

# Online Grocery Business Strategy (GBS) – A case study on “Everything Store” the Amazon

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## I. INTRODUCTION

For the last 6th months most of the nations' across the world have been surviving under a pandemic situation due to Covid 19. Today (18th July 2020) we have read news published by the 'Financial Times' prospering in the pandemic: the top 100, Amazon is one among them. The company anticipates it could spend US\$401.1bn its logistic services during a pandemic situation.

As globe leaders ordered their people indoors, the company became the emergency port of call for those worried to stock up on vital family products — a rush that led the Amazon for the time being shut its warehouses to “non-essential” goods. More focused on supply or sale of the grocery items or necessary commodities. Record revenues followed to the company, but also high costs of operations. Jeff Bezos the CEO of the company warned as much as US\$4bn could be spent on coronavirus mitigation, such as testing labs and thermal cameras — potentially pushing the company into its first quarterly loss since last five years (2015). Still, the increased speed shift to online shopping and the increased significance of its cloud computing business in the remote work era drove the company's stock to all-time highs.

The above paragraph or news as inspired us to develop the case study on Amazon particularly on its 'GBS' during the COVID 19 scenario. In this study, the authors have made an attempt to you to understand historical background and genesis of the Amazon, the company's business strategy formulation process, analysis, implementation, and final remarks have been given. We hope and wish you will enjoy reading this case study and getting knowledge about Amazon's business strategic planning process in particular about its online grocery business.

## II. HISTORICAL BACKGROUND AND GENESIS OF AMAZON

'Amazon' is the brainchild of Jeff Bezos becomes a household name in most of the countries across the world today. It was come into existence on 5<sup>th</sup> July 1994 with initial financial aid of \$245,573 received from his parents as an online marketplace (virtual market) for books selling at Seattle in Washington. Subsequently, it has expanded to sell electronics, software, video, games, apparel, furniture, food and grocery, toys, and jewellery (no clear-cut speciality and selling everything) to compete with its market competitors like Walmart (department store generates

\$514.41 billion in net sales per annum), Alibaba / Aliexpress (as of June 2019, there are 755 million users across worldwide. it is accountable for 58 per cent of all online retail sales in China, and the company sold \$30.8 billion of products as on 13th November 2018), Otto (it has generated roughly \$3.8 billion in revenue from online sales in 2019), JD (Jingdong has more than 305 million on the go customers), eBay (in terms of marketplace website visits, the company is second to Amazon, with just under 20 per cent of the market share), Flipkart (in 2018, Walmart obtained 77 per cent of Flipkart's shares, valuing the company at \$22 billion), Rakuten (it has generated more than \$134 billion in Japanese ecommerce sales alone in 2019), Newegg (44 per cent of Amazon shoppers in the USA have purchased an electronics goods through the platform, obviously, Amazon depends on those sales. Newegg's market share takes billions away from Amazon in this category. The fact that Newegg as a global leader in selling electronics like laptops, TVs, cameras, phones and computer products online is successful in the electronics space is threatening for Amazon).

Amazon is among one of many online stores (no one directly monitors the exact number of electronic commerce websites across the global) with \$232 billion in net sales yearly. Amazon is the most dominant online store in existence today among upwards of 24 million stores (it is estimated figure) selling products on the virtual market today. The other interesting point is Forbes reported in May 2020 that Amazon had surpassed Walmart to become the global largest retailer through its actionable, fact-based tips.

In the USA alone, Amazon holds 45 per cent of the e-commerce market share. That is up from 34 per cent in 2016 and expected to cover 50 per cent by 2021. Every ecommerce store from small niche websites to other retail business giants' owner across the globe needs to face the realism that they are compete with Amazon. It means, in spite of the type of industry and the size of the company, if it sells physical goods online it's up a rival to Amazon. Simply put, Amazon is showing no signs of slowing down any time soon since its incorporation.

Amazon still has a fair split of competitors. For instance, Streaming service 'Netflix' competes with Amazon 'Prime Video' and the 'Google Home' products compete with Amazon's virtual assistant 'Alexa'. In the internet arena, 'Microsoft Azure' and 'Google Cloud' both compete with 'Amazon Web Services' (AWS).

The ecommerce industry is rising at an exponential rate. In fact, retail e-commerce sales worldwide are expected to reach \$4.8 trillion by 2021, Amazon is one among the one.

Amazon is clearly very good at what they do, but due to no-clear-cut speciality and selling everything, in terms of knowledge and quality, they can't vie with smaller niche shops that are specialists in a particular industry. For example, to purchase niche products like bread oil, CBD for pets and vegan cosmetics customers are more likely to buy from the company that specializes in those industries rather to place orders to Amazon. Even though a single online website does not take a huge chunk of Amazon's market share on its own, but every online store is a threat to it by its collective efforts.

The present investment worth of the Amazon is almost \$30 billion – a 12,000,000 per cent on return on investment. Amazon gradually evolved into a MNC and now is worth a \$890 billion (2019). Amazon is the second USA organization cross a trillion dollar valuation next to Apple Company. As on 10<sup>th</sup> July 2020 the stock price of the Amazon is \$ 3,182.63

### III. GBS FORMULATION OF AMAZON

The focal point of strategy formulation of an organization is totally in view to the attainment of its mission and vision statement. The box 1 has shown the Mission and Vision statement of Amazon.

#### Box1: Amazon's Mission and Vision Statements

##### The Mission Statement of Amazon

"to be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible prices."

##### The Vision Statement of Amazon

"Our 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".

Source: <http://panmore.com/amazon-com-inc-vision-statement-mission-statement-analysis>

It has been found that Amazon has a clear, logical, and meaningful vision and mission statements return more than double the numbers in stakeholders benefits when compared to the companies that do not have vision and mission statements. Amazon is a learning organization and intended to more global robust strategy. It may be a top-down or bottom-up strategy, Amazon is more focuses on learning and experienced strategy formulation. It means Amazon is thinking afresh every moment in the formulation of its strategy based on its learning experiences. Amazon wants to formulate its new strategy in response to global challenges and failed strategies. Annual budgeting of the company also plays a vital role in the formulation of its strategy, and the company is critically reviewing its previous strategies. Amazon believes the formal strategic approaches are the most essential way and assesses the outcome of its business cycles quarterly, half-yearly, and annually as the best source to formulate its strategy, however, Amazon is so conscious about to minimize the effect of budgeting though it is included in the strategy formulation process. In our course, we have learned that formulation of strategy processes such as 'War Room', 'Rapid Prototyping', 'Design thinking', and 'Business Model Canvas.' However, like most of

the companies like Amazon, is not totally or truly following the processes or approaches has it is.

Being one of the biggest online business entities I would like to suggest the following approach in the formulation of its strategy.

Create a **War Room** where it could able add more strength in the process of formulation of its strategy Through

**Store board-** visualize to its strategic members its incremental improvement in its value propositions, in connection with free shipping,

**Involvement of organization members:** 'Prime' has over 100 million subscribers, making it the most successful loyalty program of all time, and it has is the 800-pound gorilla.



Source: [www.amazon.in](http://www.amazon.in)

**Involvement of experts:** Amazon believes contemporary technology is the best expert and the company has been more depending on Artificial Intelligence (AI). Amazon has developed an 'Alexa Fund' for startups, targeted at game-changing Artificial Inelegancy investments.

**Inputs from diverse perspectives:** Amazon is having a strong system in collecting and assimilation of business information from diverse perspectives. Based on CITI outcomes, Amazon's primary geographic expansion target with global future sales 40 per cent of volume, though it has been growing in emerging markets like Asia and the Middle East. All these have been possible only through the company's business inputs from diverse perspectives.

**Collaborations:** Amazon is the best example of business collaborations. The company always strives to collaborate with others to strengthen its business. One of its recent collaborations is Sugar & Cloth, a lifestyle blog and brand promoted by Rose. It is as similar to Joy Cho's 'Target-exclusive Cheeky' collaboration.

**Iteration:** The success of Amazon is the step by step approach and strongly believes that innovativeness in Customer Centricity services and strong in Corporate Agility.

#### Rapid Prototyping

Normally this approach of strategy formulation is quite suitable for manufacturing industry. Amazon, being an online service proving company, always showing in interest on this approach. Amazon has been experimenting this approach in 'online delivery system strategy', 'seller services strategy', and 'customer services strategies'. 'Failing rapidly' is the benefit of

rapid prototyping. With the help this practice, Amazon makes everyone of us for business advice, a startup that quickly dominated its industry and set the standard for very business in just about every industry.

**Deign Thinking:**

Jeff Bezos, CEO of Amazon has been identified the importance of design thinking and practicing a symmetric approach to creative problem solving. It has made these timeless ideas the foundation for every business he runs, regardless of its industry or the type of product the company offers:

- Business to Business – Amazon Web Services
- For ecommerce business services – Amazon.com
- Participative Media Business– Amazon Prime
- Publishing Business– The Washington Post

The optimization of the approach of ‘design thinking ‘in course of the formulation of strategy has a favor of an iterative, experimental approach for finding best solutions rather than analyzes data for the best possible one.

**Business Model Canvas (BMC)**

It is the best suggested approach for formulation of strategy a company like Amazon. With the help BMC Amazon could able to focus on Customer demands, competitive strategies, succession strategies (it means flexibility in operative strategies based on market demand), and more transparence. With the support of BMC Amazon prepare the best strategy to cover all the elements of BMC such as Customer segments, Value proposition, Channels, Customer Relationships, Revenue Streams, Key Activities, Key Resources, Key Partnerships, and Cost structure. Table 1 reveals the brief description of all the elements for formulating of Amazon’s BMC.

**TABLE 1: BUSIENSS MODEL CANVAS OF AMAZON**

Customer segments	Millions of people across the globe have a Prime subscription <b>and pay their fee for its services</b> respectively.
Value proposition	Competitive pricing strategies, selection of products, convenience and fast fulfillment of customers’ orders all carry weightage to Amazon’s value.
Channels	<b>Amazon’s website</b> services (AWS) operates as its prime channel. Dissimilar versions exist on its site that aids and abets customers globally. In these days, apps have been formed to speed up its sales growth. Many affiliates have also taken their role in acting as a channel for Amazon like the AAP (Amazon Affiliate Program)
Customer Relationship s (CR)	‘Amazon’ is a brand that is greatly invested in CR and customer retention. It has enjoyed a healthy and productive CR. Some of their customer interactions take place with the <b>reviews</b> of shoppers can leave on their webpage. Amazon also offers CR service through phone, online chat or email.

Revenue Streams	‘Prime’ remains Amazon’s main revenue stream as it is accessible to more customers and in turn, generates the most revenue for them. Other revenue models include to the company are the <b>Commission</b> and <b>Transaction Fees</b> it makes from its goods as well as the recent sale of electronic books and online content it has been utilizing in its sales.
Key Activities	Amazon’s main activities lead to revenue are as follows: <ol style="list-style-type: none"> <li>1. Merchandising of its online as well as physical products.</li> <li>2. Development, design, and optimization of its online platform include a website or app.</li> <li>3. administer supply chain and logistics</li> <li>4. Secure and develop a partnership with its items providers and sellers</li> <li>5. Support the making of movies or show on its prime video platform.</li> <li>6. Acquire novel ventures to support its ecosystem</li> </ol>
Key Resources	Physical resources of the company like <b>fulfillment centers</b> (warehouses), and supply chain automation. Amazon’s <b>technological infrastructure</b> , in particular, is crucial for its everyday business model. The software engineers of the company who are responsible for the creation of its <b>online platform</b> infrastructure. Much of the popular online culture has also served the purposes of the company well where it is used to make attractive sales.
Key Partnerships	The key partners of the company are the Sellers who alone generate the most revenue to the company Other partners include <b>authors, publishers, and logistic</b> part ners increase Amazon’s value and help in the conversion of many people into customers. Amazon values every partner and has many times credited them for their help.
Cost structure	Amazon’s cost structure is determined by value. It means that the company functions on a system that only benefits them economically. Amazon’s <b>IT</b> , and <b>fulfillment centre</b> is also a vital component in this regard as it enables the firm to operate on a worldwide scale. Other vital elements utilized in the cost structure of the company include its <b>customer service centers</b> as well as <b>software development</b> centers across the globe.

Please see the exhibit 1 to know the details of Amazon’s BMC.

**IV. AMAZON’S GBS ANALYSIS**

“To flawlessly link the digital and brick-and-mortar shopping knowledge in order to be part of every particular purchase made” – it is the main objective of a big online shopping

store's business strategy i.e. Amazon. The goal and strategy clearly state that the company strives to become so embedded in people's lives that they can't imagine living without it.

In recent times Amazon has entered into Grocery shopping. It was observed that the company continues its test, learn and pivot strategy with this category of online shopping and delivery service options. And the company believes that selling groceries to a customer is important to selling them everything else. Here, importantly for the company, the GBS further embeds suppliers' brands into its daily routines.

Amazon's Whole Foods acquisition has allowed the company to experiment with grocery delivery services, offering discounts to Whole Foods shoppers who have an Amazon Prime membership and even selling Amazon devices inside the Whole Foods stores. Future plans call for additional, larger stores with space for more items and online order pickup services.

- a) The GBS presupposes that suppliers brand, quality, price, the popularity of the company, delivery schedule influence on the success of Amazon's grocery business and its strategy.
- b) The underlining assumption takes into consideration of Amazon's 'GBS' is the rate of influence of 'external environment', 'current strategy', and 'internal environment'

As a part of the GBS, the company opened 'Amazon Go' as a pioneer in this category of physical stores where we don't find cashiers or checkout lines. Amazon Go opened after extensive testing with Amazon staff and at present has 10 stores in three cities. Serving ultra-convenience, the store sells grocery items and prepared foods. The store operating by using advanced technology, all the products are thoroughly scanned and customers' accounts are charged (based on value delivery and prices charged proposition) as they leave the store with their items. The effective function of this kind of store(s) is the influence of the Corporate Governance of the company, and the structure of the organization. The current Amazon business strategy is very much supportive to expend its businesses or diversification.

- c) There are nine core assumptions had been examined in the course of 'Amazon's Glossary Business Strategy' and its hypothesis testing?
  1. Amazon's popularity'- the company heads the ranking of the most popular shopping apps in the US with 150.6 million mobile users accessing the Amazon app in September 2019 (Statista, 2019)
  2. 'customers' Trust on Amazon brand'- 89 per cent of buyers agree that they are more likely to buy products from Amazon than other economic sites,
  3. 'its Revenue'- the company brought \$75.5 billion in sales revenue in the first quarter of 2020 (Amazon,2020),
  4. 'The most popular Amazon product category'- the electronics category was the most popular product category purchased by Amazon buyers in the US (44%) (Feedvisor, 2019),
  5. 'The most important factors driving purchasing decision on Amazon'- 82 per

cent of Amazon shoppers say the price is a significant factor to consider when shopping on the platform (Statista, 2019),

6. 'Amazon usage by Device'- 67 per cent of Amazon shoppers prefer to shop using their Personal Computer or Laptop (Cpcstrategy, 2018),
7. 'Number of items sold on Amazon per minute' – on average, small and medium-sized businesses located in the US sell more than 4000 items per minute (as per Amazon 2019),
8. 'Number of Sellers on Amazon' – Amazon has more than 2.5 million sellers presently active selling on the market place (Marketplacepulse, 2019).
9. 'Buyers visit Amazon for inspiration' – 23 per cent of online shoppers go first on Amazon for inspiration when they don't have a particular product in mind for purchase (Episerver, 2019).

Source for 1 to 9 points: [www.oberlo.in/blog/amazon-statistics](http://www.oberlo.in/blog/amazon-statistics)

- d) The hypothesis has been tested based on the assumptions that it was accepted. A future element of the Amazon GBS includes additional locations, possibly in airports. Other competitive retailers of Amazon, including 'Kroger' and 'Walmart', are watching closely, with many eager to tap into the technology that lets customers purchase items without waiting in a checkout line.

## V. AMAZON'S GBS IMPLEMENTATION

Now the authors try to understand Amazon GBS implementation based on applying the 4A model. Through this model, the authors made an attempt to identify issues and describing what would be needed to happen for it to be achieved in terms of

- i. Whether Amazon has aligned (**alignment**) externally, internally, and in leadership?
- ii. Does Amazon have the **ability** to implement the strategy?
- iii. Is the company's **Architecture** in place to drive to performance?
- iv. The '**Agility**' (responsive and nimble) of the Company.

The observations of 'the GBS' implementation of the company based on the above-cited 4A model elements have been given below:

1. Amazon with its online business networks in terms of shoppers, sellers, financial and logistic services providers, technology and the committed leadership support don't face any notable issues in a step by step implementation of its 'Glossary Business strategy.' Particularly in grocery business 'Amazon' is

concentrating towards identifying the customers' needs based on their culture, food habits, purchasing quantity, preference of quality, pricing of items, order processing time, stores identification, in time delivery and its tracing system etc are strongly supported the company for the success of the strategy implementation. Amazon is always using easy to place order system which is user friendly and gives good direction to the customers in place and tracking their orders.

2. Amazon has shown its 100 per cent ability in the implementation of this strategy. The justification of the statement is based on 'Amazon's effective Management Information System' which do not allow to deviate from 'meeting needs of customers', 'incorporate data analysis in its decision making', 'constant learning about customers, for example as shoppers search and add goods to their cart, behavioural data shows trends that identify grocery items preferences and buying behaviours', 'building a community for its customers- which is necessary in case of the grocery business, as per research reports 87 per cent of customers prefer grocery feedback from people they know and trust versus brands', 'building a loyalty program to intensive customers – in 2015, the company was launched 'Amazon Prime Day' though this 'for one day only' Amazon Prime members have access to deep discounts and exclusive offers', and to grow as a result of its dedication to trying new things- feathers like grocery items reordering and returning damaged items. These are in addition to required resources, time and other factors such as risk-taking, financing, understanding of government policies and procedures support to the company.
3. 'Amazon Echo has grown to the point it makes up 75 per cent of the worldwide smart speaker market and stood in 1st rank among world smart speaker market in the III Quarter 2018' – I coated this statement to make us understand that 'the company's optimization of 'architecture' in place to drive to perform the strategy. The company is operating its 'grocery' business with 30 data centres in its worldwide network at about 600 megawatts of Information Technology. Amazon wants to penetrate its 'grocery' business through its strategy wants to use the services of its AWS (Amazon Web Services – www.aws.com) worldwide cloud infrastructure. It is most secure, widespread and dependable cloud platform providing over 175 completely featured services from all the 30 data centres worldwide. The AWS has the huge and most dynamic ecosystem ready to serve Amazon's millions of active customers and tens of thousands of partners worldwide.'
4. Amazon becomes the synonyms of the word 'Agility.' The company has been showing its consistent responsiveness towards each one of its customers towards his/her needs the price versus value delivery, items quality, packing, and delivery, merchandising, self ability to mould to meet the present market demands.

## VI. CONCLUSION

With this attempt of developing this case study on 'online GBS of Amazon' would make us understand there is a thread which connects a strategy formulation, analysis, and implementation. A strong synchronization among these three plays a vital role in the success of any strategy. The management of Amazon is having the keen and in depth knowledge to study the global business environment, the impact macro business environment on online business in general and on online grocery business in particular. Amazon has also the skill to turn the panic environment situation as favourable to its business. Initially, a strategist or a company should analyze the need and purpose of a specific strategy based on his/her/its demands. Amazon has needed a business strategy of its online business to serve its customers in better a manner, business sustainability, consistent growth, profitability, and finally face the global competition for full filling its 'mission and vision statement and further grade up its online grocery business. The major pillar of a strategy formulation is the organizations 'mission and vision statements' Amazon is fully understood this and one can easily notice this by study its business strategies. The outcome of our study clearly states that Amazon's strategy formulation confined to its mission and vision statements. It was found that the BMC play a significant role in Amazon's strategy formulation rather than other elements in the course of strategy formulation. The formulated strategy of the company has been thoroughly analyzed based the Amazon's Strengths and Opportunities. The authors took the help of the 4A model to study the issues in the implementation of the strategy and found that Amazon got to succeed in the implementation of its strategy without any deviations.

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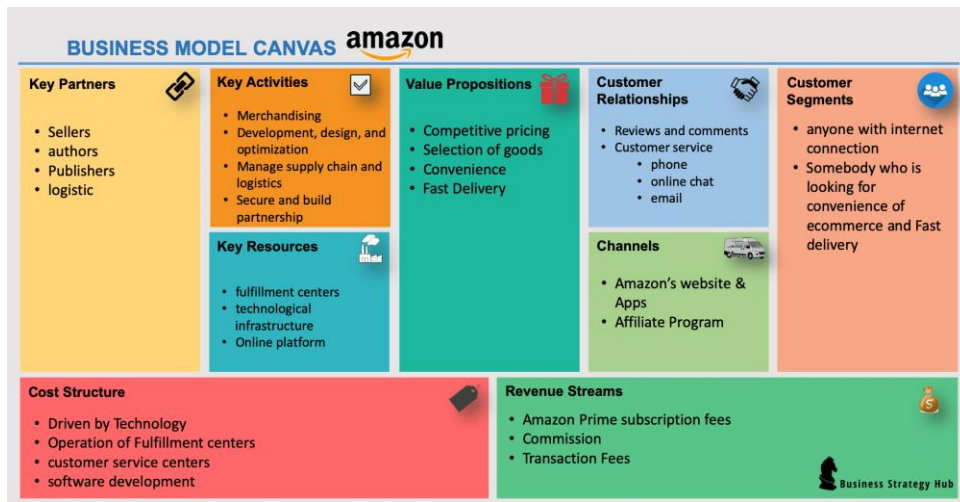
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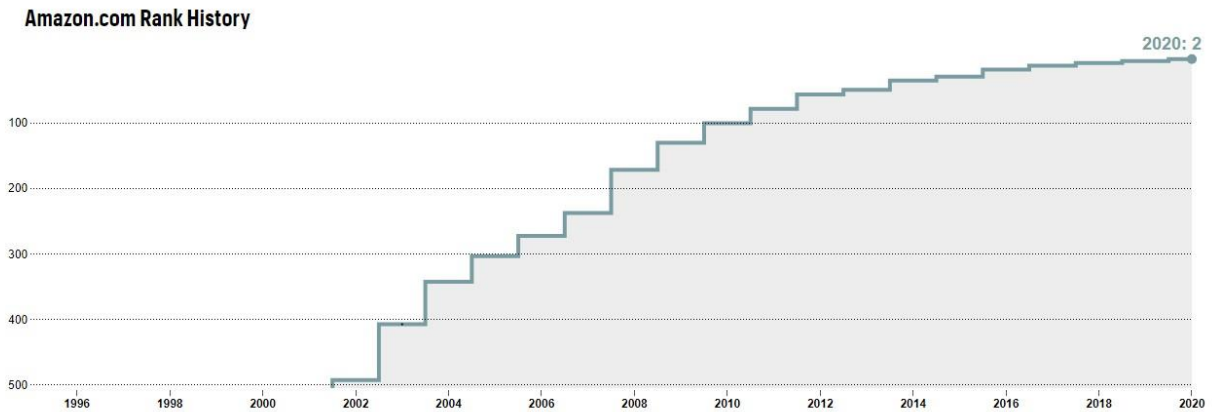
### EXHIBITS AND CITATIONS

#### Exhibit 1: Amazon's Business Model Canvas



Source: <https://bstrategyhub.com/how-does-amazon-makes-money/>

Last visited on 17<sup>th</sup> July 2000



**Graph 1: A Graphical representation of the intensifying growing of Ranking of the Amazon (presented by the magazine Fortune 500)**

Source: 1) Fortune, 2) <https://www.greyb.com/amazon-business-strategy/> last visited on 17th July 2020

Amazon ranked 8<sup>th</sup> on Fortune 500 companies 2018 list, 5<sup>th</sup> in its 2019 list, and claimed 2<sup>nd</sup> in 2020 list – It's the best rank ever since Amazon made its presence in the magazine for the 1st time in 2002. Since then, Amazon has been continuously listed on the coveted list, each time with a rank better than the previous year.

