

CASE STUDY 3

The Amazon of Innovation

On December 2, 2013, Amazon.com customers ordered 36.8 million items worldwide, an average of 426 items per second, with more than half of the orders from mobile devices. At the peak of sales for the Xbox One and the PlayStation 4, Amazon customers purchased more than 1,000 of those units per minute. The last local express delivery was ordered by a customer in Everett, Washington, at 12:26 PM on December 24 and was delivered at 3:56 PM that same day.

You may think of Amazon as simply an online retailer, and that is indeed where the company has achieved most of its success. To do this, Amazon had to build an enormous supporting infrastructure—just imagine the information systems and fulfillment facilities needed to ship 36.8 million items on a single day. That infrastructure, however, is needed only during the busy holiday season. Most of the year, Amazon is left with excess infrastructure capacity. Starting in 2000, Amazon began to lease some of that capacity to other companies. In the process, it played a key role in the creation of what are termed *cloud*

services, which you will learn about in Chapter 6. For now, just think of cloud services as computer resources somewhere out in the Internet that are leased on flexible terms.

Today, Amazon's business lines can be grouped into three major categories:

- Online retailing
- Order fulfillment
- Cloud services

Consider each.

Amazon created the business model for online retailing. It began as an online bookstore, but every year since 1998 it has added new product categories. The company is involved in all aspects of online retailing. It sells its own inventory. It incentivizes you, via the Associates program, to sell its inventory as well. Or it will help you sell your inventory within its product pages or via one of its consignment venues. Online auctions are the major aspect of online sales in which Amazon does not participate. It tried auctions in 1999, but it could never make inroads against eBay.³

³For a fascinating glimpse of this story from someone inside the company, see "Early Amazon: Auctions" at <http://glinden.blogspot.com/2006/04/early-amazon-auctions.html>, accessed August 2012.