

# Amazons Global Market Strategy - Key Sustainability Tool

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**Abstract:** *Global exposure is one of the key qualifying signs of maturity in the online platform. Amazon.com has become a behemoth in the online industry with selling every little thing on the planet through their website and other services. However, there have been verticals of businesses that Amazon has been testing from time to time and innovating diverse business models to embark on the sustainable competitive advantage. This paper emphasizes on Amazon's global expansion strategies vibrant ecosystem of global trade. Paper reveals how Amazon's business sets a classic example in this dynamic online environment catering to web services, fulfillment and warehousing centers logistical hurdles, prime subscriptions and many more.*

**Keywords:** *Amazon.com, Global, Strategies*

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## I. INTRODUCTION

Amazon.com was founded by Jeff Bezos in 1994 (earlier known as CadabraIncl). The company began as an online bookstore. It specializes in books and music, and it also sells products from a wide variety of categories including electronics, toys, apparel, auto, industrial, grocery, sports, and outdoors. In addition to its consumer goods, Amazon.com also provides access to technology infrastructure that developers can use to enable virtually any type of business (Yahoo). Amazon.com's "Vision is to be Earth's most customer-centric company to build a place where people can come to find and discover anything they might want to buy online" (Amazon.com Inc.). Amazon.com's brand equity stems from the fast, reliable and trustworthy service its customers receive.

Little did it had success in the beginning, however, the advent of 21st century reaped new ventures, investments, mergers, and acquisitions etc for Amazon and thus becoming a full-fledged e-commerce store offering millions of products through their platform. Wigand states that "Electronic commerce denotes the seamless application of information and communication technology from its point of origin to its endpoint along the entire value chain of business processes conducted electronically and designed to enable the accomplishment of a business goal. These processes may be partial or complete and may encompass business-to-business as well as business to consumer and consumer-to-business transactions" (Wigand,1997). This is exactly Amazon has been doing over the years. It has built world-class infrastructure with compelling customer service, powered by wave after wave of innovations such as artificial intelligence, IoT (Internet of Things), drones and voice-activated home devices. It has also spawned other profitable lines like its cloud business and is expanding into logistics and ocean freight.

## II. REVIEW OF LITERATURE

**Javad K. (2004)** has written a case on Amazon.com in its early 2003. It explains Amazons journey from the beginning as an online bookstore to become one of the largest e-commerce online platforms. Key elements of Amazon's business strategy were mainly convenience, availability, price, information, brand recognition, personalized services, customer service, reliability, the speed of delivery, etc. In order to have better control over its inventory Amazon embarked upon owing its own warehouses and distribution centers. Paper also focuses on Amazon's generic business strategy on not focusing on profits but building revenue and market share at all costs, persuading customers via discounts, giveaways, promotions, and heavy advertising. It explains the porters five forces model approach for Amazon.com

**Sameer et al (2012)** in their paper "Clash of the e-commerce titans: A new paradigm for consumer purchase process improvement" discuss the business models of pure e-tailers and clicks-and-mortars citing specific cases of Amazon.com and Walmart respectively. The paper finds that both companies serve their customers effectively through their efficient supply chains, however, due to the infancy of e-commerce, both the business models still face vital challenges. While both have different supply chain models, strengths, and weaknesses, they both face the same opportunities and threats as the E-commerce industry continues to grow rapidly. Analyzing both e-tailers and clicks-and-mortars allows one to understand how lessons from one entity can be applied to the other in order to bring even more efficiencies to both e-tailers' and clicks-and-mortars' supply chains

**Yananji et al (2016)** have written a research paper on Cooperation strategies for e-commerce platforms with seller classification. They classify the sellers in the market into two types i.e., the individual sellers against the professional sellers. The authors examine how the interaction between the two types of sellers affects the platform's cooperation and pricing decisions. Citing Amazon.com which is one of the largest e-commerce platforms adopts different pricing strategy for sellers by charging a subscription fee from the professional sellers, provides them with more technique supports and has a higher requirement on the quality of products they sell. However, it introduces the individual sellers to join its platform without a subscription fee, whereas it provides them with fewer technique supports and has a lower requirement on the quality of their products. Paper finds that it is beneficial for the platform to choose mode II (presence of both types of sellers) when the platform attractiveness for the professional sellers is high enough.

**Andreaa et al (2012)** in their titled "E-Commerce across the United States of America: Amazon.com" discusses about challenges and opportunities of Amazon.com faced in the USA. This article throws light on the evolution of Amazon.com from a PESTEL, Porter's five forces, a competitor analyzes point of view, also an internal analysis and a SWOT analysis. Paper suggests business opportunities for e-commerce companies in the developing countries like that of BRIC nations.

**Rosenbloom (2010)** in his paper has emphasized on Six Classic Distribution Paradigms for Global Marketing Channel Strategy. It examines several classic marketing channel paradigms from the distribution channels literature in terms of the implications they offer for enhancing global channel management

**Nekutova et al (2017)** in their article talk about Warehouse Location Problem as a strategic and Operative Logistic Decision. Logistics plays an extremely important role in all production and non-production processes in almost every business company. Logistics is a key part of the strategy of each company and none of today's evolving market opportunities may not be used if the supply chain (or logistics) will not work effectively. And effective management of global logistics is certainly not inconsiderable step in the process to the target of each company, which is undoubtedly the maximum profit

### III. AMAZON'S GLOBAL STRATEGIES

Amazon's business has been a successful model in the e-commerce industry. It is catering over several countries across the globe past two decades. It has encountered several challenges like that of borderless economies, building trust and brand, personalization and ease of use and technology. However foreseeing opportunities and trying to build its market share over a period it has adopted several strategies globally for its sustenance

The e-commerce giant Amazon launched **Prime in Mexico** in March, providing free one-day shipping in four of the largest cities in the country, and free two-day shipping to the rest. Amazon Prime is reaching **saturation in the United States**, as approximately 65% of US households have Prime memberships, according to Business Insider Intelligence estimates based on data from CIRP and the US Census Bureau. Although there is still room for Amazon to expand Prime in its domestic market, growth is likely to slow significantly as more of the population joins the membership program. In contrast, Amazon has only recently made headway internationally, so there is huge potential to expand Prime in other markets. Users get the benefit of one-day delivery, no rush delivery, delivery updates, etc

Benefits of owing Prime service

**Acquisitions in Middle east** – Amazon in the middle east plans to acquire a major e-commerce player namely, [www.souq.com](http://www.souq.com). Key strength on which it claims is its shipping expertise and its strong presence in diverse regions of Middle East. This would in turn give Amazon a strong competitive advantage and can accelerate its business operations faster rather than starting from the scratch.

**Amazon sees its Fulfillment by Amazon (FBA)** service as a major component to its success in foreign markets. The company has seen strong global growth in its fulfillment service especially for sellers - 40% year on year in 2016 - indicating that FBA may be a critical advantage to draw sellers to its marketplace. This may be especially true in countries with less-developed infrastructure, such as India and Mexico. In India it is competing against Flipkart and Snapdeal who also embark on warehousing and logistical services.

However, Amazon has created one of the most advanced fulfillment networks in the world. Here a seller could avail services like storage of products in Amazon's fulfillment centers, sort, pack, collect, deliver, customer support and accomplish the product returns. FBA is one its unique service offered to sellers who wish to display their products onto the amazon platform. It helps increase seller's online sale by giving access to Amazon's world-class fulfillment resources. When a seller joins FBA, offers become more visible and more competitive, products become eligible for One Day Delivery, Free Delivery options which enables the seller an access to millions of Amazons loyal customers.

It also gives an opportunity to compete for the Buy Box which appears with the "Add to Cart" option when customers click on a product they wish to buy. In a recent Amazon survey done in 2014 among FBA Sellers in India, 86% reported enjoying a sales increase after they started using FBA (**Make money, grow fast and delight customers, 2018**).

**Amazon Video** - is an internet video on demand services offered by Amazon. It include4s television shows, access to latest Bollywood and Hollywood movies, etc on rent or purchase. In India it is offered as a complimentary if one subscribes for Amazon Prime.

Country	Description of Amazon Video service
United States	Here users can avail services of Prime Video through a video-only membership. This avoids the users from enrolling it to a full Prime service subscription unlike some other countries wherein offers are bundled and mentioned as complimentary services
France and Italy	Here users are given the access to services of amazon like prime video only through a dedicated website and not through the official website of amazon
United States& UK	Amazon Video additionally offers Amazon Channels, which allows viewers to subscribe to other network's original content, including HBO in the United States
UK, Germany, Austria	Prime Video has been available on a monthly subscription of £5.99 or € 7.99 per month
Norway, Denmark, Sweden	Services to these was previously available however it has been discontinued since 2013
US	Amazon split Prime Video from Amazon Prime in the US for \$ 8.99 per month in 2016
Worldwide (except for Mainland China, Iran, North Korea, Syria)	Amazon Video launched worldwide expanding its reach beyond US, UK, Germany, Austria, and Japan except for Mainland China, Iran, North Korea, Syria
Belgium, Canada, France, India, Italy andSpain	Prime Video is automatically available at no additional cost to Amazon Prime members

Source: Compiled through <https://www.businesswire.com/news/home/20161214005486/en/>

Amazon's marketplace in **India** is one of the fastest-growing in the country. It's one of the most visited sites, and its app engagement - a key metric as mobile devices are the primary channel for online purchasing in India - grew 46% YoY in Q1. Amazon expanded its fulfillment capacity in India by 26% during the quarter, and its product offerings are up 75% since its launch in August 2016. Amazon global retail revenue has been growing at rapid pace since 2012 until Q1 2017



Source: <http://www.businessinsider.com/amazons-earnings-point-to-international-expansion-2017-5?IR=T>

**Amazon Web Services (AWS)** In 2006, Amazon Web Services (AWS) began offering IT infrastructure services to businesses in the form of web services -- now commonly known as cloud computing. One of the key benefits of cloud computing is the opportunity to replace up-front capital infrastructure expenses with low variable costs that scale with your business. With the Cloud, businesses no longer need to plan for and procure servers and other IT infrastructure weeks or months in advance. Instead, they can instantly spin up hundreds or thousands of servers in minutes and deliver results faster.

AWS provides a highly reliable, scalable, low-cost infrastructure platform in the cloud that powers hundreds of thousands of businesses in 190 countries around the world. With data center locations in the U.S, Europe, Brazil, Singapore, Japan and Australia, customers across all industries are taking advantage of the

benefits of Low Cost, Instant Elasticity, flexibility to launch your application regardless of your use case or industry, Secure.

Amazon markets AWS to subscribers as a way of obtaining large scale computing capacity more quickly and cheaply than building an actual physical server farm. AWS comprised more than 90 services spanning a wide range including computing, storage, networking and tools for Internet of Things (IOT)

**Global Presence** Amazon has made a strong foot presence in various countries throughout the globe. It has been expanding its operations catering to diversified needs and wants coming from different regions like that of in Asia, South East Asia, Europe, North America and South America. This gives Amazon a wide global exposure, and deliver quality services. Following table indicate the Amazons presence in global foot print

Region	Sovereignty	Domain name	Operating Since
Asia	 China	amazon.cn	September 2004
	 India	amazon.in	June 2013
	 Japan	amazon.co.jp	November 2000
South East Asia	 Singapore	amazon.com.sg	July 2017
Europe	 France	amazon.fr	August 2000
	 Germany	amazon.de	October 1998
	 Italy	amazon.it	November 2010
	 Netherlands	amazon.nl	November 2014
	 Spain	amazon.es	September 2011
	 United Kingdom	amazon.co.uk	October 1998
North America	 Canada	amazon.ca	June 2002
	 Mexico	amazon.com.mx	August 2013
	 United States	amazon.com	July 1995
Oceania	 Australia	amazon.com.au	November 2013
South America	 Brazil	amazon.com.br	December 2012

Source: [https://en.wikipedia.org/wiki/Amazon\\_\(company\)#Website](https://en.wikipedia.org/wiki/Amazon_(company)#Website)

**Distribution and fulfillment centers** - Logistics plays an extremely important role in all production and non-production processes in almost every business company. We can say that the Amazon.com because of its quality strategy, currently sets the trends in the global logistics. The main aspect of its logistic strategy is distribution network optimization based on customer requirements. The existing strategy for the location of distribution centers in North America has not reflected the model of optimal distribution network in terms of satisfying customers by geographical location. Until recently was the decision to locate a distribution center realized by minimizing distances to customers in concentrated areas, with an emphasis on preferred tax burden in the region

Fulfillment centers are small sorting centers that house smaller items than moving all moving together to a particular location. In 1997, Amazon launched its distribution network with two fulfillment centers in Seattle and Delaware and has been rapidly expanding across different countries viz., Canada, Mexico, Brazil, China, Singapore, India, Japan, Australia, etc. Amazon's fulfillment network has been growing at an incredible pace around the world since 2005 and it operating seamlessly

**Focus on building market share** – Amazons efforts in last two decades has solely been only to build market share. This statistic presents the e-commerce market share of leading e-retailers worldwide in 2016. In 2016, Amazon accounted for 16 percent of global e-commerce GMV, while Alibaba's Tmall.com ranked third with 11 percent revenue share (2017). Majority's of the company's revenue generating engines are through their AWS, subscription services and third party seller revenues. Amazon reported more than 310 million active customer accounts worldwide in 2016. Due to Amazon's global scope and reach, it is also considered one of the most valuable brands worldwide. (Statistics and Facts about Amazon, n.d.)

The global ecommerce market is in a state of both expansion and consolidation. More consumers than ever before are buying digitally, and worldwide retail ecommerce sales are rising. At the same time, major international players like Amazon and Alibaba are widening their reach by buying up smaller local platforms, especially in burgeoning ecommerce markets to mark their presence.

**Review system** - Amazon is the largest Internet-based retailer by total sales in the world. One of its website most appreciated feature is the review system which gives the users the possibility to rate the products and make comments. Reviewers rate the product on a rating scale from one to five stars indicating whether they found a review helpful to them. In 2010, Amazon was reported as being the largest single source of Internet consumer reviews. A concept especially in India that gained lots of prominence as buyer could be converted into an actual prospect based on customer review.

**Amazon Global** - Amazon Global provides access to customers to buy anything thing throughout the globe. From International brands to imported products on Amazon, there are over30 million products available to ship to over 100 countries. Customers are allowed to make payment in their national currency and source from the

destination country for shipping its products. Various other services provided are personalized recommendations, estimated import fees, choosing the shipping speed, and shipment tracking

#### IV. CONCLUSION

Amazon.com has undoubtedly been able to cater to different markets in different conditions. It has been rapidly being expanding its operations across the globe while giving access to infrastructure, technology, etc. Various strategies have been adopted by Amazon for its sustainability and competing hard in some countries like China and India. Its business model of online marketplace has had great success in rest of Asia, Europe, North and South America. It has truly been aligning with its Vision and Mission statement of being the earth's most customer-centric company, to build a place where people can come to find and discover anything they might want to buy online.

There are lot of business opportunities in the developing countries. For instance, the East and Centre European countries joined or are about to join the European Union or the BRIC countries - Brazil, Russia, India, China, which are considered as the fastest growing market, and Amazon.com should enter or invest heavily into these countries. Amazons' strong logistic alliance ensures that the company can deliver its products fast and safe to the new customers. It has also been testing the delivery via drone and many more to come.

Amazon has proved to be the main pioneer of the global economy. As a global e-commerce player, it has changed the process of the global business, increasing the logistic efficiency and facilitating the acquisition, the sale and the promotion of goods, etc. In a similar way, e-commerce helped millions of consumers through decreased prices, high competition, orders and fast shipping. Big and small companies from multiple industries depend on ecommerce applications in order to survive and to compete in local, national and global economies. Amazon has been adapting the changes evitable in this dynamic environment from web services, fulfillment and warehousing centers to logistical hurdles, prime video and many more etc. From just the go-to website for books, electronics and cookware, Amazon is now one of the world's largest and most powerful technology companies with software, devices and communications systems across the consumer and business landscape

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