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Mini-Case

Watch Out All Retailers, Here Comes Amazon; Watch Out Amazon, Here Comes Other Competitors

Amazon's sales in 2014 were $88.99 billion, an increase of 19.4 percent over 2013. In fact, its sales in 2014 were a whopping 160 percent more than its sales in 2010, only four years prior. Amazon has been able to achieve remarkable gains in sales by providing high quality, rapid, and relatively inexpensive (relative to competitors) service. Amazon has taken on such formidable competitors as Walmart, Google, and Barnes & Noble, among others, and has come out of it as a winner, particularly in the last 4–5 years.

Walmart has been emphasizing its online sales as well. In 2014, it grew online sales by about $3 billion, for a 30 percent increase. That seems like excellent progress, until one compares it to Amazon's sales increase in 2014 of about $14.5 billion. Much opportunity remains for both to improve as total 2014 online sales were $300 billion.

Google is clearly the giant search engine with 88 percent of the information search market. However, when consumers are shopping to purchase goods, Amazon is the leader. In the third quarter of 2014, 39 percent of online shoppers in the United States began their search on Amazon, compared to 11 percent for Google. Interestingly, in 2009 the figures were 18 percent for Amazon and 24 percent for Google. So, Amazon appears to be winning this competitive battle with Google.

Barnes & Noble lost out to Google before by ignoring it as a threat. Today, B&N has re-established itself in market niches trying not to compete with Google. For example, its college division largely sells through college bookstores, which have a 'monopoly' location granted by the university. However, Amazon is now targeting the college market by developing agreements with universities to operate co-branded websites to sell textbooks, university t-shirts, etc. Most of the students already shop on Amazon, making the promotion easier to market to universities and to sell to students.

A few years ago, Amazon was referred to as the Walmart of the Internet. But, Amazon has diversified its product/service line much further than Walmart. For example, Amazon now competes against Netflix and other services providing video entertainment. In fact, Amazon won two Golden Globe Awards in 2015 for programs it produced. Amazon also markets high fashion clothing for men and women. Founder and CEO of Amazon, Jeff Bezos, stated that Amazon's goal is to become a $200 billion company, and to do that, the firm must learn how to sell clothes and food.

It appears that Amazon is beating all competitors, even formidable ones such as Google and Walmart. But, Amazon still needs to carefully watch its competition. A new company, Jet.com, is targeting Amazon. Jet.com was founded by Marc Lore, who founded the highly successful Diaper.com and a former competitor of Amazon, Quidsi. Amazon hurt Quidsi in a major price war and eventually acquired the company for $550 million. Lore worked for Amazon for two years thereafter but eventually quit to found Jet.com. Jet.com plans to market 10 million products and guarantee the lowest price. Its annual membership will be $50 compared to Amazon Prime's cost of $99. Competing with Amazon represents a major challenge. However, Jet.com has raised about $240 million in venture funding with capital from such players as Bain Capital Ventures, Google Ventures, Goldman Sachs, and Norwest Venture partners. Its current market value is estimated to be $600 million. The future competition between the two companies should be interesting.