

inventory, fulfillment, and shipping applications. Your customers need not know that Amazon played any role at all. You can also sell that same inventory using Amazon's retail sales applications.

Amazon Web Services (AWS) allow organizations to lease time on computer equipment in very flexible ways. Amazon's Elastic Cloud 2 (EC2) enables organizations to expand and contract the computer resources they need within minutes. Amazon has a variety of payment plans, and it is possible to buy computer time for less than a penny an hour. Key to this capability is the ability for the leasing organization's computer programs to interface with Amazon's to automatically scale up and scale down the resources leased. For example, if a news site publishes a story that causes a rapid ramp-up of traffic, that news site can, programmatically, request, configure, and use more computing resources for an hour, a day, a month, whatever.

With its Kindle devices, Amazon has become both a vendor of tablets and, even more importantly in the long term, a vendor of online music and video. And to induce customers to buy Kindle apps, in 2013 Amazon introduced its own currency, Amazon Coins. In 2014, Amazon opened a 3D printing store from which customers can customize their own toys, jewelry, dog bones, and dozens of other products. It also made a push to provide video services by introducing Fire TV.¹⁶

In 2015 Amazon introduced WorkMail, a potential cloud-based replacement for Microsoft Exchange. It also introduced Amazon Home Services (local professional services), Amazon Destinations (travel site), Amazon Echo (a voice-enabled ordering system), Amazon Books (a physical retail location), and Amazon Dash (a one-button reordering device), and it started selling semiconductors after acquiring Annapurra Labs.¹⁷ By mid-2016 Amazon announced its new Kindle Oasis and the launch of its new Payments Partner Program designed to compete with PayPal, Apple Pay, and Visa.

Finally, Jeff Bezos announced in 2014 that Amazon was experimenting with package delivery using drones, a service called Prime Air.¹⁸ In 2015, Amazon was given permission to start testing its drones in the United States but was hampered by U.S. regulations. Consequently, by mid-2016 Amazon expanded its testing to Canada, the United Kingdom, and the Netherlands.¹⁹ But drone delivery is something that will happen in the future; consider a business service that *Amazon.com* is offering right now.

Fulfillment by Amazon (FBA)

Fulfillment by Amazon (FBA) is an Amazon service by which other sellers can ship goods to Amazon warehouses for stocking, order packaging, and shipment. FBA customers pay a fee for the service as well as for inventory space. Amazon uses its own inventory management and order fulfillment business processes and information systems to fulfill the FBA customers' orders.

FBA customers can sell their goods on *Amazon.com*, sell them via their own sales channels, or both. If the FBA customer sells on *Amazon.com*, Amazon will provide customer service for order processing (handling returns, fixing erroneously packed orders, answering customer order queries, and the like).

The costs for Fulfillment by Amazon depend on the type and size of the goods to be processed. The FBA fees for standard-size products as of April 2016 are shown in the table.

	FBA Costs ²⁰
Order handling (per order)	\$1.00
Pick & pack (per item)	\$1.06
Weight handling (per pound)	Between \$0.50 for less than 1 pound, to \$1.95 plus \$0.39 per pound for items over 2 pounds
Storage (cubic foot per month)	\$0.54 between January and September and \$0.72 from October to December

If goods are sold via *Amazon.com*, Amazon uses its own information systems to drive the order fulfillment process. However, if the goods are sold via an FBA customer's sales channel, then the FBA customer must connect its own information systems with those at Amazon. Amazon provides a standardized interface by which this is done called Amazon Marketplace Web Service (MWS). Using Web-standard technology (see Chapter 6), FBA customers' order and payment data are directly linked to Amazon's information systems.

FBA enables companies to outsource order fulfillment to Amazon, thus avoiding the cost of developing their own processes, facilities, and information systems for this purpose.

QUESTIONS

- 3-4.** Based on the facts presented in this case, what do you think is *Amazon.com*'s competitive strategy? Justify your answer.
- 3-5.** Jeff Bezos, CEO of *Amazon.com*, has stated that the best customer support is none. What does that mean?
- 3-6.** Suppose you work for Amazon or a company that takes innovation as seriously as Amazon does. What do you suppose is the likely reaction to an employee who says to his or her boss, "But, I don't know how to do that"?
- 3-7.** Using your own words and your own experience, what skills and abilities do you think you need to have to thrive at an organization like Amazon?
- 3-8.** What should UPS and FedEx be doing in response to *Amazon.com*'s interest in drone delivery?

- 3-9.** Summarize the advantages and disadvantages for brick-and-mortar retailers to sell items via *Amazon.com*. Would you recommend that they do so?
- 3-10.** If a brick-and-mortar retailer were to use FBA, what business processes would it not need to develop? What costs would it save?

- 3-11.** If a brick-and-mortar retailer were to use FBA, what information systems would it not need to develop? What costs would it save?

- 3-12.** If a brick-and-mortar retailer were to use FBA, how would it integrate its information systems with Amazon's? (To add depth to your answer, Google the term *Amazon MWS*.)

MyMISLab™

Go to the Assignments section of your MyLab to complete these writing exercises.

- 3-13.** Samantha Green owns and operates Twigs Tree Trimming Service. Samantha graduated from the forestry program of a nearby university and worked for a large landscape design firm, performing tree trimming and removal. After several years of experience, she bought her own truck, stump grinder, and other equipment and opened her own business in St. Louis, Missouri. Although many of her jobs are one-time operations to remove a tree or stump, others are recurring, such as trimming a tree or groups of trees every year or every other year. When business is slow, she calls former clients to remind them of her services and of the need to trim their trees on a regular basis. Samantha has never heard of Michael Porter or any of his theories. She operates her business "by the seat of her pants."

- Explain how an analysis of the five competitive forces could help Samantha.
- Do you think Samantha has a competitive strategy? What competitive strategy would seem to make sense for her?
- How would knowledge of her competitive strategy help her sales and marketing efforts?
- Describe, in general terms, the kind of information system that she needs to support sales and marketing efforts.

- 3-14.** YourFire, Inc., is a small business owned by Curt and Julie Robards. Based in Brisbane, Australia, YourFire manufactures and sells a lightweight camping stove called the YourFire. Curt, who previously worked as an aerospace engineer, invented and patented a burning nozzle that enables the stove to stay lit in very high winds—up to 90 miles per hour. Julie, an industrial designer by training, developed an elegant folding design that is small, lightweight, easy to set up, and very stable. Curt and Julie manufacture the stove in their garage, and they sell it directly to their customers over the Internet and via phone.

- Explain how an analysis of the five competitive forces could help YourFire.
- What does the YourFire competitive strategy seem to be?
- Briefly summarize how the primary value chain activities pertain to YourFire. How should the company design these value chains to conform to its competitive strategy?
- Describe business processes that YourFire needs in order to implement its marketing and sales and its service value chain activities.
- Describe, in general terms, information systems to support your answer to part d.

- 3-15.** A friend of yours from college, who you haven't talked to in 3 years, sends you an email asking you to meet him for lunch. He says he's got a great idea for a business and wants to run it by you. At first you're hesitant because your