

BUILDING YOUR MARKETING PLAN

Does your marketing plan involve selecting channels and intermediaries? If the answer is “no,” read no further and do not include this element in your plan. If the answer is “yes”:

- 1 Identify which channel and intermediaries will provide the best coverage of the target market for your product or service.
- 2 Specify which channel and intermediaries will best satisfy the important buying requirements of the target market.
- 3 Determine which channel and intermediaries will be the most profitable.
- 4 Select your channel(s) and intermediary(ies).
- 5 If inventory is involved, (a) identify the three or four major kinds of inventory needed for your organization (retail stock, finished products, raw materials, supplies, and so on), and (b) suggest ways to reduce their costs.
- 6 (a) Rank the four customer service factors (time, dependability, communication, and convenience) from most important to least important from your customers’ point of view, and (b) identify actions for the one or two factors that are the most important in regard to your product or service.



VIDEO CASE 15

Amazon: Delivering the Earth’s Biggest Selection!

“The secret is we are on our seventh generation of fulfillment centers and we have gotten better every time,” explains Jeff Bezos, CEO of Amazon.com, Inc. The global online retailer is a pioneer of fast, convenient, low-cost shopping that has attracted millions of consumers.

Of course, while Amazon has changed the way many people shop, the company still faces the traditional and daunting task of creating a seamless flow of deliveries to its customers—often millions of times each day.

THE COMPANY

Bezos started Amazon.com with a simple idea: Use the Internet to transform book buying into the fastest, easiest, and most enjoyable shopping experience possible. The company was incorporated in 1994 and launched its website in July 1995. At the forefront of a huge growth of dot-com businesses, Amazon pursued a get-big-fast business strategy. Sales grew rapidly and Amazon began adding products and services other than books. In fact, Amazon soon set its goal on being “Earth’s most customer-centric company, where customers can find and discover virtually anything they might want to buy online.”

Today Amazon.com continues to grow by providing low prices, vast selection, and convenience. Its selection of products covers a broad range of categories including: Books; Movies; Music & Games; Electronics & Computers; Home, Garden & Tools;

Beauty, Health & Grocery; Toys; Clothing, Shoes & Jewelry; Sports & Outdoors; and Automotive & Industrial. In addition, Amazon offers digital music, an app store for Android, Amazon Cloud Drive, Kindle e-readers, Kindle Fire tablets, Amazon Fire TV, and the Amazon Fire phone. Other services allow customers to:

- Search for a product or brand using all or part of its name.
- Place orders with one click using the “Buy Now with 1-Click” button on the website, and the “Mobile 1-Click” button for phones.
- Receive personalized recommendations based on past purchases through opt-in e-mails.

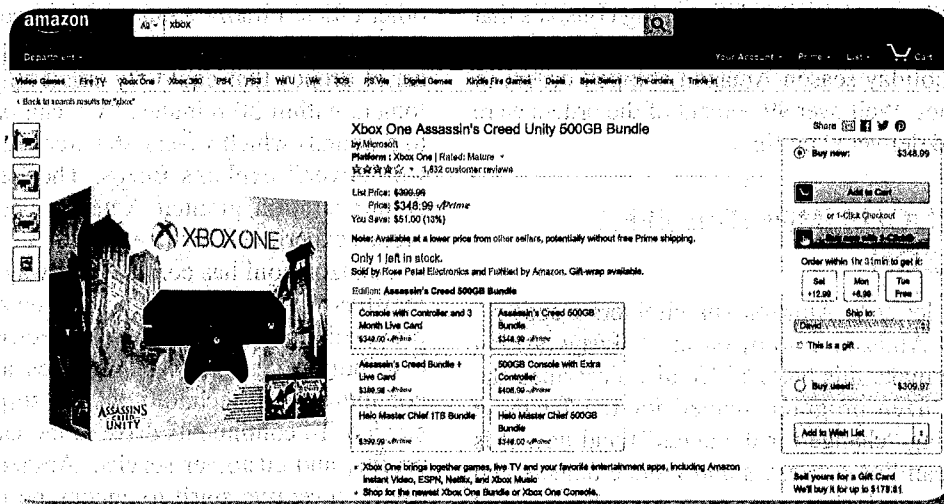
These products and services have attracted millions of people around the globe. Further, the company’s growth has made Amazon.com, along with its international sites in Australia, Brazil, Canada, China, France, Germany, India, Italy, Japan, Mexico, Spain, and the United Kingdom, the world’s largest online retailer.

Amazon’s e-commerce platform is also used by more than 2 million small businesses, retail brands, and individual sellers. For example, programs such as Selling on Amazon, Fulfillment by Amazon, Amazon Webstore, and Checkout by Amazon allow small businesses to use Amazon’s e-commerce platform to facilitate sales. Online retailers store their products at Amazon’s fulfillment centers and when they sell a product, Amazon ships it! Amazon.com also operates retail websites for brands such as bebe, Marks & Spencer, Lacoste, and AOL’s Shop@AOL. Individual

Video 15-4

Amazon Video
Case

kerin.tv/14e/v15-4



Source: Amazon.com, Inc.

sellers use the Amazon network to reach millions of potential customers. These business partnerships all contribute to Amazon's sales, which now exceed \$75 billion.

Bezos defines Amazon by its "big ideas, which are customer centricity, putting the customer at the center of everything we do, and invention—we like to pioneer, we like to explore." Amazon's success is also the result of an intense focus on cost and efficiency that leads to lower prices. More specifically, Amazon is exceptional at managing the elements of its supply chain, which make up one of the most complex and expensive aspects of the company's business.

SUPPLY CHAIN AND LOGISTICS MANAGEMENT AT AMAZON.COM

What happens after an order is submitted on Amazon's website but before it arrives at the customer's door? A lot. Amazon.com maintains huge distribution, or "fulfillment," centers where it keeps inventory of millions of products. This is one of the key differences between Amazon.com and some of its competitors—it actually stocks products. Bezos describes how they have improved: "Years ago, I drove the Amazon packages to the post office every evening in the back of my Chevy Blazer. My vision extended so far that I dreamed we might one day get a forklift. Fast-forward to today and we have 96 fulfillment centers." So Amazon must manage the flow of products from its 15 million-plus suppliers to its U.S. and international fulfillment centers with the flow of customer orders from the fulfillment centers to individuals' homes or offices.

The process begins with the suppliers. Amazon collaborates with its suppliers to increase efficiencies and improve inventory turnover. For example,

Amazon uses software to forecast purchasing patterns by region, which allows it to give its suppliers better information about delivery dates and volumes. After the products arrive at the fulfillment center they are scanned and placed on shelves in what often appear to be haphazard locations. That is, books may be on the same shelf next to toys and kitchen utensils. Dave Clark, vice president of worldwide operations and customer service at Amazon, explains: "If you look at how these items fit in the bin, they are optimized to utilize the available space, we have computers and algorithms that tell people the areas of the building that have the most space to put the product that's coming in at that time." Clark observes that one of its 1-million-square-foot fulfillment centers (the size of more than 20 football fields) represents a "physical manifestation of earth's biggest selection."

At the same time, Amazon has been improving the part of the process that sorts the products into the individual orders. Once an order is placed in the computer system, sophisticated software generates a map of the location of each product and a "pick ambassador" walks the aisles to select the products. Each item is scanned as it is selected so that inventory levels and locations are always up-to-date. Packers ensure that all items are included in the box before it is taped and labeled. The boxes then travel along a conveyor belt and are diverted into groups based on the delivery location. A network of trucks and regional postal hubs then conclude the process with delivery of the order. Amazon actually uses more trucks than planes!

The success of Amazon's logistics and supply chain management activities may be most evident during the year-end holiday shopping season. Amazon received orders for 36.8 million items on Cyber Monday (the Monday following Thanksgiving), including

orders for Xbox and PlayStation gaming consoles that reached more than 1,000 units per minute. During the entire holiday season Amazon shipped orders to 185 countries. Well over 99 percent of the orders were shipped and delivered on time.

CONTINUOUS IMPROVEMENT AT AMAZON

In a recent letter to Amazon shareholders Bezos reported that Amazon employees are “always asking how do we make this better?” He also described the Amazon Kaizen program (named for the Japanese term meaning “change for the better”) and how it is used to streamline processes and reduce defects and waste. As a result there are many new changes and improvements under way at Amazon, many of which are related to its supply chain and logistics management approach.

One example of a new service at Amazon is Amazon Fresh, its online, same-day-delivery service for groceries. The service has been in trial stage in Seattle for several years and recently expanded to Los Angeles and San Francisco. The success of the service in these cities is likely to influence how quickly Amazon expands into other cities. Another new service at Amazon is based on its agreement with the United States Postal Service to offer Sunday delivery to select cities. The demand for this service in the trial cities will also influence how quickly it is rolled out to

other cities. Finally Amazon received a lot of attention when it revealed that it is developing unmanned aerial drones that could fly small shipments to customers within 30 minutes. “We can carry objects up to 5 pounds which covers 86 percent of the items that we deliver,” explains Bezos. The Federal Aviation Administration granted Amazon permission to fly drones experimentally in early 2015.

Amazon.com has come a long way since 1995. Its logistics and supply chain management activities have provided Amazon with a cost-effective and efficient distribution system that combines automation and communication technology with superior customer service. To continue its drive to increase future sales, profits, and customer service, Amazon continues to use its inventive spirit to encourage innovation. According to Bezos, “What we are doing is challenging and fun—we get to work in the future.”²⁰

Questions

1. How do Amazon.com’s logistics and supply chain management activities help the company create value for its customers?
2. What systems did Amazon develop to improve the flow of products from suppliers to Amazon fulfillment centers? What systems improved the flow of orders from the fulfillment centers to customers?
3. Why will logistics and supply chain management play an important role in the future success of Amazon.com?

Chapter Notes

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