

Amazon.com Case Study Analysis

# Amazon.com—Keeping the Fire Hot

Amazon.com has gained the No. 1 spot as the world’s largest Internet retailer. But, never content to rest on past laurels, CEO Jeff Bezos keeps introducing and upgrading Amazon products and services.

It’s hard to keep pace with new versions of the Amazon Kindle Fire, Prime Instant Video TV, and movie content streamed on demand. There’s a variety of cloud computer services. And, Bezos keeps increasing investments in new distribution centers staffed increasingly by robots. It’s all part of a push to make Amazon the go-to choice for fast—even same-day—deliveries of as many of the products we consume as possible.

## Decision Making and Innovation

From its modest beginning in Jeff Bezos’s garage in 1995, Amazon.com has grown into the megalithic online retailer. Bezos continues to diversify Amazon’s product offerings and broaden its brand. Beyond simply finding more and more products and services to offer, he knows that he has to innovate in order to prevent his brand from becoming stagnant. No one is ever sure what will come next under Bezos’s guidance. His guiding question is: “What kind of innovation can we layer on top of this that will be meaningful for our customers?”

Amazon’s Kindle almost single handedly launched the ebook revolution. Also, Amazon Prime could be seen as a revolution. Prime members get free two-day shipping and discounted one-day shipping as well as access to Amazon Instant Video, movie, TV and music streaming, and free content. It’s all designed to keep customers plugged into Amazon. Bezos calls Amazon Prime “the best bargain in the history of shopping, and it’s going to keep getting better.”

There’s no shortage of competition. Amazon has squared off against Netflix, Apple, and Google in realms of both hardware and digital entertainment. It bought top-shelf audio book vendor Audible.com and later added shoe and clothing merchant Zappos.com. Then came acquisition of Boston-based Kiva Systems. Kiva’s automated guided robots deliver product to workers at pick stations, allowing Amazon increased efficiency (and reduced labor costs) in its worldwide distribution centers.

## Bezos as a Decision Maker

Rather than sticking to just the analytical step-by-step process, Bezos isn’t afraid of informed intuition. He uses creativity, flexibility, and spontaneity when making key decisions. He seems comfortable with abstraction and lack of structure when making decisions and isn’t afraid to fail.

Seeming not to worry about current earnings per share, Bezos keeps investing to make his company stronger and harder to catch. Its millions of square feet of distribution fulfillment space keep growing domestically and around the globe. The firm’s products and services are continuously upgraded and expanded. Drones are ready to fly Amazon deliveries to customers. But will these investments pay off? Is Bezos making the right long-term choices?

Even as Amazon’s stock values fluctuate, Bezos still believes that customer service, not the stock ticker, defines the Amazon experience. “I think one of the things people don’t understand is we can build more shareholder value by lowering product prices than we can by trying to raise margins,” he says. “It’s a more patient approach, but we think it leads to a stronger, healthier company. It also serves customers much, much better.”

## What’s Next?

Amazon.com has quickly—not quietly—grown from a home operation into a global ecommerce giant. By forging alliances to ensure that he has what customers want and making astute purchases, Bezos has made Amazon the go-to brand for online shopping. After its significant investments in new media, services, and distribution, does the company risk losing its original appeal? Will customers continue to flock to Amazon, making it the go-to company for their each and every need?

*Source:* Schermerhorn Jr., J.R., Bachrach, D.G. (2016) Amazon.com—Keeping the Fire Hot”. In *Exploring Management* (Cases for Critical Thinking).

# Case Analysis Questions

**Answer** the following in up to 350 words each.

1. Bezos once said, “Amazon may break even or even lose money on the sale of its devices.” The company expects to recoup the money later through the sale of products, with a further boost from its annual Prime membership fee.

**Explain** how this strategy shows Bezos as a systematic and intuitive thinker.

Click here to enter text.

1. It seems like everyone is streaming these days and there are a growing number of providers. Amazon is a player in the digital entertainment market, but hasn’t taken a clear lead.

**Determine**, based on the strengths of the company, what decisions should be made to ensure that Amazon jumps ahead and becomes the “No. 1” source for digital content streams.

Click here to enter text.

1. Compare the latest initiatives coming out of Amazon with those of the actual or potential competition.

Click here to enter text.

1. Conclude whether or not Bezos is making the right decisions as he guides the firm through today’s many business and management challenges.

Click here to enter text.