click of the mouse.<sup>9</sup> The one-click feature also assigns customers a unique identification number that allows them to be recognised without even having to log on. One-click ordering is a secure process, and the only information sent to Amazon relates to the items the customer wants to order – no sensitive information is transferred. It is an easy and fast method of ordering online at Amazon, with help features that explain the process.

Amazon also has a patent for its "Affiliates" program, which allows Amazon to market the products of other companies in return for a commission, The idea of Amazon's Associates program is:

- Small sites would act as traffic generators for Amazon that post content on their site with a link to Amazon.
- Each site would receive a commission of up to 10% in referral fees.
- Amazon's traffic increase as well as their branding awareness, as the small sites carries the Amazon logo, it will enhance the online presence of Amazon.

Amazon also builds relationship with content site partners, by rewarding the affiliates with up to 15% commission of the sales by every customer referred to Amazon. Amazon receives a monthly report which is a valuable marketing resource for affiliates because it informs them about their customer's needs and behaviours.

Amazon has embedded process rules in their personal software developed, one of these being their own search engine tool. This piece of software allows the interactions between the customers and Amazon to be a unique experience. Another piece of software devised by Amazon is their software which creates customer portfolios individualised to each customer, creating a "My Amazon" account. This business-to-consumer approach allows customers to handle their own account details and interact with information specially tailored to them, giving them an even greater experience online. Amazon's data-mining and one-to-one marketing software help them realise mass customisation, dealing efficiently with their customers.

All these e-Processes determine Amazon's capabilities, by prioritising its process capabilities to reach maximum interaction with its customers. The value network is enhanced with its customer relationship, by fulfilling its customer's orders, shipping promises and access to other products.

# 5

## Technical Analysis of Amazon's Design & Programming of Web-Based Activities

### Security

Operating primarily as an e-commerce website, Amazon have a responsibility to provide safe and secure pages that customers can shop safely on. Users of the website will want to enter their personal details knowing that they are within a safe and secure environment where they are not at risk of fraudulent activity.

Amazon invites users to 'sign-in' before it is possible for them to input any sensitive information. The sign in system allows users to create a unique password and username for their account. Once the customer has created an account on using the Amazon website their unique username and password will act as an entry permit to their account. If the incorrect details are input, no entry to the account is permitted. In technical terms the entry permit is a key, which is used to unlock an encrypted message. As only the customer will be aware of the correct details only they will have the ability to unlock the encrypted message, in effect sign into their account.

Amazon's web servers use the SSL (Secure Sockets Layer) encryption protocol in order to provide this log in process.

Encryption is also used at the checkout within Amazon's website. Credit and debit card details are encrypted. "Amazon use the Netscape Secure Commerce server using SSL (secure socket layer) It stores all credit numbers in separate databases that's not internet accessible, cutting off the entry point for hackers."<sup>13</sup>

### Architecture

Amazon have a very diverse product range available via their website, this range is continuously updated with newly published books the latest CD's etc. As an international company they have a huge number of customers many of whom hold an account with the website. The ability for the company to handle such large sets of data is because it has been designed to operate as a scalable system.

Amazon started out as a single application that was coded in C++ but as the company grew and the services and products available through their website increased the technical design developed. The huge size of Amazon has made making the system scalable a challenging and difficult process. The information handled by the company was assigned to a number of databases however even these databases became oversized and difficult to manage. The company now use separate servers that are designed to aggregate information from the many different applications Amazon's website maintain. There is an application server assigned to the web interface, an application server assigned to the seller interface and so on. The division of information as enabled Amazon to manage their high level of web activity.

Amazon is designed to provide pages for customers with content relative to their specific interest and requirements. This has been enabled by the way in which the information in Amazon's product pages is constructed. When a user of the website types in a search field or visits their home page Amazon has an application that sends a large number of service requests. Over 100 services are called upon to collect data and construct the page. This allows pages to contain information personalised for each user.

The company's technical infrastructure works on a Linux operating platform. The use of Linux has meant the company to create a cost effective technology infrastructure that supports their web-

based activities, both front and back end. Amazon migrated to Linux platform, as it was considerably cheaper in terms of software and hardware than other operating systems.

Amazon's years of experience in e-commerce have led them to develop a technical infrastructure that works seamlessly and allows them to operate on such a large scale. The website offers a reliable and secure service which is supported by the programming of the website's back end which ensures the safe and efficient management of information.

## 6

## Strengths &amp; Weaknesses of the Design &amp; Business Model

To any user of Amazon, their approach to filling their homepage with lines of information and images may seem perfectly normal; however that same page may seem overwhelming and unable for someone else to interact with, but with all this Amazon have undoubtedly come so far from their original web design (refer to figure 4). The business model on the other hand is exactly at the point where it needs to be, having covered or currently covering the majority of the functions of the business model life cycle; making Amazon the success that it is today.

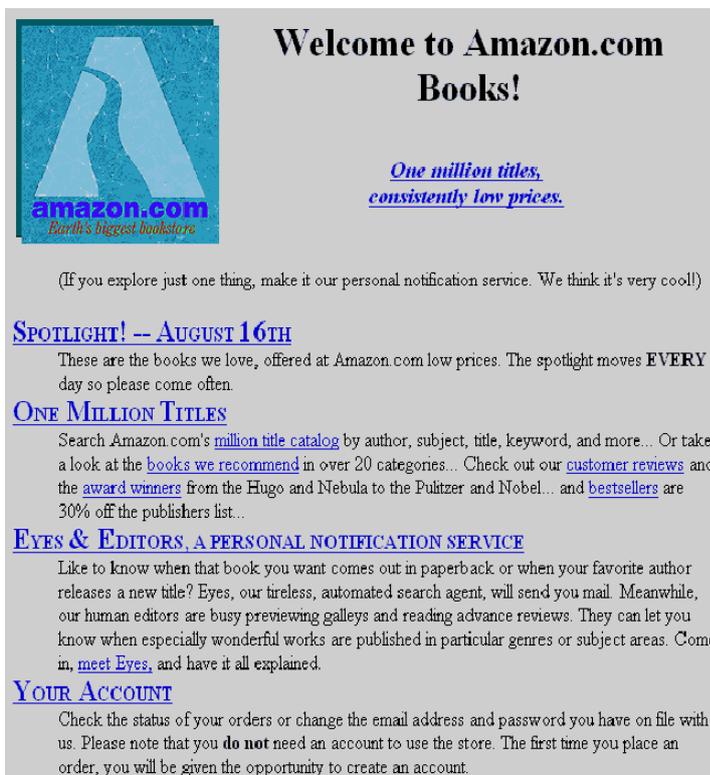


Figure 4: Amazons Original Website

### Amazon's Website Design

As soon as someone logs onto the Amazon website, they are immediately bombarded with huge amounts of information; so much information that the page scrolls down significantly. This is one of Amazon's weaknesses, cluttering their pages with overwhelming amounts of information. Despite this, the page design works for most users, most being long term-customers. Amazon also manage to integrate their website with other system such as stock control e.g. "Only 2 left in stock". Another plus of this design is the download speed of the home page being very quick.

Using shades of orange to highlight "important" sections on their website, Amazon instantaneously draw the consumer into these areas of their site. With the use of a bulleting system to separate the product lists, the page can easily be scanned by the user. In addition to this, Amazon skilfully reiterates the genres of items it offers on the top navigation as well as the left hand navigation, with most people reading a webpage from left to right. This is one of Amazon's key strengths in its design, as users accessing the page are primarily there to browse their product range.

With the use of their own search engine, Amazon are able to offer customers a simple way of navigating through their website, clearly identified at the top of each page. Offering a third navigation at the top of the page, users are able to access the help section leading to a list of frequently asked questions, their account and their basket quickly and easily. Links within the pages are tactically placed leading customers to other sections within the Amazon website.

Amazon smartly place any promotions they wish to advertise in the centre of the page, clearly attracting consumers to these areas; associated with images that can be clearly identified. The login feature of Amazon is also very simple, with registered customers being able to login, and unregistered customers given a clear link of where to go if they are not. Amazon has developed their own technology, in which they are able to offer product recommendations to customers, and create their own 'My Amazon' account.

One of Amazon's key design weaknesses is its advertising, with some areas of the website being consumed by adverts and banners, in some instances linking customers to external sites. Though a useful search engine, at times browsing on Amazon may be frustrating for consumers, finding it difficult to identify the best offerings of the same type of product range e.g. a Casio Touch screen camera. As well as this there is no integration across the Amazon sites to indicate that an item may be available in another country.

### Amazon's Business Model

Initially with what began as a pure-play business model, Amazon now operates a retail-business model, offering books, electronics, toys, live bidding sites and more; one of Amazon's key strengths. One of Amazon's biggest strengths includes the network of actual retail space, allowing customers to have the same experience that they were if they were in an actual bookstore for example.

Consumers are able to return and exchange items that they are unhappy with, with access to a massive selection of items online. Another key strength of Amazon's business model is the large network of servers it has around the world. This in turn has a positive effect on Amazon delivery service, being able to access a wider consumer base. Efficient delivery and distributing system to services its entire customer is a key point in the Amazon business model. With the target market for online retail being extensively huge, Amazon is able to offer lower based prices and challenge competitors with their prices, with improved delivery services. Amazon's business-to-consumer approach has allowed for a vast selection of goods, adding to the list of strengths of Amazon's business model.

In addition to this, their retail business model has a negative operating flow cycle, meaning Amazon are able to be paid, before having to pay their supply chain which includes bookstores, publishers and media houses. The advantages of Amazon's business-to-consumer customisation concepts influence the business-to-business relationships. Amazon is able to maintain maximum customer satisfaction because of the agreements that they have with their suppliers such as the local delivery service. Marketing, innovative inventory and distribution are other strengths of the Amazon business model; allowing for new business concepts such as the recommendations service, business oriented policies and regulations such as their own payment service. Amazon's business-to-consumer approach allows them to keep track of their customer preferences and realise mass customisation and in return deal with their customers more efficiently with customers of any profile.

Amazon operates in a retail business model that experiences quick cyclical growth; having a direct effect on Amazon, having experienced decline in sales. With competitors entering the market, customers are turning to other companies offering competitive prices. However, this weakness is something Amazon has tried to combat, improving its customer relationships by offering diversification in the products that it offers online.



## Customer Satisfaction Analysis

From the results of the survey carried out, it is unquestionable that Amazon.com is highly customer orientated, reliable and informative, with nearly 70% of the people interviewed agreeing that Amazon.com are very customer focused. However despite this, it is evident from the survey that because Amazon are so customer focused they have overcompensated for this factor by trying to cramp masses of information onto their pages; with 25% of the people highlighting that it is hard to locate items on their site and in addition to this more than 50% of people finding the site poorly designed due to heavy advertising. For the other 50% of people interviewed, it had been highlighted that these people were regular users of Amazon and the overwhelming amounts of information presented to them appeared normal.

Despite these drawbacks, Amazon.com do manage to make up for these areas providing a somewhat fantastic after sales services with over half of the people finding Amazon's after sales service satisfying and the product range available overall, very good. Amazon.com take pride in providing a great after sales service, made evident in their business model. With the 17 people who had commented "neither" on Amazon's after sales service, this was due to the fact that they did not need to contact/communicate with Amazon on receiving their product; and for the 7% that had commented "unsatisfied", again they had highlighted that these were regarding purchases from sellers of Amazon's zshops, and not directly purchases made from Amazon.

As highlighted in their business model, Amazon have continuously branched out to other areas of selling such as introducing 'Baby' products. This product diversification is clearly supported by Amazon customers identified in the survey carried out; with nearly 50% of the people finding the product range offered by Amazon excellent, in which Amazon.com undoubtedly live up to their coined phrase "Earth's biggest selection".

In addition to this it is clear that the development of Amazon's own payment system has been favoured admirably, with 21 people out of the 40 stating they relate the aspect "Secure" to Amazon; and when making purchases finding the transactions to be highly secure or extremely safe and secure. Amazon's technology innovation is clearly a winner, with their product recommendation service being highly favoured with 50% of people finding the product recommendation service very accurate. People highlighted that the inaccuracy of product recommendations were due to the browsing of products which may have been for other family members or friends for presents etc.

One of Amazon's key strengths of its business model was its distribution systems through investments on warehouses and improved delivery to their consumers. This strength was clearly made evident in the survey carried out, with 75% of people waiting around 10 days or less for the delivery of an item. Again, interviewees had highlighted that with some of the purchases, these had been made from sellers of zshops; and in many cases were items from abroad of internationally registered Amazon sellers.

Taking pride in its delivery system, after sales service, product range and customer relationships have consistently enabled Amazon.com to grow. All these factors make it remain evident that Amazon is at the top of its game and will continue to do so through heavy investments and improved customer relationships.



## Conclusion

In all of the 18 years that Amazon.com have been around, they have managed to remain on top of the online retail business, notwithstanding threats of other companies trying to enter the same market.

Amazon's key successes lie in the purchasing and sourcing of products, their distribution systems and their customer relationships. With investments in their warehouses of areas which are in high demand by consumers, Amazon is able to deliver an efficient and effective delivery and distribution service to all of its consumers. Amazon's primary value chain includes purchasing, marketing, distribution and after-sales service which include returns and exchanges from customers who are unhappy with their purchases.

However, Amazon operates in a business which experiences quick cyclic growth. One proposal for this would be for Amazon to consistently improve their customer relationships and continuing investing in their distribution systems. A negative identified during this project was the lack of integration between the Amazon servers across the globe. This could possibly be improved by integrating the servers across the globe to allow customers to identify if an item was available to purchase in another country.

It was clear from the project that the overall presentation of Amazon's website appeared overwhelming to new users of Amazon. Although presenting information to the consumer is vital for Amazon, this could be tackled by reducing the amount of information stored on a page. An alternative would be for Amazon to provide links which take the consumer to internal pages within Amazon that would detail this information, if a consumer did want to view this information.

Amazon has had continued success and maintains a good competitive advantage over other e-commerce companies. The technical design, business model and value chain are all contributing factors to the companies success. Porters 5 forces model helps to take a look at the companies strategy and summarise why Amazon are recognised as a leader in the industry of e-commerce. As the company operate on such a large scale the threat of new entrants is less significant. As a new entrant a company will need time to build up customer loyalty something, which Amazon can use as advantage over new start-ups. The level of technology and expertise that the company have gained over the years creates an edge for them in comparison to new entrants.

Substitutes for customers that would be used in place of Amazon.com are high street shops such as a physical bookstore where customers can purchase goods also available on Amazon. The advantage that Amazon has over these is the level of efficiency that shopping on the Internet can provide. Tied in with their ease of use and quick and reliable delivery, Amazon who can offer a diverse range of products has a lot of appeal when compared to their substitutes.

The direct competition for Amazon would be e-commerce sites working on a large scale, such as Play.com However due to Amazons extremely large size direct competitors can be considered as a small to medium threat. Amazon has a large share of the market and therefore has a stronghold over direct competition.

The Porters Model has shown evidence that Amazon has a lower level of threat and this is why they are able to have such a stronghold over their market. The company's innovative delivery of their services and drive to offer 'everything' to customers will generate a continued success.

# 9 Appendix

## Summary For Question 1 ↑

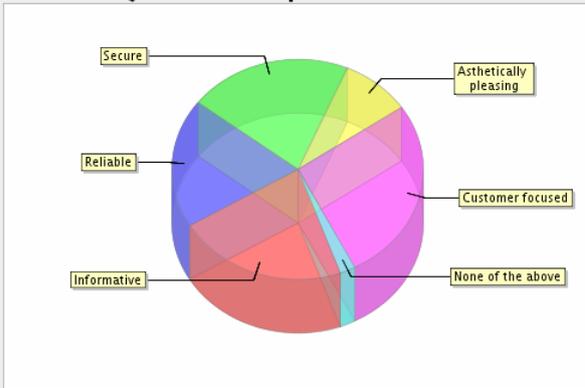
Question was a *multiple choice* question.

Text: Which of the following aspects would you associate with Amazon?

Number of responses to the question: 43

**CORE Satisfaction:** 0.0

### Question 1 - Option Breakdown



## Option Selection Breakdown

Index	Text	Value	Count
1	Informative	5.0	22
2	Reliable	5.0	19
3	Secure	5.0	21
4	Asthetically pleasing	5.0	9
5	Customer focused	5.0	27
0	None of the above	0	2

## Summary For Question 2 ↑

Question was an *exclusive multiple choice* question.

Text: How easy do you think it is to search and locate items on the Amazon website?

Number of responses to the question: 43

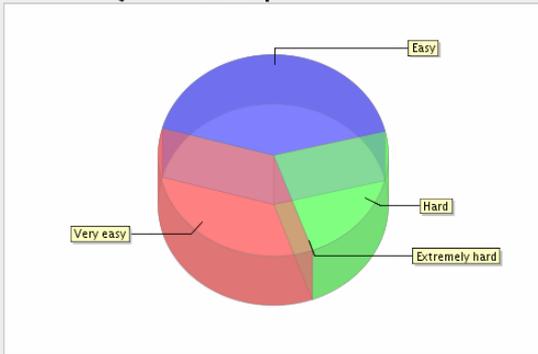
**Mean:** 0.0

**Median:** 0.0

**Mode:** 0.0

**Standard Deviation:** 0.0

### Question 2 - Option Breakdown



## Option Selection Breakdown

Index	Text	Value	Count
1	Very easy	0.0	15
2	Easy	0.0	18
3	Hard	0.0	10
4	Extremely hard	0.0	0

**Summary For Question 3**

Question was an *exclusive multiple choice* question.

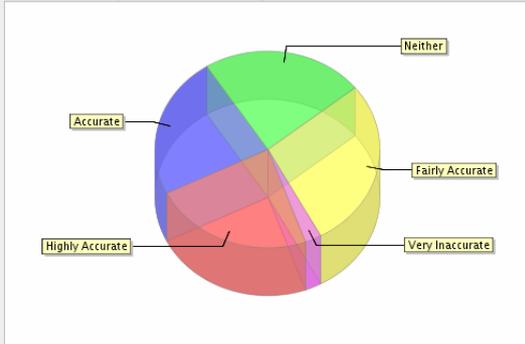
Text: How would you rate the product recommendation service provided by Amazon?

Number of responses to the question: 43

**Mean:** 3.372  
**Median:** 3.0  
**Mode:** 2.0  
**Standard Deviation:** 1.181

**CORE Satisfaction:** 0.654

**Question 3 - Option Breakdown**



**Option Selection Breakdown**

Index	Text	Value	Count
1	Highly Accurate	5.0	10
2	Accurate	4.0	10
3	Neither	3.0	10
4	Fairly Accurate	2.0	12
5	Very Inaccurate	1.0	1

**Summary For Question 4**

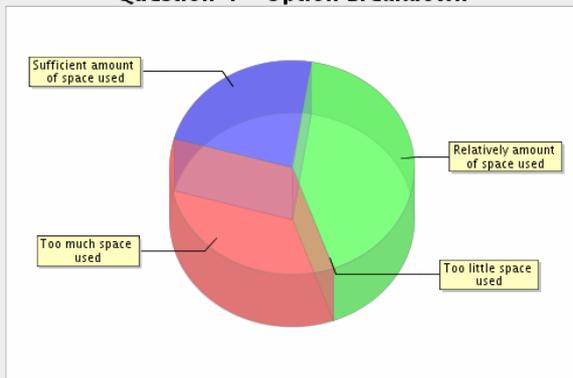
Question was an *exclusive multiple choice* question.

Text: How would you rate the amount of space used for advertising?

Number of responses to the question: 43

**Mean:** 0.0  
**Median:** 0.0  
**Mode:** 0.0  
**Standard Deviation:** 0.0

**Question 4 - Option Breakdown**



**Option Selection Breakdown**

Index	Text	Value	Count
1	Too much space used	0.0	15
2	Sufficient amount of space used	0.0	10
3	Relatively amount of space used	0.0	18
4	Too little space used	0.0	0

Summary For Question 5

Question was an *exclusive multiple choice* question.

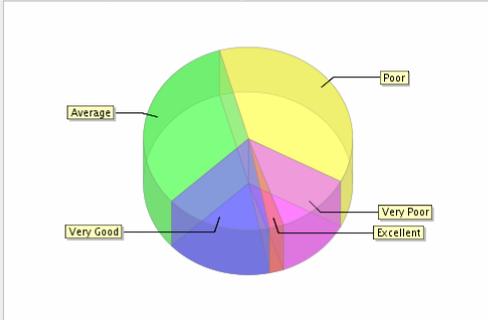
Text: Considering the design of the Amazon website, how would you rate the overall design?

Number of responses to the question: 43

Mean: 2.604  
 Median: 3.0  
 Mode: 2.0  
 Standard Deviation: 0.967

CORE Satisfaction: 0.475

Question 5 - Option Breakdown



Option Selection Breakdown

Index	Text	Value	Count
1	Excellent	5.0	1
2	Very Good	4.0	7
3	Average	3.0	14
4	Poor	2.0	16
5	Very Poor	1.0	5

Summary For Question 6

Question was an *exclusive multiple choice* question.

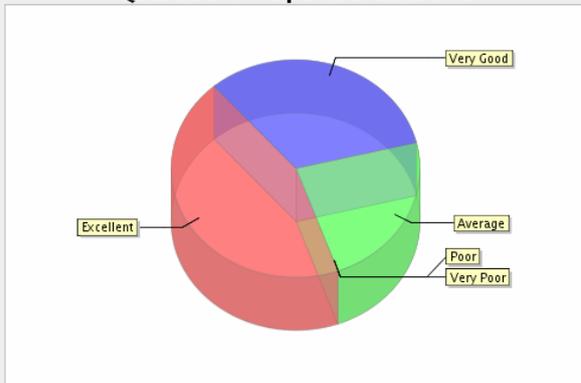
Text: How would you rate the product range provided by Amazon?

Number of responses to the question: 43

Mean: 8.418  
 Median: 8.0  
 Mode: 10.0  
 Standard Deviation: 1.588

CORE Satisfaction: 0.814

Question 6 - Option Breakdown



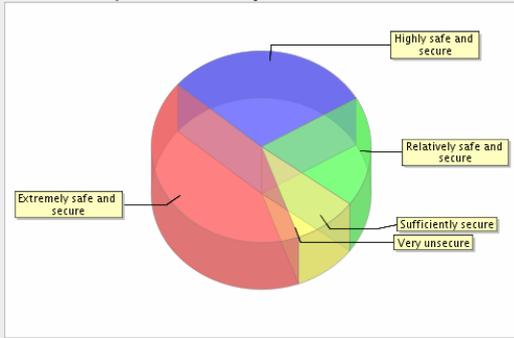
Option Selection Breakdown

Index	Text	Value	Count
1	Excellent	10.0	19
2	Very Good	8.0	14
3	Average	6.0	10
4	Poor	4.0	0
5	Very Poor	2.0	0

**Summary For Question 7**

Question was an *exclusive multiple choice* question.  
 Text: How safe and secure do you feel your persoanl information and transactions are with Amazon?  
 Number of responses to the question: 43  
**Mean:** 4.046  
**Median:** 4.0  
**Mode:** 5.0  
**Standard Deviation:** 0.987  
**CORE Satisfaction:** 0.791

**Question 7 - Option Breakdown**



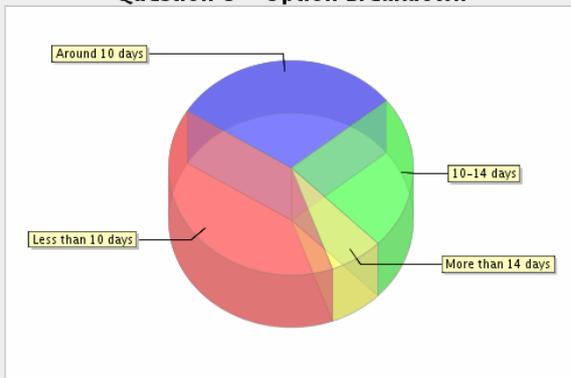
**Option Selection Breakdown**

Index	Text	Value	Count
1	Extremely safe and secure	5.0	18
2	Highly safe and secure	4.0	13
3	Relatively safe and secure	3.0	8
4	Sufficiently secure	2.0	4
5	Very unsecure	1.0	0

**Summary For Question 8**

Question was an *exclusive multiple choice* question.  
 Text: How long on average have you had to wait for an item to be delivered by Amazon?  
 Number of responses to the question: 43  
**Mean:** 0.0  
**Median:** 0.0  
**Mode:** 0.0  
**Standard Deviation:** 0.0  
**CORE Satisfaction:** 1.0

**Question 8 - Option Breakdown**



**Option Selection Breakdown**

Index	Text	Value	Count
1	Less than 10 days	0.0	17
2	Around 10 days	0.0	13
3	10-14 days	0.0	10
4	More than 14 days	0.0	3

**Summary For Question 9**

Question was an *exclusive multiple choice* question.

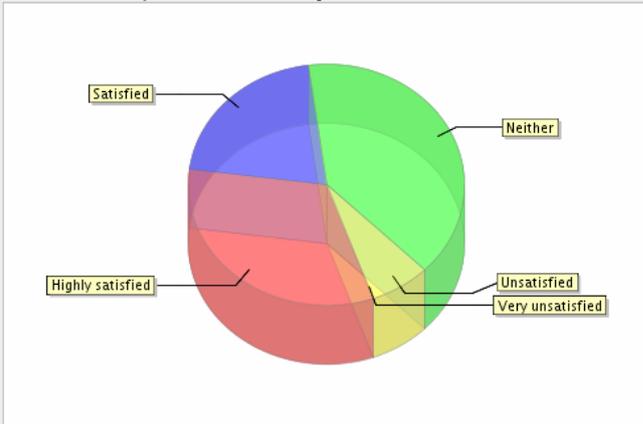
Text: How satisfied were you with Amazon's after sales service?

Number of responses to the question: 43

**Mean:** 7.581  
**Median:** 8.0  
**Mode:** 6.0  
**Standard Deviation:** 1.955

**CORE Satisfaction:** 1.0

**Question 9 - Option Breakdown**



**Option Selection Breakdown**

Index	Text	Value	Count
1	Highly satisfied	10.0	14
2	Satisfied	8.0	9
3	Neither	6.0	17
4	Unsatisfied	4.0	3
5	Very unsatisfied	2.0	0

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