

Case study Amazon

Amazon.com continues to diversify at a relentless pace. Besides offering same-day delivery of groceries in some metropolitan areas and testing drones for even faster distribution, Amazon now plans to capture a large piece of the over \$10 billion college bookstore market. In a pilot project, Amazon initiated a student-centered program at three large universities: Purdue University, the University of California, Davis, and the University of Massachusetts of Amherst. The goal of Amazon Campus is co-branded university-specific websites that offer textbooks, paraphernalia such as the ubiquitous logo sweaters and baseball hats, as well as ramen noodles!

As a part of this new campus initiative, Amazon offers its Prime membership to students at a 50 percent discount (\$49 a year) and guarantees unlimited next-day delivery of any goods ordered online, besides all the other Prime membership benefits (free streaming of media content, discounts on hardware, etc.) To accomplish next-day delivery, Amazon is building fashionable delivery centers on campus, university co-branded such as „amazon@purdue“. Once a package arrives, students receive a text message and can then retrieve it via code-activated lockers or from Amazon employees directly. The on-campus delivery facilities also serve as student return centers.

Amazon's new campus initiative allows it to bind a younger generation of shoppers ever closer into its web of products, services, and content. Next-day delivery makes students less likely to shop at traditional campus bookstores. Amazon also has a history of selling textbooks at a discount in comparison to old-line campus bookstores. All course materials automatically qualify for next-day delivery and do not require a Prime membership. The Amazon Campus initiative is predicted to save students \$200 to \$400 a year on textbooks and other supplies.

1. Amazon.com continues to spend billions on seemingly unrelated diversification efforts. Do you believe these efforts contribute to Amazon gaining and sustaining a competitive advantage? Why or why not?
2. Amazon.com is now over 20 years old and makes some \$100 billion in annual revenues. As an investor, would it concern you that Amazon.com has yet to deliver any profits? Why or why not?
3. What is Amazon's core business?