Research on Amazon's Business Strategy

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Abstract. Amazon, an American multinational technology company, was established in 1994 by Jeff Bezos. Its headquarters is situated in Seattle, Washington, USA. The company's business scope is extensive, encompassing areas such as e-commerce, cloud computing, online advertising, digital streaming, and artificial intelligence. Amazon is recognized as one of the five major technology companies in the United States, the other four being Alphabet (Google's parent company), Apple, Meta (Facebook's parent company), and Microsoft. This thesis will elaborate and expound on the various business operations of Amazon's e-commerce company in detail and conduct relevant comparisons with Alibaba. Finally, it will illustrate the competitiveness demonstrated by Amazon's business operation model in the context of globalization. It continuously consolidates its leading position in the e-commerce and technology fields through high-end cloud services, AI intelligent services, and logistics services. Insights and inspirations can be gained through the research on Amazon. Amazon's success shows that it is crucial to always put customer needs first and stay competitive by constantly innovating and enhancing the user experience.

Keywords: Cloud service; Internet; competitive strategy; innovation; globalization.

1. Introduction

Amazon is one of the largest e-commerce and cloud computing companies globally. Its research background involves multiple aspects, including the company's development history, strategic positioning, market expansion strategies, and innovation-driven strategies.

Amazon originated as an online bookstore. In 1994, Bezos founded Amazon, which initially started as a website selling books. Category and geographical expansion: Actively undertake category and geographical expansion initiatives. Self-built logistics system: Build competitive advantages in e-commerce by establishing its own logistics system to enhance service quality. The introduction of AWS has created a new growth impetus for Amazon, facilitating its leap from retail to technology.

Through the research on Amazon, we can gain an in-depth understanding of its reasons for success, strategic layout, competitive advantages, and future development prospects, providing valuable experiences and inspirations for other enterprises [1].

Amazon's e-commerce business witnessed a significantly lower growth rate in 2024 compared to that of the entire market. As per the survey report on the global e-commerce market value and future growth trends issued by Stocklytics, the e-commerce market value is projected to reach 4.11 trillion US dollars in 2024, indicating a 15% increase compared to 2023. Nevertheless, Amazon's e-commerce business is encountering substantial challenges from competitors, particularly from emerging cross-border e-commerce platforms such as Temu and SHEIN. To cope with these challenges, Amazon is progressively implementing a low-price strategy to compete with Temu and SHEIN in terms of "ultimate cost-effectiveness"[2].

In contrast to its e-commerce business, Amazon's cloud service (AWS) has demonstrated a robust growth momentum. In the third quarter of 2024, the year-on-year growth rate of AWS cloud business revenue has continuously ascended for five consecutive quarters. According to the report, in the third quarter of 2024, the net sales of AWS increased by 19% year-on-year to 27.45 billion US dollars, surpassing the rates of 18.7% (in the second quarter of 2024) and 17.25% (in the first quarter of 2024) in the previous two quarters, and also outperforming the growth rate for the entire year of 2023. This implies that AWS is anticipated to exceed 100 billion US dollars in revenue throughout 2024. Furthermore, AWS not only contributes 60% of the company's overall operating profit but also has generated operating profits since 2014 [3].

At the recent Invent 2024 conference, Amazon announced several new products and features, including the Trainium3 chip, a chip for AI training that provides twice the performance and 40% energy efficiency improvement. Examples based on the Trainium 2 chip provide 30-40% improvement in computing cost performance [4].

Amazon's other new services cover computing, storage, databases, big models, AI development platforms, AI business platforms and AI applications.

Amazon Cloud Services (AWS) is a powerful and flexible cloud computing platform that provides a rich set of services and tools to help enterprises and developers build and run applications of all sizes. AWS 'global reach, resilience and resilience, security, and pay-as-you-go model make it the cloud service provider of choice for many enterprises and developers around the world. As technology continues to evolve, AWS will continue to maintain a leading position in cloud computing and drive innovation and development in the industry [5].

This paper will make a detailed study on the business operation mode, business strategy and main business of Amazon e-commerce company, and then elaborate on the guiding role for the development of Alibaba.

2. Amazon Business Analysis

2.1. Supply Chain Integration

By building a strong logistics network, Amazon has built a large number of warehouses and logistics centers around the world to achieve rapid order processing and timely delivery. These logistics centers are located in different locations, allowing them to be closer to customers and shorten the distance that goods can be transported. In addition, Amazon has partnered with logistics companies to use their professional services to speed up the movement of goods [6].

2.2. Data-Driven Forecasting

Amazon uses big data and advanced algorithms to forecast sales and demand, so as to accurately predict demand. It collects users' purchase history and search data to analyze their buying habits and trends. Amazon also works closely with suppliers, sharing sales data and demand information so they can adjust capacity and inventory in real time. Through data-driven forecasting, Amazon is able to accurately determine order quantities and inventory levels, avoiding problems with overstock and backorders [7].

2.3. Automated Warehousing and Distribution

Amazon employs a lot of automation in warehousing and delivery. It introduces robots and automated logistics systems for the automatic handling and storage of goods within warehouses. Compared with traditional manual operations, automated warehousing and distribution can improve processing speed and accuracy, and reduce labor costs and error rates. Amazon has also invested in drones and self-driving technology to further optimize delivery efficiency [8].

2.4. Supply Chain Visualization and Transparency

Amazon attaches great importance to supply chain visualization and transparency. It uses advanced technologies and systems to track and monitor all links in the supply chain in real time. Amazon's suppliers and partners can access and share information about the supply chain through the cloud-based platform, including inventory status, order status, shipping tracking, and more. The visualization and transparency of the supply chain enable Amazon to manage supply chain risks more effectively and respond to problems and anomalies in a timely manner.

2.5. Supply Chain Intelligent Hosting Service

Intelligent Supply Chain Hosting Service This is another innovation based on Amazon's overall supply chain solution. It is a comprehensive and automated set of cross-border supply chain management services that integrates Amazon's years of experience, technical capabilities and innovation in the global supply chain field to provide sellers with full-process services from factory pickup to last-mile delivery. It covers core links such as pick-up from Chinese factories, domestic transportation, inventory consolidation, customs clearance, cross-border transportation, overseas sub-warehousing and warehousing, intelligent inventory management, automatic replenishment and inventory optimization, and last-mile distribution.

Customer Satisfaction and Supply Chain Management, there is a close relationship between Supply chain management (SCM) and customer satisfaction. This article will delve into how SCM directly affects customer satisfaction and the important role it plays in this relationship.

Amazon's rapid delivery and real-time order tracking systems are successful example, that have helped improve customer satisfaction and enable customers to keep informed about the status of their orders. SCM's management of inventory levels and product availability directly affects the customer's shopping experience. Customers want to be able to get what they need whenever they want, without having to face long waits or product stockouts. Through supply chain management, Apple has always maintained high availability and rapid replenishment of products to meet customer needs and improve customer satisfaction.

Supply chain management plays a key role in the quality control of products and services. Customers have higher satisfaction with high-quality products and services and are more likely to become loyal customers. For example, Philips ensures the quality and safety of medical equipment through supply chain management, which improves customer trust. Supply chain management can enhance customer experience through supply chain visualization tools. Customers can track order status, delivery date, and product information, resulting in increased satisfaction. Customers are more likely to be satisfied if they can see the progress of their orders in real-time. Such visualization tools are particularly important in the field of e-commerce.

Customers' demands for transparency and visualization of supply chains will continue to increase. Supply chain visualization tools and platforms will become more pervasive, allowing customers to understand order status and product origin in real-time. More professionals will be needed in the supply chain management field, especially in digital technologies. Businesses need to invest in employee training and development to adapt to the changing environment. Supply chain management will continue to play a key role in corporate economics. Companies need to constantly innovate and adapt to change in order to meet future challenges and opportunities. By adopting an integrated strategy, including digital transformation, sustainability, and risk management, enterprises can achieve a stronger supply chain, provide better products and services, meet customer needs, and thus stand out in the highly competitive market.

Globalization has brought complexity to supply chains, involving multiple countries, time zones, and cultures. Factors such as the movement of goods across borders, trade regulations and currency fluctuations add to the difficulty of management. Solutions include building a global supply chain network, compliance management, and leveraging advanced logistics and tracking technologies.

3.   Amazon's New Progress and Plans in Technological Innovation

Amazon's new progress and plans for technological innovation: in the field of artificial intelligence (AI), especially in cooperation with AI start-up Anthropic.

Co-development of AI chips. AWS customers can use their own data to make small adjustments to the Claude model, which allows customers to retain the model and data in the same cloud environment, increasing security.

For the Claude Model Development, Anthropic's Claude model is used by tens of thousands of customers on Amazon Bedrock, including pharmaceutical giant Pfizer and the European Parliament.

In business services, Anthropic is expanding aggressively, with multiple subscription plans and mobile apps, and its Claude3.5 Sonnet series models have outperformed GPT-4 in a number of benchmarks.

For our strategic decisions, Amazon's partnership with Anthropic also covers the development of a new version of its Alexa AI assistant, as well as access to Claude for U.S. intelligence and defense agencies.

4. Enlightenment and Guidance for Alibaba's Development

Amazon emphasizes customer experience, offering convenient shopping, fast delivery, and superior customer service. This customer-centric philosophy has a certain guiding effect on Alibaba, which motivates Alibaba to continuously improve customer experience to meet the needs of consumers.

Amazon continues to expand its international business, entering various national markets and expanding its global business territory. This globalization strategy has a guiding effect on Alibaba to accelerate the process of internationalization, expand the international market and strengthen international cooperation.

Based on the advantages of online traffic and technology, Amazon began to go offline, layout new retail, and develop in coordination with online business. This new retail model of online and offline integration has a certain guiding effect on Alibaba, prompting Alibaba to promote the concept of new retail, integrate online and offline resources, and build a new retail ecosystem.

Through the influence of these aspects, Amazon has provided Alibaba with valuable development experience and guidance, which has helped Alibaba achieve remarkable achievements in global e-commerce and cloud computing.

5. Conclusion

Amazon continues to consolidate its leading position in e-commerce and technology through diversified business layout, strong logistics system, technological innovation and data analysis. Its business report shows that Amazon has seen significant growth in various business segments, especially AWS cloud services and advertising services. At the same time, Amazon's layout in cross-border e-commerce has been continuously strengthened, and its competitiveness in the global market has been enhanced through localized services and logistics optimization.

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