Case study on Amazon.com’s Supply Chain Management Practices

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Abstract: The case provides an overview of Amazon.com’s inventory management. Jeffrey Preston Bezos, the founder of Amazon.com, launched the company when he realized that the Internet provided immense scope for online trading. Although the site was originally launched as an online bookstore, it eventually offered several other products to keep abreast of the competition. The case takes a look at the different products and features offered on the site. The case also discusses Amazon’s value propositions and its criteria for choosing strategic partners. It then elaborates on the strategies adopted by Amazon for managing its inventory. It also explains Amazon’s decision to outsource inventory management to distributors. The case takes a look at Amazon’s decision to sell the products of competing retailers on its site. It concludes with a brief note on the future challenges in Amazon’s warehouse management.

Key Words: Amazon.com, inventory management, Jeffrey Preston Bezos, launched, Internet, scope, online trading, online bookstore, products, features, value propositions, strategic partners, inventory, outsource, inventory management, distributors, Amazon, decision, products, competing retailers, future challenges, warehouse management

1.0 INTRODUCTION

1.1 General Information

Amazon.com (Amazon) is one of the first online shopping sites launched in 1995. Since its inception, it has been consistently ranked as one of the best retail sites on the Internet and is regarded as the universal model for successful Internet retailing. In March 1998, Amazon was ranked among the top 20 internet sites in almost all the major market surveys.

According to an analyst, "When you think of web shopping, you think of Amazon first. The Forrester Power Rankings in 2000, ranked Amazon as the best online shopping site. Amazon owed a large part of its popularity to its excellent customer service, which was due to its exemplary inventory management. Amazon realized that there were a lot of players in the e-tailing industry and therefore it needed to consolidate its position as one of the best online shopping sites. Accordingly, it took several measures. In order to increase its revenue, it added several new products to its site. In 1999, on an average, it added a new product on its site once in every six weeks. It entered into strategic alliances with several companies to increase the range of products available on its site. Later, it strengthened its Customer Fulfilment Network by obtaining products directly from the distributors rather than stocking all the goods in its warehouse. Amazon was popular among its customers for shipping the goods within the estimated time, leading to satisfied customers, improved market share and repeat business. By the end of 2002, Amazon had 22.3 million registered users on its site. By 2003, Amazon became the biggest book, music and video retailer on the Internet and offered more than 4.7 million books, videos, music CDs, DVDs, computer games and other products."
Further, Amazon had the distinction of being the first e-commerce site to use collaborative filtering technology. Amazon’s immediate business goal was to ‘get big fast’ which reflected the driving force behind the company’s growth.

2.0. BACKGROUND NOTE

"The logistics of distribution are the iceberg below the waterline of online bookselling," Jeff Bezos, founder and chief executive of Amazon.com

The Internet has changed the way that we perceive business and the way that we as consumers may make our purchases. In fact, the online consumer today knows the convenience of purchasing a book online and having it delivered to their door in a matter of a few days. There is no more need to fight crowds, find a parking spot, and deal with traffic. The high street and mail order systems still have a place in the mix of purchase routes; however it is no longer the only method of making purchases. The Internet revolution has seen a massive increase in the long distance purchases made by consumers, as geographical barriers are no longer as important as they were. The lack of geographical importance has influenced the strategy of Internet companies. One of the first companies that took advantage of this was the online bookshop Amazon.com.

The case provides an overview of Amazon.com’s inventory management. Jeffrey Preston Bezos the founder of Amazon.com launched the company when he realized that Internet provided immense scope for online trading. Although the site was originally launched as an online bookstore it eventually offered several other products to keep abreast of the competition. The case takes a look at the different products and features offered on the site. The case also discusses Amazon’s value propositions and its criteria for choosing strategic partners. It then elaborates on the strategies adopted by Amazon for managing its inventory. It also explains Amazon’s decision to outsource inventory management to distributors. The case takes a look at Amazon’s decision to sell the products of competing retailers on its site. It concludes with a brief note on the future challenges in Amazon’s warehouse management.

The continued success of Amazon.com can be attributed to its diversity in terms of geography as well as its diverse selection of merchandise, ranging from media such as books, CD’s, and videos to online auctions and house wares. Amazon.com currently operates four international websites in France, Britain, Germany and Japan giving it global Internet exposure. One of several factors that have proven Amazon.com successful is that it has the first mover advantage. Not only was it first in its industry, it has also been successfully marketed. But as with any Internet site, the actual presentation and processing are seen as a result of the underlying technology and the way the company uses it.

3.0 VALUE PROPOSITION

Amazon built a four-fold value proposition that indicated its priorities in the establishment of the online venture. The four dimensions it focused on were convenience, selection, price, and customer service. The online venture was convenient as it was open for business all the time. The site was so designed as to keep the download time at a minimum. The site also offered its users various facilities such as reviews, e-mail notifications, reference from a previous search and product recommendations. It also provided the users with a wide range of product options, which they could select from. Amazon had an inventory consisting of millions of items which was roughly about 100 times that of a typical physical store.

4.0 STRATEGIC ALLIANCES

In order to expand in a rapid and a cost-effective manner, Amazon decided to partner with other companies. The main criterion used by Amazon for selecting a partner was the customer service provided by the company. During 1998-2000, Amazon acquired ownership stakes ranging from 17 to 49 percent in various online retailers- Greenlight.com, Living.com, Drugstore.com, HomeGrocer.com, Pets.com, Ashford.com, Gear.com, and Della.com. Amazon spent an estimated $160 million on acquiring stakes in these companies.
When Bezos started his venture, he aimed at hassle-free operations. He wanted to offer his customers a wide selection of books, but did not want to spend time and money on opening stores and warehouses and in dealing with the inventory. He however realized that the only way to satisfy customers and at the same time make sure that Amazon enjoyed the benefits of time and cost efficiency was to maintain its own warehouse. Building warehouses and operating them was a very tough decision for Bezos. Each warehouse cost him around $50 million and in order to get the money, Amazon issued $2 billion as bonds. In 1999, Amazon added six warehouses in Fernley, Nevada; Coffeyville, Kansas; Campbellsville, Kentucky; Lexington, Kentucky; McDonough, Georgia; and Grand Forks, North Dakota. On the whole, Amazon had ten warehouses. Most of these warehouses were set up in states with little or no sales tax.

Amazon’s warehouses which was a quarter-mile long yards wide stored millions of books, CDs, toys and hardware. They were very well maintained and completely computerized. In fact the number of lines of code used by Amazon’s warehouses was the same as the number used by its website. Whenever a customer placed an order a series of automated events followed which made inventory management easier. When a customer ordered a book from Amazon his invoice mentioned the title of the book followed by a barcode. This was a code of numbers such as 6-5-4 which indicated the book’s location in the warehouse. Computers sent signals to the workers wireless receivers telling those items had to be picked off the shelves. The workers decided the order in which the items had to be picked and then verified the weight of each product.

These products were kept in a green crate which contained orders of different customers, when this got filled they were placed on conveyor belt and sent to central point. Here the barcodes were matched with the order numbers to find out who would receive each item. Then they were packed and parcelled. Most of the orders were shipped either through the United States postal service or United States parcel service whichever is located nearer. In the holiday season of 1999, Amazon was determined not to disappoint any customer who visited its site for his holiday shopping. Accordingly Bezos decided to stock the store with every possible item that customers were likely to buy. Although this strategy was appreciated but Bezos faced a lot of problems.

It was then Bezos realized the importance of Inventory Management and decided to reduce the size of inventories, this was made possible by managing the warehouses efficiently. Amazon made careful decisions about which products to buy from where. Then the company decided to manage distributing channels. An important decision was taken was buying of books, CDs videos etc. directly from publishers rather than from distributors. They upgraded the software and also tried split shipments. Amazon also tried to cut down its expenses. It decided to outsource some of its routine activities so that it could concentrate better on its core activities. It partnered with other companies for shipping the inventory. So, while the partners shipped the items, Amazon leveraged on its e-commerce expertise. It revamped the layout of its warehouses making it easier for the company to locate and sort customers. By doing this it managed to save all the expenses related to filling and shipping orders. Improved inventory management helped Amazon to get net profit of $5 million in the fourth quarter of 2001 after accumulating a deficit of $2.86 billion in seven years since its launch in 1995.
5.1 Inventory Outsourcing

Outsourcing is subcontracting a service such as product design or manufacturing, to a third-party company. The decision to outsource is often made in the interest of lowering cost or making better use of time and energy costs, redirecting or conserving energy directed at the competencies of a particular business, or to make more efficient use of land, labor, capital, (information) technology and resources. Outsourcing became part of the business lexicon during the 1980s. It is essentially a division of labour. Outsourcing in the information technology field has two meanings. One is to commission the development of an application to another organization, usually a company that specializes in the development of this type of application. The other is to hire the services of another company to manage all or parts of the services that otherwise would be rendered by an IT unit of the organization. The latter concept might not include development of new applications.

5.2 Drop shipment model

Drop shipping is a supply chain management technique in which the retailer does not keep goods in stock, but instead transfers customer orders and shipment details to either the manufacturer or a wholesaler, who then ships the goods directly to the customer. As in all retail businesses, the retailers make their profit on the difference between the wholesale and retail price. In 2001 Amazon decided to outsource its inventory though it knew that it was a huge risk. When Amazon managed its own inventory it had earned the reputation of providing superior customer service, which was its biggest strength.

Amazon did not stock every offered on its site. It stocked only those items that were popular and frequently purchased. If a book that is not so popular is ordered Amazon requested that item from its distributor who then shipped it to the company. In the company, the items the items were unpacked and then shipped to the respective customers. So basically, Amazon acted as a trans-shipment centre and ensured that the entire process of shipping from the distributor to customer was done very efficiently.

The main distributors of Amazon included Ingram Micro and Cell Star handled cell phone sales while Ingram Micro, a whole sale distributor, handled computers and books. Amazon had external distributors for most of its products except the bestsellers. Further Amazon entered into contract with Ingram Micro Inc. for distribution of desktops, laptops and other computer accessories. Drop shipment model was very successful so Amazon decided to extend this model to all categories too. The major disadvantage of this model was if the customers ordered only a single item at a time the drop shipment model was extremely helpful, but if a single ordered had several items such as a book stocked by Ingram and a game stocked by Amazon, then the following procedure was adopted: Ingram sent book to Amazon, Amazon added the game then forwarded the whole box to the customer. Since almost 35 percent of orders placed at Amazon were of different categories the drop shipment model was not very effective.

In 2001, Bezos came up with the idea of including the products of competing retailers and some used items on their website. Amazon earned almost the same profit selling on commission as it earned on retail. An advantage of this feature was customers could now verify the prices of Amazon’s products vis a vis those of other retailers. So the company did not need to advertise its low price. By 2003 Amazon’s warehouse could handle thrice the volume they used to handle in 1999, while the cost of operating them decreased from 20 percent of Amazon’s revenue to less than 10 percent. In 2003 Amazon decided to slash down its shipping charges. Customers who visited the site were greeted with a pop up window announcing the company’s decision to provide free shipping for those who bought two or more items in any combination from the sites books, music, or video stores. The company also decided to reduce shipping charges.

Though Amazon spent millions of rupees in marketing in order to get new customers it managed to leverage the amount spent because of its lower capital costs. Generally physical bookstores having a wide range of books needed to stock about 160 days worth of inventory. The distributors and publishers had to be paid 45-90 days after the books were bought from them, in this way Amazon used to get a month’s of interest free money.

5.3 Innovative Inventory Sourcing

In early 2001, Amazon decided to outsource its inventory management though it knew that it was a huge risk. When Amazon managed its own inventory, it had earned the reputation of providing superior
customer service, which was its biggest strength. Now, the company wanted to concentrate on its main activities and outsource inventory management in order to earn more profits. However, Amazon was apprehensive that this move would damage the hard-earned reputation of the company. Nevertheless, it decided to go ahead with the decision to outsource its inventory.

Amazon did not stock every item offered on its site. It stocked only those items that were popular and frequently purchased. If a book that was not too popular was ordered, Amazon requested that item from its distributor who then shipped it to the company. In the company, the items were unpacked and then shipped to the respective customers. So, Amazon basically acted as a trans-shipment centre and ensured that the entire process of shipping from the distributor to the customer was done very efficiently.

6.0 ANALYSIS

6.1 SWOT ANALYSIS

6.1.1 Strengths

- Customer Relationship Management (CRM) and Information Technology (IT) support Amazon's business strategy. The company carefully records data on customer buyer behavior. This enables them to offer to individual specific items, or bundles of items, based upon preferences demonstrated through purchases or items visited.
- Amazon is a huge global brand. It is recognizable for two main reasons. It was one of the original dotcoms, and over the last decade it has developed a customer base of around 30 million people. It was an early exploiter of online technologies for e-commerce, which made it one of the first online retailers. It has built on its early successes with books, and now has product categories that include electronics, toys and games, DIY and more.
- Product diversification from books and CD/DVD markets has provided additional customers in other product areas and indicates strategic movement to grow the business through new customer bases.
- Strong distribution channel
- Negative cash cycle
- Low prices

6.1.2 Weaknesses

- Amazon are dependent on external delivery companies to carry out the delivery function of the interface with the customer which can lead to uncontrollable service level problems and potential cost increases in line with the wider transportation industry such as rising fuel and increased vehicle taxation. If these costs are not absorbed they are passed back to the consumer both with potential negative effects.
- As Amazon adds new categories to its business, it risks damaging its brand. Amazon is the number one retailer for books; diversification may lead to losses and decrease in brand value.
- The company may at some point need to reconsider its strategy of offering free shipping to customers. It is a fair strategy since one could visit a more local retailer, and pay no costs. However the shipping costs could be up to $500m, and such a high figure would undoubtedly erode profits.
- No region based sites.

6.1.3 Opportunities

- Online retailing is still not matured in India, it can tap the market.
- There are also opportunities for Amazon to build collaborations with the public sector. For example the company announced a deal with the British Library, London, in 2004. The benefit is that customer’s can search for rare or antique books. The library’s catalogue of published works is now on the Amazon website, meaning it has details of more than 2.5m books on the site.
- Growth of internet users in the next five years, predominantly in the international market.
- E-commerce expansion in Asia and the Pacific

6.1.4 Threats

- Increasing transportation costs will directly impact delivery charges to customers - as these costs are not absorbed into the direct business but paid to a third party it is assumed these will be directly passed onto the consumer which can have a negative impact to brand perception from the consumer viewpoint.
- Competition will increase due to the low barriers to entry in the market: offline companies are coming online

6.2 INDUSTRIAL ANALYSIS

Five forces model which was proposed by Michael Porter, provides a robust and time-tested framework for analyzing any industry, reflected in the strength of the five forces (industry competitors, potential entrants, and threat of substitutes, power of buyers and power of suppliers). The collective strength of the five forces determines the ultimate profit potential in an industry.

6.2.1 Barriers to Entry

Threat of entry is considered medium to low. Being the first mover in online bookstore industry, Amazon would be the best example of what amateur firms would be faced. The factor that separates Amazon from the inexperienced firms is its 8-year capital intensive and continuous upgrade of services through acquisitions and alliances, nurturing the commission-based associate websites, and endless technology development and innovation. Imitating such would also require relationship building which is difficult when relationship is already established by the first mover, or in the case of untapped technology partners, requires significant capital and strategic plan proposals to move the other party. In both cases, known industry players would be the benchmark requiring the deal a considerable amount of time and money impractical for the new player.

The book retail industry has very high barriers to entry. The capital requirements necessary to establish a bricks and mortar bookstore would be virtually impossible for a newcomer. Consumers know the big name players. High product awareness and large marketing budgets make it very difficult for new entrants to enter into this industry.

6.2.2 Inter firm Rivalry
Competitive rivalry is medium to high. There are numerous industry players; however, they can be considered niche (eBay) and overly diversified (Yahoo!) competitors of a diversified industry firm like Amazon. As a result, a head-to-head competition exists against Barneys (who is backed by retail stores) and Price line (who has the highest employee per revenue contribution in the industry) created strategic group together with Amazon. Adding the flame of intensified rivalry is the high fixed and storage costs of the industry since firms needed to stock inventory in their warehouses for ready delivery of an order. Competitors also have little product differentiation, except for auctioned product maybe and other exclusive rights of players to sell supplier’s products, making customer switching costs low.

Looking at the entire book retail industry, competition is quite diverse. A consumer could purchase books from a bricks and mortar store, which could be a large chain, a non-book retail store, or a small independent store. A consumer could also choose to buy their books on-line. With the onset of Internet bookstores, price is even more of a factor in consumer book purchasing.

6.2.3 Buyer power

Buyer power is higher when buyers have more choices. Businesses are forced to add value to their products and services to get loyalty. Many loyalty programs include excellent services that customers demand on-line. Customers want to solve their problems and many times they are more successful on-line than on-phone. Also, we see internet savvy businesses springing up offering more valuable goods and services at lower costs. Now with the advent of eBay, many people are assuming roles as drop shippers. Individuals can have a thriving business selling goods of larger companies without having to carry inventory.

6.2.4 Supplier power

Supplier power is higher when buyers have fewer choices from whom to buy. As mentioned earlier, drop shipping has increased the amount of suppliers available. All an individual has to do is form an agreement to sell products for the company. The company takes care of all the logistics. The same is true of associates programs that amazon.com and google.com offer. Associates allow a webmaster to earn money by recommending products from others. This increases supplier offerings. Today, the focus on quality has moved even further upstream in the process. Quality assurance has become a recognised practice for planning and preventing problems at the source before starting to manufacture products. One of the latest and maybe strongest focuses in the evolution of quality is TQM, which involves the application of quality management principles to all aspects of the organisation, including customers and suppliers, and their integration with the key business processes.

6.2.5 Threat of substitute

Threat of substitute products or services is high when there are many product alternatives. This is different than having many suppliers. Examples of alternatives are exchanging brand names, substituting credit card capabilities, and looking at better values from cheaper sources. The internet allows this with the “global economy”. We can substitute product by purchasing from companies overseas where labor, services and products are cheaper, but of comparable quality.

7.0 ISSUES

Amazon planned to do things differently for the 2000 holiday season. What were the reasons that led to the revamping of inventory management methods? How was inventory made more effective at Amazon?

In the holiday season of 1999, Amazon was determined not to disappoint any customer who visited its site for holiday shopping. So, Bezos decided to stock the stores with every possible item that customers were likely to buy. Right from the latest novel to the chartbuster movie of the season, he wanted everything to be stored to ensure that none of the customers logged out of the site, disappointed. In 1999, Amazon added six warehouses. On the whole Amazon had ten warehouses. Although the strategy adopted by him was appreciated Bezos had to face a lot of problems too while trying to manage his large inventory.
Building warehouses and operating them was a very tough decision for Bezos. Each warehouse cost him around $50 million. Amazon’s warehouses were a quarter-mile long and 200 yards wide stored millions of books. Bezos realized the importance of managing inventory in his company. He knew that a large number of piled up goods represented unutilized cash which could be used elsewhere in his business. However, if fewer goods were stocked, it meant that some of the customers were bound to be disappointed. In order to overcome this tedious task of inventory management, the company decided to do things differently in the holiday season of 2000.

Amazon managed to reduce the size of inventories even as the company offered more products on its site. This was made possible by managing the warehouse efficiently. Amazon made careful decisions about which the products to buy and where to buy them from. The company then had to decide which of the distribution centre it would send its products to and then know how to receive and track the product once it was in the warehouse. Amazon also decided to buy its books, CDs, videos etc directly from the publishers instead of buying them from distributors. Amazon also maintained a good relationship with its vendors so that it could extract best deal from them.

In order to the inventory, Amazon refined its software. The new software helped the company accommodate inventory as per the demand in different regions. Amazon also tried to cut down its expenses. It decided to outsource some of its routine activities so that it could concentrate better on its core activities. It partnered with other companies for shipping the inventory. So while the partners shipped the items, Amazon leveraged on its e-commerce expertise. It revamped the layout of its warehouses making it easier for the company to locate and sort customer orders. By doing this, it managed to save all expenses related to filling and shipping orders. Improved inventory management helped Amazon record its first ever profits in the fourth quarter of 2001. After accumulating a deficit of $5 millions in the fourth quarter of 2001. This profit was mainly attributed to its ability to reduce costs in stocking and shipping goods. Amazon had sales record of $1.1 billion in the fourth quarter of 2001 which was a 15% increases over the sales recorded during the same period the previous year. In 2002 Amazon recorded sales of $3.93 billion which was 26% higher than the sales of 2001($3.12billion).

Why was Amazon apprehensive about outsourcing inventory management? Do you think it was a wise on its part to go ahead with its decision to outsource inventory management? Also comment on the company’s idea of selling other retailer’s products on Amazon.com.

Amazon was apprehensive about outsourcing inventory management because maintaining large inventories for satisfying all customers was a costly affair; moreover, a huge amount of capital was locked in the form of inventory which can be used for other purpose such as increasing distribution channel. Outsourcing inventory was a risky affair as when Amazon managed its own inventory; it had earned the reputation of providing superior customer service, which was its biggest strength. According to our point of view it was a right decision to outsource inventory as maintaining a huge inventory was harming Amazon. Maintaining inventory at the cost of profit cutting was not a good decision. As we can see in the case Amazon did not fully outsourced the inventories it keeps things which were popular. It was a very good way to cut down its expenses and concentrate on core activities. For outsourcing it used drop- shipping model, though it faced a lot of problems like reverse logistics and multiple delivery then also it was profitable.

The idea of selling other retailers products on Amazon.com was very profitable according to case. When in early 2001, Bezos came up with the idea of including the products of competing retailers and some used items on their websites. Amazon earned almost the same profit selling on commission as it earned selling on retail. An advantage of these features was that the customer could now verify the prices of Amazon’s products vis-à-vis those of the other retailers. So the company did not need to advertise its low prices. Said Bezos, “giving people the choice to buy new and used side by side is the good for the customers. Give them the choice. They are not going to hurt themselves with that choice. The data we have tell us that customers who buy used books from us go on to buy more new books than they have ever bought before. They may not want to plunk down $25 for a brand new author they’ve never tried. This lets them experiments.” By 2003, Amazon only handled the net orders, the companies handled the inventory. This service proved to be immensely profitable for Amazon.
8.0 Sales Channels

The pure-play internet retailer business model utilizes a website as a virtual store through which to sell products to customers. This model constitutes a single sales channel by typical retail definitions. However, there are several variations within this sales channel that should be explored to more deeply understand the Amazon.com business model and sales channels. The Amazon.com and Syndicated Stores models utilize Amazon.com’s technology and inventory and represent a model where Amazon.com the company is the seller. The Marketplace, Merchants@&amp; Merchant.com programs utilize Amazon.com technology, third-party company inventory, and in some cases Amazon.com fulfillment and represent models where Amazon.com serves as an intermediary or full service e-commerce provider. In 2004, 74% of units sold came from the Amazon.com and Syndicated Stores channels, and 26% of the units sold were from third-party companies.

9.0 Customer Segments

The customer segments mentioned in the internet retailing industry overview are those serviced by Amazon.com. Amazon.com is a business-to-consumer (B2C) website that ships product directly to individual customers that purchase through an online store. The target customer is a well-informed shopper, with internet access, that values selection, convenience, and price.

10.0 Positioning Against Competitors over Time

Amazon.com is an internet retailer, however due to its increasing size and brand awareness, its main competitors are a mixture of multi-channel retailers and internet retailers. Due to its wide product selection, Amazon.com competes with product focused retailers, online marketplaces, and mass merchandise retailers. With 74% of 2004 revenues in the media product category, the initial focus will be on two direct competitors in that space. Barnes & Noble, Inc. is often noted in the literature as Amazon.com’s main competitor. When Amazon.com entered the market in the late 1990’s it disrupted the bookselling industry and forced Barnes & Noble to launch BarnesandNoble.com. Barnes and Noble offers books, DVDs, and CDs, which competes directly with Amazon.com’s media segment. Additionally, Borders, Inc. is a traditional bookseller that also sells DVDs and CDs. Amazon.com competes against these companies physical stores on selection, convenience, and customer experience while remaining price competitive.

Initially, Amazon.com discounted the price of merchandise to undercut these retailers, but that strategy did not prove to be viable for profitability in the long-term. Barnes and Noble and Borders continue to operate profitable physical retail stores, despite increasing pressure from Amazon. However, they have not proven to be as successful in operating an internet retail environment. In 2001, Borders decided to partner with Amazon.com for Amazon.com to manage the Borders website, and execute the back-end fulfillment and delivery of orders to Borders.com customers. In 2003, Barnes & Noble, Inc. decided to acquire the remaining 25% stake it did not already own in BarnesandNoble.com to try to improve the poor profitability of the internet retailer (S&amp;P Industry Surveys: Computers: Consumer Services and the Internet, 2004)

In addition to physical retail competitors, Amazon.com has pure-play competitors within the internet environment. eBay, Inc. is a major competitor to Amazon.com in the internet retailing space. eBay competes directly with Amazon.com on selection, convenience, and online shopping experience. Amazon.com differentiates itself from eBay on information and content that is more thorough than eBay, such as features that enable users to see the inner contents of a book online. Furthermore, Amazon.com offers customer service guarantees for order delivery. Independent sellers on eBay may not have the customer trust that Amazon.com has established with its customer base. Another online retailer that is directly competing with Amazon.com is Overstock.com. Overstock.com offers a wide range of products that are excess inventories from wholesalers and retailers. As an online retailer, it can offer a wide product selection and convenience. Furthermore, its business model based on selling discounted overstocked inventory allows Overstock.com to compete aggressively on price with Amazon.com. Amazon.com can differentiate itself from Overstock.com through its brand and by maintaining a loyal customer base through online shopping experience and order execution. Amazon.com has established a brand that is rated as the 66th most powerful brand in the world.
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