

# Doorstep Delivery – Managing the Impossible Network – Story of Amazon

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## Article Info

Volume 81

Page Number: 193-202

Publication Issue:

March/April 2019

## Abstract

The proliferation of online shopping has had profound effects on traditional retail business models while also stimulating consumer spending. Online shopping's meteoric rise is altering the retail landscape by substituting efficiency and impersonality for the time-honored practices of brick-and-mortar establishments and personal interaction with customers. Although retail is always changing, the advent of e-commerce has brought about a dramatic shift. Consumers may make educated purchasing choices without leaving the convenience of their own homes thanks to the wealth of information available to them online in the form of product descriptions and reviews written by other customers. In addition, customers may now enjoy a level of convenience that was previously impossible, since some businesses now provide shipment and distribution on the exact day of purchase. Although the development of retail through time is to be expected, the introduction of electronic commerce is revolutionary.

**Keywords:** consumerism, retailer's business model, saturation, consumer, purchase, shipping, evolution of retail

## Article History

Article Received :05 October 2018

Revised: 08 December 2018

Accepted: 18 February 2019

Publication: 30 April 2019

## Introduction

Many people now choose to do their shopping online because of the convenience and accessibility it offers. By engaging in "the activities related to the purchasing and selling of products and services via the internet," or "e-commerce," shoppers no longer need to leave the house to do their shopping. Consumers have come to rely on the convenience of online shopping and expect their favorite retailers to provide their

items via this channel. Such a streamlined and prompt method of buying would have been unthinkable even a short time ago. Seeing how retail has developed over the years sheds insight on the industry's dynamic character and the driving forces behind its constant alteration.

Although there are many online merchants to choose from, Amazon stands out among them. Author Steve Dennis uses the retail business as an example in his paper

"Assessing the harm of the 'Amazon Effect. Dennis calls Amazon a "800-pound gorilla," noting that the corporation has changed the way people buy, upended supply networks, and put tremendous price and profit pressure on each industry it enters.

Amazon's impact on various retail channels has led to shop closures and bankruptcy, particularly in the book business and, more recently, food retailers after its purchase of Whole Foods. The influence of Amazon cannot be disregarded, even if the company is not to blame for the demise of department stores. A survey indicated that over half of all internet searches originate on Amazon.com, and the corporation was responsible for 53% of all online retail growth in 2016. In addition, it is quite difficult to compete with Amazon because of their unique business strategy. Investors aren't counting on a return on their investment, so the corporation is free to subsidize its delivery operations heavily. This sets Amazon even farther apart from businesses that are more traditional.

How companies are "found, assessed, bought, and enhanced" is directly impacted by Amazon's impact on sales, search, marketing, and product development. Although the beneficial effects of increased brand recognition and availability are undeniable, the severely detrimental effect of brand dilution should not be overlooked. Amazon's business approach, which seeks to homogenize the market, devalues the very businesses that bring customers to its site.

But, a "race straight to the bottom" may arise from the company's lackadaisical brand support and aggressive cost-cutting

measures. Without the appeal of well-known brands, Amazon would be little more than a delivery company with nothing of value to offer customers and would face a bleak future if preventative measures were not taken.

### **Antecedents of the Retail Processes**

Even though shopping has changed dramatically throughout the years, money has always been the one constant. Cowrie shells, used as money as far back as 1200 BC, have been discovered by archaeologists. Although much of the commerce at this time was for needs, the elite of the society also utilized shells to buy fresh seafood and locally grown produce.

The earliest public markets appeared about the year 300 AD. The temporary marketplaces were created for financial gain. The mall evolved from these marketplaces, which allowed customers to explore at their leisure, comparing prices and features of various goods. Most people around the end of the 18th century lacked the resources to grow their own food, which led to the emergence of the "high street." Permanent storefronts replaced temporary market booths here, and new services like home delivery and in-store credit were implemented. Around this period, business owners began to realize that a rise in revenue coincided with a rise in client retention. This link prompted the business owners to consider measures to keep customers inside, such as adding escalators and transforming the ladies' restroom into seating areas. Both Montgomery Ward & Sears & Roebuck, two of the most well-known mail-order catalogs, were founded in the late nineteenth century.

In 1872, Aaron Montgomery Ward established Montgomery Ward, a mail-order catalog that became the industry standard. By shipping goods by train, Ward was able to offer customers lower prices and a wider variety of items at the same time. Customers were not restricted to purchasing just what was available in their neighborhood businesses.

Richard W. Sears, a railroad worker, was observing the new retail system in Montgomery and made a revelation that led to the creation of his future catalog at this time. While on the job, Sears saw that distributors often had an excess of stock compared to retail demand. He used this insight to his advantage by acquiring watches from a wholesaler at a discount and reselling them at a premium cost. Sears and his business partner Alvah C. Roebuck used in creating the Sears & Roebuck catalogue, which went on to become more successful than Montgomery's.

Due to a lack of infrastructure, customers were discouraged from picking up their mail at designated sites, meaning that only those who could afford to pay for individual delivery could enjoy the advantages of mail-order catalogs. Farmers' rights advocates successfully advocated for a solution to this issue, which came to be known as "rural free delivery." Farmers might get free package delivery under countryside free delivery if they petitioned their state representative and detailed the infrastructure in their area. Despite congressional opposition due to the large expenses involved, free delivery was established in 1902. The construction of new roads slowed the transition to rural delivery in the beginning, but by 1913, the U.S.

Postal Service began making direct deliveries of domestic mail parcels to rural customers. Using this new service, Sears was able to increase its sales by 500%.

Business-to-consumer goods distribution altered the retail sector in irrevocable ways. The Supreme Court decision "Quill Corp vs. North Dakota" also had an effect on the sector by making it regular practice for businesses to not have to pay taxes on sales in states where they had no physical presence. This law's passage opened up vast new possibilities for the retail sector, and they were quickly seized upon by a guy named Jeff Bezos, founder of a company called Amazon that exploited this legal gap. Now, "Amazon is so huge that it gets the US postal service to serve on Sundays," which is a fascinating fact to consider. Both Sears & Montgomery had far-reaching effects on the retail business, and their legacy can still be seen today.

With the invention of the shopping cart in 1937, retailers hoped that customers would spend more money and spend more time in-store since they no longer had to abandon their purchases because they could not carry them all. The convenience of being able to store one's goods in one's vehicle and one's food purchases in one's refrigerator made it possible for shoppers to make larger purchases in a single shopping trip.

The 1960s saw the rise of outdoor shopping malls and big-box stores. A growing population, more people living in suburban areas, and more advertising on television all contribute to this trend. Supermarkets and other large chain businesses emerged in the next decade as shoppers prioritized speed

and convenience. Customers were able to do all of their shopping in one convenient location and save money. The development of the internet brought about yet another shift in the retail sector, and it is often considered to be the most significant shift to date. Ecommerce was made possible by the proliferation of the internet, enabling people to shop without leaving their houses. In 1994, the first ever purchase was made via the Internet.

### **Advent of E-Commerce Expansion**

People increasingly choose to do their purchasing online. It is projected that by 2020, worldwide e-commerce would have reached \$4 trillion, up from an estimated \$1.9 trillion in 2016. Revenues from online shopping in the United States are projected to hit \$704.1 billion by 2022, a yearly growth rate of 9.3 percent over the following five years. Many factors have contributed to the meteoric rise of online shopping. Companies in this sector now have access to potentially millions of new customers thanks to the meteoric expansion of the internet.

There are a lot of e-commerce firms out there, but just around 20 of them generate the vast majority of industry income. Amazon has 21.1% of the market share in this business, making it the top rival. Apple Inc., eBay, Target, and Wal-Mart are other significant rivals, although together they only account for around 6% of the market. As e-commerce continues to grow in popularity and profitability, so too will the number of businesses operating in the sector.

### **Why Amazon Above All Retailers**

A Porter's Five Forces analysis is shows the influence of each force on Amazon.

- a) Suppliers' bargaining power is on the moderate side of force/trend. Online retailers may have a fair amount of influence on their suppliers. After an agreement is made, they must follow all of the e-commerce firm's policies and procedures. Suppliers' total influence is diminished by the scarcity of channels for them to build a strong online retail presence and promote their products. A supplier can't afford to lose its placement on a big e-commerce retailer's site if it wants to achieve its goals. Certain brands, however, have greater influence than others owing to factors such as size and quality, enjoying widespread recognition even when not featured prominently on the website of a particular online store. These vendors are highly sought after by e-commerce companies since they generate the highest sales. Suppliers are unable to exert much negotiation pressure over Amazon since they want want to be included on Amazon's website. Amazon, on the other hand, relies heavily on a few very popular brands to both attract and retain customers. In order to maintain the power that has made it so successful, Amazon must stand by its suppliers and avoid undermining the brands it sells.
- b) Customers have a lot of leverage in negotiations since they may easily move between different internet stores. As e-commerce companies are very competitive with their pricing, shoppers should anticipate seeing comparable prices from stores offering the same

items, or even a reduction in price if they call attention to a price difference. Dissatisfied shoppers always have the option to go to another store if they don't like how an e-commerce business treats them. Because of the public nature of product reviews on e-commerce websites, consumers have a great deal of influence in the e-commerce market. Consumers' trust in these evaluations, which are meant to mimic the advice of sales associates, is so high that they make or break a business's bottom line. With its dominant position in the online retail sector, Amazon places a premium on customer satisfaction. Customer retention is crucial to the company's success, thus it must work hard to prevent dissatisfied consumers from taking their business elsewhere. Amazon claims to be customer-focused, but it must regularly assess its operations to ensure it lives up to the claim.

- c) Competition from new entrants is difficult to assess since there is not a single dominant player in the e-commerce market.
- d) 53 There are a lot of little mom-and-pop shops, but they can't compete with the big box stores. Prospective businesses may launch an e-commerce site with little effort, particularly with the recent decline in the initial expenses and essential skillsets associated with doing so. Shopify and Squarespace are two e-commerce systems that may let budding online businesses create a website with little to no coding knowledge. Smaller e-commerce enterprises with a specialty in one of Amazon's product lines should

worry the giant retailer, but new entrants do not need to worry about expanding to its magnitude.

- e) Competition from Other Retail Channels The e-commerce business faces intense competition from alternative retail channels selling similar or identical items. Customers are enticed to buy online because of its ease of use, but brick-and-mortar stores will always pose a threat due to the social benefits and browsing options that provide. In addition to competing with Amazon in the online retail space, Wal-Mart also offers customers a wide variety of traditional storefronts in many different countries. As a result of this pressure, Amazon has opened physical stores and acquired Whole Foods. The business also intends to expand its physical footprint in regions where it believes online sales will have limited growth potential.
- f) Rivalry: Due to intense internal and external competition, retailers in this sector are known for their ruthlessness. Companies in this sector compete with one another on a host of internal fronts, including product variety, website usability, pricing, and the availability of value-added services like shipping and delivery. Consumers may easily move from one e-commerce site to another, making it more likely that they will do so in order to find a store that best meets their evolving requirements. The level of competition in the e-commerce sector is projected to rise. Amazon is the biggest e-commerce firm, but it has stiff competition from the likes of Apple Inc., Wal-Mart, Target, and E-bay, so it is



crucial for Amazon to continue innovating and focusing on its customers.

### **Amazon: Genesis and Progress**

Amazon is sometimes referred to as "the world's largest online marketplace for almost anything and everything," and its visionary founder, Jeff Bezos, first began toying with the concepts that would eventually become Amazon in the early 1990s. Bezos realized that books would be the ideal commodity to sell on the internet since book wholesalers already stored digitized listings of their books online while doing research for D.E. Shaw & Co., a worldwide investment and technological development corporation. Bezos offered his idea to Shaw, but Shaw turned it down. The firm was unable to visualize Bezos's imagined future.

Bezos started Amazon in Seattle in 1994, full of faith in his vision. He chose to call it after the mighty Amazon River in South America with the hope that it will grow to be as massive as the river itself. Bezos launched the business website in July of 1995 after months of careful planning and preparation, and the rest, as they say, is history. In less than a month, the corporation sent books to all 50 states and 45 foreign countries, giving them a taste of the change that was to come. 61 This company's early success may be traced back to Bezos' involvement.

Bezos was determined to make his dream a reality and prove that Amazon would be there for the long haul. In 1998, the firm started introducing new ranges of merchandise. Amazon's early predation on its rivals was highlighted by its acquisition of online bookshops in the UK and Germany. The acquisition of IMDb provided Amazon

with the advertising resources necessary to enter the DVD and VHS retailing markets, which it had hitherto ignored. By purchasing the price comparison website Junglelee and the time management and reminder service PlanetAll, Bezos gave the firm a significant boost in its growth ambitions. Rapid expansion and media coverage led to Amazon's market valuation equaling that of Barnes & Noble and Borders Group put together, despite those two retailers' combined revenues being far higher than the upstart's. Amazon's rapid rise to prominence in only four years exemplified the company's early promise as a market leader.

Amazon teamed up with the prestigious art auction business Sotheby's in 1999 and began building warehouses to speed up delivery and store more stock. Time magazine crowned Jeff Bezos "Person of the Year" after his business distributed 20 million things to 150 different countries. It might now be said that Bezos' dream had come true. With a 10-year agreement with Toys-R-Us beginning in 2000, Amazon redoubled its efforts to get into the toy sector. By striking a partnership agreement, Toys-R-Us became Amazon's exclusive toy dealer. Amazon laid off 15% of its workers in 2001 as part of a corporate reorganization effort. Borders, a former competitor, and the firm struck a contract so that Borders could supply services to help the company thrive. The firm also benefited from an AOL investment of \$100 million. In 2002, Amazon increased its selection by adding clothes from well-known brands including Nordstrom, Gap, and Lands' End. In the same year, Amazon joined an exclusive group of 160 businesses by earning certification from the Internet Corporation

for Assigned Names and Numbers (ICANN) as a domain registrar. Amazon's first foray into the food market was in 2006. After successfully delivering dry goods to customers in a pilot program, Amazon expanded to Seattle with its fresh food delivery service, Amazon Fresh. In 2007, Amazon introduced the Kindle, a portable electronic book reader that was part of the company's ongoing effort to diversify its product offerings. The popularity of the launch was such that in 2011, Amazon said that it was selling more ebooks than printed books.

In 2009, Amazon bought up Zappos.com, a big online retailer that specialized in selling shoes and clothing. The advantages of their deal were not technical in nature, since Amazon's online product distribution skills were greater than Zappos' before the purchase. Amazon purchased Zappos because of its excellent customer service and progressive work environment.

After purchasing Zappos, Amazon has gone on to purchase a wide variety of businesses, including a social cataloging firm, a voice-to-text startup, an online education marketplace, and an online book reseller.

By acquiring companies with deep expertise in these areas, Amazon may incorporate their knowledge into its own product offerings and business practices. With this approach, the company's potential for expansion seems to have no bounds. In 2010, the firm made a significant investment in the entertainment sector by establishing Amazon Studios, which is now headed by a former executive of Walt Disney. The ".buy" domain was bought by Amazon in 2014 for \$4.6 million,

marking its dominance as the premier online buying destination. Amazon released the Fire Phone in 2014, after the success of its Fire HD tablet and Fire TV. The Fire Phone was an abject failure when pitted against the iPhone and Android phones, and was discontinued only one year after its release. The \$170 million loss was the result of a miscalculation in the company's performance. Yet, the effects of this setback were temporary. Amazon launched the Echo in 2015, rejecting the idea that it could not compete in the technology sector with its own goods. This device is both a speaker and an AI helper known as Alexa. Alexa may be used for a variety of tasks, including playing music, answering inquiries, and placing shopping on Amazon.com. In addition, Amazon surpassed Walmart in market capitalization at the end of 2015 and had achieved \$136 billion in sales by the end of 2016. By purchasing Whole Foods for \$13.7 billion in 2017, Amazon took a giant step toward food sector unification. This purchase demonstrates management's understanding of the need for both online and offline channels of business by committing substantial resources to the former. Furthermore, Whole Foods gives Amazon with a wealth of customer data, allowing for a more in-depth knowledge of the food sector and a more successful Amazon brand entry into the grocery market in the future. Amazon also introduced Prime Wardrobe, "a new service that brings the fitting room directly to the homes of Prime members so they can try on the latest styles before they buy," in 2017. This followed a year in which the company surpassed 100 million paid Prime members worldwide, customers purchased tens of

millions of Echo devices, and Amazon music expanded to 30 additional countries.

### **Environmentally Detrimental Impact**

Amazon has a significant window of opportunity to advance its sustainability standards in light of the current emphasis on reducing the imprint corporations leave on the environment. The increased emissions from shipping services pose a serious environmental risk for online retailers. Amazon's packing process also results in a lot of cardboard and plastic trash. Amazon's failure to disclose its environmental impacts in the past was a missed opportunity to build trust in the company among customers and the general public. Not only would the environment benefit from Amazon's attention to a corporate social responsibility plan and the adoption of a new and enhanced sustainability program, but so would the company's reputation.

### **Conclusion**

One of Amazon's many strengths is its selection of private label goods. Amazon receives all of the benefits of its success since it owns all of the items. The Kindle changed the way people read books by giving them a portable way to access electronic versions of their favorite titles. The popularity of the Amazon Echo is a major asset for Amazon. Amazon stands to gain from the expansion of the voice-enabled personal assistant and smart device markets. While both Google and Microsoft are hard at work on their own versions of a home assistant (Google Home and Microsoft Cortana, respectively), Amazon's Echo has already cornered between 70.6 and 76.6 percent of the market, putting it in the best

position to profit from the industry's projected growth. Amazon has a competitive advantage due to its Prime shipping promise of two-day delivery.

The companies Amazon has bought out are also among its greatest assets. Amazon has expanded and diversified its expertise via a series of shrewd mergers and acquisitions. Amazon is always looking to grow and improve by acquiring firms that show they are experts in certain fields. One of Amazon's advantages is its wide variety of products, which allows the company to spread its financial risk and weather market storms better. Amazon has gone a long way, but the company still has many more historic moves to make.

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