

Amazon in the Global Market

Blake A. Garner

Central Michigan University, USA
Garne2ba@cmich.edu, bagarner@zentx.com

Abstract

This paper explores the impact that the e-commerce company Amazon has had on various parts of the world. E-commerce companies are those who conduct business entirely electronically on the internet. The following discusses the plan of action that Amazon and President Jeff Bezos has had to undergo to create successful business models that adapt to different cultures. A business model is the layout for business operations, revenue sources, product planning, and financial outlines. Amazon's success in the United States has created a huge influence on retail. Having the ability to adapt to various cultures and norms worldwide, has allowed Amazon to dive in to new markets and specifically target niche populations. Markets are specific areas where products and services are dealt and managed at a commercial level. Amazon began as a small online retailer and has globalized into a renowned brand. Globalizing occurs when a company expands on an international level and develops a strong influence on a large scale. This paper examines articles from Forbes, Reuters, Harvard Business Review, and more discussing the success and challenges of Amazon on a global scale.

Keywords: e-commerce, business model, retail, markets, globalization

Introduction

The online retail superpower Amazon has not always been the tyrant that it is today. Beginning as an online bookseller in the summer of 1995, it quickly grew into one of the biggest

e-commerce businesses of today. When Jeff Bezos's founded Amazon, his saying was "get big fast," and that is exactly what he managed to do (Editors, 2015). Within a year, Amazon had sent shipments to every state in the United States and to over 40 other countries across the world. Amazon has set the precedent of today's retail buying experience. Beginning with selling solely books, Amazon now sells everything starting with the letter A-Z as their logo insinuates (Editors, 2015). Amazon managed to not only supply everything and anything a consumer could possibly inquire about but, has managed to expand its services through subscription-based mediums and exceptionally good customer service. Bezos began by dominating the online bookstore market and transitioned into running a company who sells everything any type market niche could be in the market for.

Five short years after founding Amazon, Bezos was crowned Time magazine's Person of the Year. Amazon then began to expand even more rapidly. The company reached its first profitable year in 2003 which lead to a huge eruption in the online market (Editors, 2015). Amazon launched the Kindle e-reader, the Kindle Fire tablet, subscription services, original content, specialized marketplaces, and began buying out many other large online retailers. Product lines and services such as Amazon devices including Alexa, Amazon Prime, Pantry, Prime Video, Prime Music, and many more rocketed Amazon in to the next realm (Editors, 2015). By 2015 Amazon and Bezos had beat out Walmart as the largest and most beloved retailer and reached a market value of \$250 billion (Editors, 2015). Amazon's quality and speed has changed the retail world today. Consumers have become accustomed to 2-day Prime shipping, low prices, and a colossal selection causing the online retail world to beat out brick and mortar stores. Amazon has had unbelievable success in the United States and across the world. However, globalization is no easy feat as cultural differences and purchasing behavior changes drastically

has you venture across borders. Amazon has been able to expand but the challenges and strategizing along the way has been no simple task.

The Seven Wonders

Once an online book seller, Amazon has managed to conquer markets globally to become the leading online retailer dominating e-commerce. In only 23 years President Jeff Bezos has molded his company into a well-oiled machine. Amazon's business model has succeeded for a multitude of reasons however, seven key points stand out. The seven wonders of Amazon's success were determined by *Snap Agency* who specialize in data-driven solutions and marketing strategies for e-commerce companies (Seven Reasons, 2018).

Amazon's innovation is the first segment of their great achievements. Bezos and his colleagues are constantly researching and working to create new technologies and methods to bring unique products to the market. Amazon's team is never stagnant and are always striving to provide their consumers with the best up-and-coming technologies and ideas. Becoming prosperous is a huge challenge but retaining consumer loyalty and satisfaction is an even bigger one. Amazon's customer service is an award-winning characteristic of their company. The department's dedication to making the purchasing process seamless is a huge part of creating repeat customers.

Not only are Amazon's products constantly improving and being filled out by expert customer service reps, but their execution and diversification greatly adds to their system. By having created great relationships with vendors, distribution centers, and other services, Amazon can dominate in both price and service. On top of leading the field in competitive pricing and exception service, they also have an array of products from everything starting with the letter A-Z allowing themselves to have something for every customer. Amazon's quality of services, products, and assistance is then harmoniously implemented by flawless user experience on both

mobile and desktop platforms. Consumer's interaction with Amazon's online storefront creates a stress-free shopping experience. Their strong interface pairs up with their attractive content and design which leads to high web traffic and high conversion rates.

Lastly, Amazon's attitude concludes their seven reasons to success. Innovation, customer service, execution, diversification, exceptional user experiences, and design and content are all brought together due to Amazon's "In it to win it" mindset. From the beginning, President Jeff Bezos' attitude, drive, and work ethic led Amazon to being so successful all these years later.

Globalization

As Amazon picked up speed and revenue, it also became a huge influence and quickly globalized. Globalization occurs when a business develops such a strong international influence and begins operating at a global scale (Globalization). Not only does Amazon reach consumers internationally, but they also operate 13 county-specific locations and offer Amazon Prime in 10 of those countries. Amazon Prime is a subscription base service granting 2-day shipping, exclusive deals, and other benefits to its members. Countries that have the opportunity for Amazon Prime include the United States, Spain, Italy, France, Austria, India, United Kingdom, Germany, Canada, and Japan (Enright, 2017). Expanding into the India market is Amazon's newest venture, which took much strategizing and localizing.

Amazon has had to adapt to various cultures and lifestyles internationally as it continues to grow its business. By having the ability to unwrap cultural norms and expectations in a new market has allowed Amazon to expand its business internationally. Cultural recognition was the winning component of the expansion into India, whereas Amazon had to think about their global business model as well as local business etiquette. Amazon has been extremely successful in the United States market but is also rapidly expanding throughout Europe and other nations. Becoming

a globalized brand brings forward much prosperity as well as responsibility. By dominating the e-commerce market, especially in the United States, derives a strong influence toward consumers, other sellers, and other distributors.

The 'Amazon Effect'

Amazon's booming success in the United States is not easily duplicated worldwide. American's have grown accustomed to extremely high-quality service when it comes to traditional retail. Amazon has a massive part of the market as a global online retailer, yet Americans are impacted by the 'Amazon Effect' much more than other consumers in other parts of the world according to *Forbes* (Hartung, 2017). The retail market in the United States is volatile and constantly evolving in both brick and mortar and online sales. This has caused a huge expansion of e-commerce which has become known as the 'Amazon Effect' (Rouse, 2017).

The United States has a abundance of retail space compared to other major retail nations. *Forbes* also states that The United States has 9x the retail space as Italy and 400x the retail space of India adding to the explanation of how Amazon has such a higher impact in the U.S. (Hartung, 2017). Evolving e-commerce, along with dominating retail space, has allowed Amazon to capitalize and grow exponentially in the United States market. Retail is the third largest employer in the United States according to the *Department of Labor*, meanwhile wholesale distribution is the number one employer in the nation (Hartung, 2017). A combination of all these market components has brought Amazon great success among American consumers.

Amazon across Europe

Not only is Amazon the largest ecommerce company in the United States, but it also dominates the playing field throughout Europe. Amazon began its venture in Europe in 1998 when it launched

in the United Kingdom and Germany. It expanded into France in 2000, Italy in 2010, Spain in 2011, The Netherlands in 2014, and many more since (Amazon in Europe, 2018). Amazon has an immense influence in several European countries such as Germany, Sweden, Turkey, Switzerland and the United Kingdom. An essential part of becoming successful and sustaining that success is being able to make strong moves and dive in to new initiatives according to *Ecommerce News* (Amazon in Europe, 2018).

A network consisting of 31 fulfillment centers throughout 7 different countries, has allowed Amazon to have the ability to distribute 1 billion units in 2015 alone. Throughout the continent Amazon has employed over 50,000 people and additional employees during the very busy demand of the holiday season. Amazon has also kept up with its consistency between the United States and Europe by offering Amazon Prime and other member benefits like Prime Music, Amazon Drive, Amazon Video, and Kindle Library (Amazon in Europe, 2018). Amazon Fresh has also proven to be a very popular throughout European cities such as London, Berlin, Potsdam, and Hamburg providing consumers with fresh produce delivered to their homes within 24-48 hours of ordering.

Despite overall success throughout Europe, one nation is in the lead with revenue and market growth. Germany alone has garnered over 14 billion dollars in 2016 and has become the largest market second to the United States (Amazon Germany, 2018). Amazon in its entirety had a 27 percent increase in revenue while the German market by itself grew about 20 percent. Regardless of increasing sales revenue, Amazon in Germany has had several problems come to light during the end of 2018. Problems ranging from workers strike and market exploitation with third-party retailers. Amazon has been named “the ‘gatekeeper’” when dealing with third party sellers in the German market making business hard for others selling on their platform

(Thomasson, 2018). Along with exploitation accusations, Amazon has also been under scrutiny for unfit work conditions in distribution centers across the nation.

Adjusting in India

Amazon has already proven its extremely successful business model in the United States and in parts of Europe. However, while emerging into the Indian market, President Jeff Bezos knew that they would have to make some big changes. Executives recognized that the business model that made them the leading ecommerce company in the U.S. would have to undergo construction if they wanted a shot at being as equally successful in India (Warren, 2017). Prior to Amazon entering the Indian market, India's e-commerce realm was untouched in comparison to western markets. Bezos recognized both positive and negative components regarding the Indian market.

The demographics in India showed that over 65% of the population was under the age of 35, had high disposable income and high cell phone usage and ownership (Warren, 2017). However, demographics also showed that 67% of the population lived in underdeveloped housing in very rural areas. It was also revealed that only 35% of the Indian population had internet access (Warren, 2017). Another difficult area that Amazon officials had to take in to consideration is that cash is still the most dominating form of monetary exchange in comparison to credit and debit cards in the United States market (Warren, 2017). Regardless of these challenges, Amazon took to the drawing board to create a new innovative business model to work around the Indian market characteristics.

Bezos and the rest of his team recognized the difference in the Indian culture from their other markets. After launching the Indian website in 2013, Amazon literally took to the streets to help promote their brand and gain partners with locals. They observed the Indian loyalty and trust

towards their own local suppliers. Initiating a program named Amazon Chai Cart, Amazon sent out mobile tea carts throughout the cities going door to door making connections and partnerships with local business owners (Warren, 2017). These tea carts went door to door teaching about e-commerce and building trust in hopes of gaining alliances to help row the market for their products. The Amazon Chai Cart ended up making connections with more than 10,000 businesses throughout 31 cities (Warren, 2017). Amazon took all their new alliances and helped them get online and work on their e-commerce presence to better provide for their consumers.

The Indian market is developing rapidly in the world of e-commerce and internet usage as the world continues to expand on online and mobile platforms. In the United States, Walmart is Amazon's top competitor in online sales. Walmart has recently gained most of the stakes of the business Flipkart, a large popular Indian online retailer. With rising competition in the Indian market, Amazon has had to raise to the occasion once again. According to *Forbes*, during an interview the Amazon team only talked about the value they are making for their sellers and consumers rather than discussing their rising competitors (Sawheny, 2018). *Forbes* also states that Amazon thinks 'from the customer backwards' which puts it in a prime position in the increasingly competitive e-commerce market in India (Sawheny, 2018).

By focusing on India from a 'glocal' standpoint, thinking globally but acting locally simultaneously, Amazon has been able to gain the high ground with Indian consumers in the e-commerce marketplace (Sawheny, 2018). Amazon has been thinking globally but acting locally by utilizing its extensive logistic proficiency. By leveraging their logistic skills, Amazon has been able to specifically tailor local offerings to each Indian market. Amazon has recognized the diversity in the Indian people and has used this understanding to market with a purpose. Having a 'glocal' business model will allow Amazon to roll into future international markets with more

flexibility and less volatility. Having the ability to understand the importance that each culture and body of consumers hold in each market niche will allow Amazon to continue being successful.

Conclusion

Expanding from an online bookseller in 1995 to a global e-commerce goliath in 2018, Amazon has set the standard for quality, variety, service, and accessibility for the retail world both online and brick and mortar. From the beginning, President Jeff Bezos had the mind set 'in it to win it'. He led his team to be both innovative and risk adverse, diving into international markets and expanding the business model. From the United States, to countries all throughout Europe, to India, and beyond Amazon has found itself to be successful in an array of marketplaces. From an early age Amazon uncovered the need consumers have for well-designed platforms and intuitive marketing tactics allowing them to tap into different cultures internationally.

Amazon's success throughout Europe and India affirmed their flexibility and willingness to try new business models. Their success by thinking 'glocally' will greatly impact Amazon's presence in future markets in other parts of the world. Amazon has successfully influenced the retail world, especially in the United States, raising the bar for all other companies, buyers and sellers, and consumers. The world of retail has been completely reinvented shifting predominately to the e-commerce world, all due the success and innovation that Jeff Bezos' and Amazon team have created.

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