

Analysis of Amazon's Product Kindle Facing Competition and Development Strategy

Yang Yu

Pennybeibei111@icloud.com

Abstract

Kindle belongs to Amazon's e-book brand. The article mainly analyzes kindle through PEST analysis of macro-environmental, competition analysis, vision and mission in strategic pyramid, consumer's use experience and service experience, and dynamic organizational capability and blue ocean strategy. The rise of the Kobo e-reader has squeezed the market share of the Kindle. Amazon needs to deal with this threat through better talent, buying more e-book copyrights and changing the distribution model of its products.

Keywords

e-book; Kindle; PEST analysis; Kobo e-reader.

1. Introduction

With the advent of the fourth industrial revolution, all fields will be further developed. Amazon and its product Kindle will also be significantly affected. This article analyzes Amazon's product Kindle through five parts. This article is divided into five main parts: PEST analysis of macro-environmental, competition analysis, Vision and mission in strategic pyramid, consumer's use experience and service experience, and employee of dynamic organizational capability and blue ocean strategy.

2. PEST Analysis of Macro-environmental

In terms of politics, there are many countries that in the past restricted foreign investment and development, but later changed because of national policies. China is the most representative country. The Chinese government put forward the policy of reform and opening up in December 1978. China has received over more than \$40 billion in foreign direct investment as of 1997, making it the second-largest recipient of foreign direct investment in the world (Coughlin and Segev, 2000). The Chinese government issued the "Foreign Investment Guidance Catalogue" in 2017, which significantly reduced the restrictions on foreign investment access.

In the economic field, many small businesses around the world have partnerships with Amazon. In 2017, Amazon had more than \$100,000 in sales generated by these small businesses (Amazon.com, Inc., 2018).

In society, nowadays young people prefer to use trendy products. Most people find it inconvenient to carry the heavyweight of paper books. The Kindle is lightweight and has many books to choose from (Schwab, 2017).

In technologies, the Kindle's ink screen makes e-books look more like paper books. Ink screens can also help reduce eye fatigue (Stolaroff, 2014). Amazon proposed UAV express plan several years ago, and commercial UAVs are illegal not only in the United States but also in China, so the project has been on hold (ibid).

3. Competition Analysis

With the rise of e-commerce in the third industrial revolution and the development of the fourth industrial Revolution, consumers' demand for e-commerce is not only for purchasing goods but also for obtaining good service experience (Schwab, 2017). Amazon's Kindle store has millions of eBooks for people to choose from (ibid). But according to Porter's five forces of figure 1 , while the Kindle already has a lot of e-book copyrights, there are still a lot of books that are not. Amazon not only has its own express company but also cooperates with third-party express companies, such as UPS and FedEx. When people buy A Kindle, Amazon selects the nearest warehouse to deliver the item based on the buyer's shipping address. This greatly improves the efficiency of delivery.

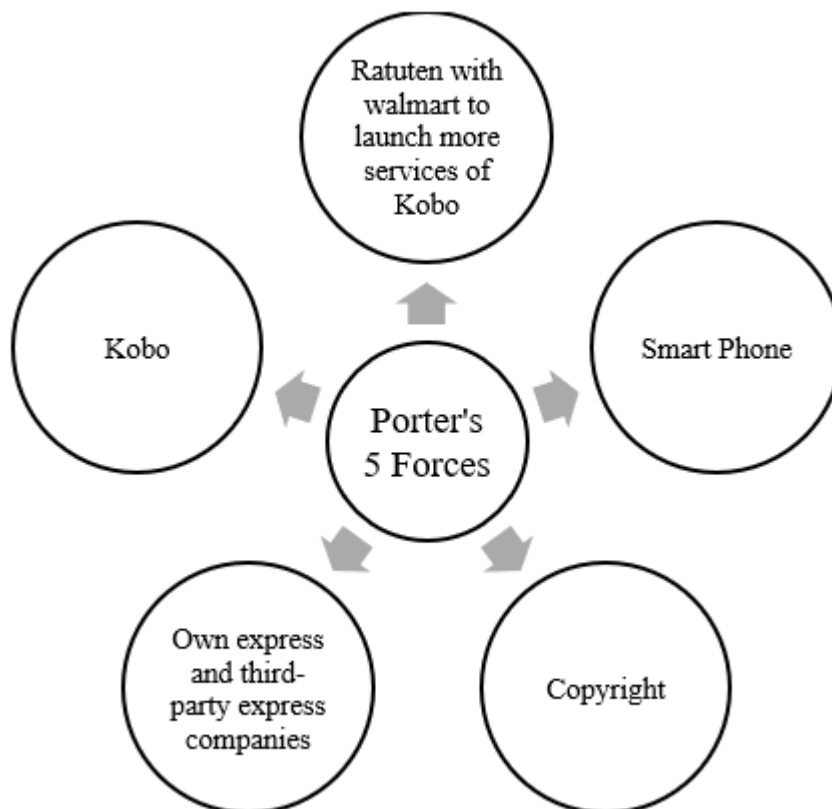


Figure 1. Porter's 5 Forces of Amazon's product Kindle

The Kindle will also face different competitors in the field of e-books (amazon.com, Inc., 2018). According to Porter's 5 forces in Figure 1, Kobo is the Kindle's current major competitor. Britain's Waterstones replaced digital books with e-books in 2016, and Kobo bought the copyrights to all e-books (BBC news, 2018). By acquiring a large number of e-book copyrights, Kobo has further squeezed the original Kindle market. The new threat to the Kindle also comes from Kobo. Kobo and Wal Mart reached a cooperation agreement in 2018. Wal Mart has become the exclusive distributor of Kobo in the U.S. market, and Wal Mart has also customized exclusive online distribution services for Kobo in Japan (Rutherford, 2018). As a result, the market share of the US and Japanese markets of the Kindle has also been impacted by Kobo. With the development of the business model and the entry of well-funded competitors into the market, Amazon will face greater pressure (Amazon website, company, 2018). Smartphones are potential alternatives to the Kindle. Everyone will take smartphones with them, and there is a lot of reading software for people to choose from, but too much software will also affect people's reading experience. The Kindle uses an unsophisticated ink screen, but it can make it more like

a paper book, and the ink screen can also help reduce eye fatigue (stolaroff, 2014). In the face of the impact, enterprises need to rethink their business models and adjust their strategies, because they need to operate faster and more flexibly (Schwab, 2017). Amazon can make use of the advantages and attractiveness of diversified platforms to reach strategic cooperation with enterprises in more countries and regions.

4. Vision and Mission in Strategic Pyramid

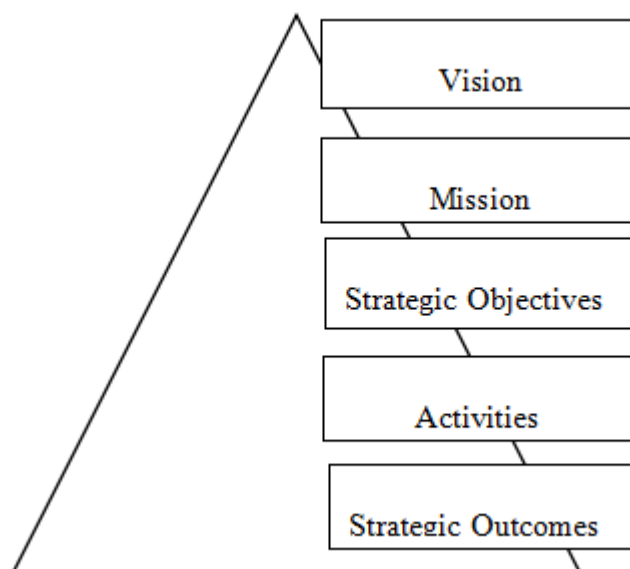


Figure 2. The Strategy Pyramid

As the strategic pyramid shows, vision and mission are the most important two points. Amazon takes four principles as their mission: focus on customers rather than competitors, stay innovative, focus on the long term, and focus on Operational Excellence (Comparably, 2018). As a sub-product of Amazon, the Kindle needs to follow Amazon's mission while using digital and information technology to develop new technologies (Schwab, 2017).

Being customer-centric and allowing people to buy anything they want at Amazon is Amazon's vision (Comparably, 2018). Kindle's vision is to make the perfect copy of paper books so that people have the most perfect reading experience. Bezos mentioned in a letter to shareholders in 2017 that Amazon needs to use a wider range of artificial intelligence technology to make the platform's services more intelligent (ibid). Amazon can also use more AI technology in the Kindle to provide a more intelligent way of reading and better reading experience.

5. Consumer's Use Experience and Service Experience

Many people who use the original Kindle complain that it must be slow to switch pages and has very low touch sensitivity. This is not the most serious problem. The most serious problem is that the original Kindle couldn't use page skipping, which means it's impossible for a person to jump directly from page one to page 100 when using a Kindle. The sensitivity and sensitivity of the new touch screen devices have been improved. The use of page skipping also enables the Kindle to turn pages quickly.

Amazon's service model so far is still based on services 2.0 or 3.0. Service 2.0 and service 3.0 mean that Amazon always responds to questions based on past experience, and it's hard to change the service model. In order to provide better user experience, it is necessary to upgrade service 4.0. Service 4.0 is composed of nine important parts: big data and analysis, bionic

computing, ubiquitous connectivity and Internet of things, cloud computing, cognitive computing, intelligent devices, robot process automation, virtualization and augmented reality (rehse, Hoffmann and kosanke, 2018). Offer active services and develop new features on the Kindle. Private customized service is the new trend. Through the use of the Internet of Things and big data to analyze the user data of Kindle purchase, to recommend and provide unique Kindle for different users.

6. Dynamic Organizational Capability and Blue Ocean Strategy

Amazon is a company that covers a wide range of fields. Amazon's different industries interact and promote each other, forming a spider web (Ulrich, 2017). The Kindle is an important part of Amazon. In the early days when the Kindle was invented, it occupied a large number of e-book markets all over the world and was in a dominant position in the e-book market. In the section of competition analysis, it is mentioned that Kobo is the biggest competitor of Kindle, and has strategic cooperation with Wal Mart to seize the market of Kindle. In order to deal with such a situation, it is an effective way for Amazon to select the right talents and improve the dynamic organizational ability of employees.

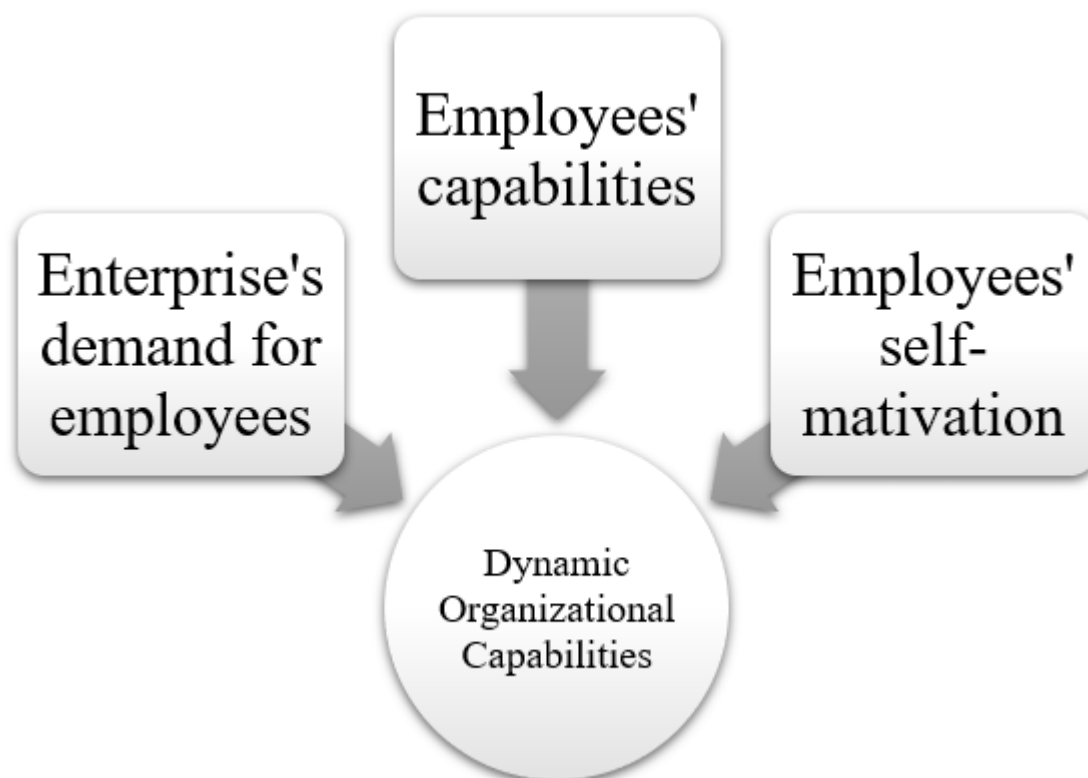


Figure 3. Employee of Dynamic Organizational Capability

With the development of the mobile Internet era, "talents win" has become particularly important. Bill Gates once expressed the view that the value created by outstanding engineers is 1000 times of the average value. Because creative work is more determined by the human brain. The development of an enterprise, the quality of employees is better than the quality of employees, the selection of elite employees is very important. The management mode of only relying on material means to motivate employees is out of date. Enterprises need to make employees have a sense of belonging so that employees can complete self-motivation according

to the mission, vision, values, the meaning of work itself, and performance distribution mechanism.

There are currently three different versions of the Kindle. The backlight function of the screen is the main difference between the mid-end and low-end products. The existence of middle end products will affect the sales of high-end products. Amazon should reduce the production of this version appropriately, so that those who want to buy the Kindle and don't want to choose the low-end product will choose the high-end model.

7. Conclusion

Amazon and its product Kindle have an excellent development environment under the effect of the fourth industrial revolution. Facing the competition from Kobo, it is necessary to increase the copyright of e-books, recruit more excellent talents, and provide more convenient services through the Amazon platform.

References

- [1] Amazon.com, Inc., 2018. 2017 Amazon Annual Report. [Online] Available at: <https://ir.aboutamazon.com/static-files/917130c5-e6bf-4790-a7bc-cc43ac7fb30a> [Accessed 7 November 2018].
- [2] BBC News. (2018). Waterstones to stop selling e-books. [online] Available at: <https://www.bbc.co.uk/news/36360531> [Accessed 20 Nov. 2018].
- [3] Comparably. (2018). Amazon Mission, Vision & Values. [online] Available at: <https://www.comparably.com/companies/amazon/mission> [Accessed 20 Nov. 2018].
- [4] Coughlin, C. and Segev, E. (2000). Foreign Direct Investment in China: A Spatial Econometric Study. *The World Economy*, 23(1), pp.1-23.
- [5] Rehse, O., Hoffmann, S. and Kosanke, C. (2018). Tapping into the Transformative Power of Service 4.0. [online] <https://www.bcg.com>. Available at: <https://www.bcg.com/publications/2016/tapping-into-the-transformative-power-of-service-4.aspx> [Accessed 26 Nov. 2018].
- [6] Rutherford, S. (2018). Gizmodo.com. [online]. Available at: <https://gizmodo.com/amazon-kindles-best-competitor-just-got-a-big-leg-up-1822444465> [Accessed 20 Nov. 2018].
- [7] Schwab, K., 2017. *The Fourth Industrial Revolution*. first ed. Great Britain: Portfolio Penguin.
- [8] Stolaroff, J.K., 2014. The need for a life cycle assessment of drone-based commercial package delivery (No. LLNL-TR-652316). Lawrence Livermore National Lab. (LLNL), Livermore, CA (United States).
- [9] Ulrich, D. (2018). Insights from Amazon's Strategic and Organizational Disruptions. [online] LinkedIn. Available at: <https://www.linkedin.com/pulse/amazon-acquisition-how-organizational-strategic-led-137-dave-ulrich> [Accessed 26 Nov. 2018].