



The diversification strategy of Amazon by identifying SWOT analysis

Ismailova Khanifajon

Tashkent institute of Management and Economics

e-mail: ismailovaxanifa1224@gmail.com

<https://doi.org/10.5281/zenodo.11580334>

ARTICLE INFO

Qabul qilindi: 6-iyun 2024 yil
Ma'qullandi: 9-iyun 2024 yil
Nashr qilindi: 11-iyun 2024 yil

KEY WORDS

*diversification, SWOT analysis, e-retailing,
e-commerce*

ABSTRACT

The paper aims to define the diversification strategy of Amazon by using SWOT analysis. Most customers prefer to buy online rather than buy in a traditional way. Most business transfer and adapt their strategies to e-commerce channels. The research is about analysis the company's strategies by identifying its strength, weakness, opportunities and threats faced by the company in current e-retailing industry. Based on the obtained results, a set of recommendations and suggestions was proposed.

Introduction

The rapid growth of Internet usage allows to rise e-commerce concepts and practices as well. Today e-commerce is a common phenomenon that staged in modern business. Like other sectors of e-commerce, e-retailing is important in making the business successful and profitable. While online shopping has increasing its popularity globally, the e-retail businesses boost their rapid growth in the world market. The expanding online retail marketplace allows customers to shop what they want by one click. Plus, numerous e-retails offer consumers lower prices rather than traditional markets that need to handle paid operations, building rents, taxes. In the competitive online retail sector, Amazon has become retail giant with its unlimited customer service offerings.

This present research seeks to identify how Amazon uses diversification strategy, timelines of diversification practices of Amazon over years and its earning benefits behind diversification strategy. Moreover, it aims to answer to these questions: what Amazon got by being first mover in e-retailing, what are the advantages and how Amazon react to late movers? By using of SWOT in strategic analysis, the best recommendations are given for Amazon in this report. These recommendations focused on expanding selling Amazon brand products, Amazon Fresh, Amazon Go and its shipping area.

Background

Amazon is a multinational technology company, including e-commerce, cloud computing and digital streaming. It was founded by Jeff Bezos in America in 1994 as online bookshop and now it has become a platform which offer diverse products and service to the customers. Amazon's success recipe based on numerous factors. The main one is consonant reinvention of the value chain. (Schmid and Balderman, 2021). It anticipated the development in digitalization, modern payment methods integration, and integrated approach to e-retail and financials. Furthermore, Amazon's acquisition is the key element of its triumph. It played crucial role in the improving its products and services, developing markets and enhancing company's growth and international position in the market (Filson, 2004). Amazon's acquisitions are assigned in retailing, software, service, technology, hardware, equipment and service.

Amazon's vision and mission statements contribute the success of the company. Amazon's mission statement: "We strive to offer our customers the lowest prices, the best available selection, and the utmost convenience". As stated in its mission, the company focused on low price, best selection and convenience. These components are the main elements of e-commerce services targeting consumers' needs. Amazon's corporate vision: "to be Earth's most customer-centric company, where customers can find and discover anything they might want to buy online". This vision statement is aiming to be the largest multi-diversified e-commerce company in the world. It covers global reach, customer-centric approach and wide selection of products that point out the company's goal in the future. Amazon's mission and vision statements are in complete harmony like Amazon's operations.

Amazon financially did a great job with \$575, 1 billion sales revenue according to December, 2023 (Annual report, 2023). The high percentage of revenue and growth is due to Amazon's innovations with its services and wide expansions of its platforms. Amazon continues to grow by evolving and innovating new product and services in the competitive market.

The SWOT analysis of Amazon

A SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) can provide a comprehensive view of Amazon's diversification strategy. The detailed look of Amazon diversification through this framework.

Strengths. Amazon has strong brand and market presence. Amazon is a globally recognized brand, trusted by millions of customers. Its dominant position in e-commerce provides a solid foundation for diversification into various sectors. Moreover, extensive logistics and distribution network is the another factor of Amazon reputation. Advanced logistics infrastructure of Amazon enables efficient delivery of products and services. Amazon's fulfillment centers and last-mile delivery capabilities support quick and reliable service. Furthermore, Amazon is technological expertise that leads in cloud computing through Amazon Web Services (AWS). Advanced use of AI and machine learning to personalize customer experiences and streamline operations. Finally, strong revenue growth and profitability of the company provide the capital necessary for investment in diverse ventures.

Weaknesses. The Amazon has high operating costs of investments in logistics, technology, and new business ventures increase operational costs.

Price wars in competitive markets may impact profitability. Moreover, it depends on third-party sellers. A large portion of revenue comes from third-party sellers, which can be a risk if they move to other platforms.

Opportunities. Expansion into new markets is the leading opportunities of the company in the market. Growing e-commerce markets in developing countries present significant opportunities for expansion. Potential to enter and dominate new sectors such as pharmaceuticals, groceries, and financial services.

Secondly, innovation in technology can effect to the future of e-commerce business.

Its continuously investment in AI, robotics, and other advanced technologies to streamline operations and create new products and services, development of smart home devices and services can be opportunities of its further development.

Threats. Intense Competition in e-retailing industry is the first threats for the Amazon. There is fierce competition from other e-commerce giants like Alibaba and Walmart. Besides that, new entrants in the cloud computing are also threats for the company.

Amazon's diversification strategy is supported by its strengths in brand recognition, technological prowess, and financial resources, enabling it to venture into various industries successfully. However, it faces significant challenges from high operating costs, regulatory scrutiny, and intense competition. By leveraging opportunities in emerging markets, technological innovation, and new sectors like healthcare, Amazon can continue to grow and mitigate the threats posed by economic and regulatory uncertainties.

Conclusion

Based on the results of the findings, it is recommended to invest in and expand AWS services, focusing on AI, machine learning and cybersecurity to maintain leadership in the cloud computing market. Plus, it is proposed to enhance the logistics and delivery infrastructure, including more fulfillment centers and advanced delivery options. Moreover, it is supposed to control of quality of third party sellers and implement stricter quality control measures and robust verification processes for third-part sellers to ensure product quality and customer satisfaction. It is advised to accelerate expansion into emerging markets with tailored strategies to meet local consumer needs and preferences. Developing and promoting sustainable products and practices, including eco-friendly packaging, renewable energy investments, support of green technologies.

Amazon's diversification strategy should leverage its strengths in logistics, technology, and brand recognition while addressing weakness such as thin profit margins. By exploiting opportunities in emerging markets, healthcare and sustainability and mitigating threats from completion, cybersecurity risks and supply chain disruption, amazon can continue to grow and maintain its market leadership.

References

Filson, D. (2004). The Impact of E-Commerce Strategies on Firm Value: Lessons from Amazon.com and Its Early Competitors. *The Journal of Business*, 77(S2), S135-S154.

Schmid, S & Baldermann, S (2021). "[CEOs' International Work Experience and Compensation](#)," [Management International Review](#), Springer, vol. 61(3)

Annual Report (2023) Available from
https://s2.q4cdn.com/299287126/files/doc_financials/2024/ar/Amazon-com-Inc-2023-Annual-Report.pdf