



***By Audrey D. Kline***

Amazon Prime Day was probably not on many people's radar screens when it began in 2015 as a celebration of Amazon's 20<sup>th</sup> anniversary. My how far Amazon has come in just three years. This year, it's hard to imagine not hearing about Prime Day ahead of time. Amazon Prime Day, which occurred on July 11 this year (some deals started on July 10), was heavily promoted online as well as in various media sources, as the big kahuna of sales events for the summer. Amazon touted that deals on some items would beat Black Friday and Cyber Monday prices, and they did.

For those who are somehow still unfamiliar with Amazon Prime, it is an annual subscription service that has expanded what's included in its membership over the past few years. Originally the focus was free two-day shipping on thousands of items, but Amazon Prime now includes much more than free shipping, including access to special sales, video streaming, music, and book lending options, among other discounts and benefits.

This year's Amazon [Prime day](#) was record-breaking, racking up a record number of new Amazon Prime members, an over 60% increase in sales over 2016's Prime Day, and it was the single largest sale day ever for Amazon's own product line. The world's largest online retailer, Amazon's 2017 second quarter 77% decline in its quarterly profit even as its revenue grew 25% is a sign of the high cost of its increasing dominance in

retailing. Its subscription sales, which include Prime fees, rose 51% to \$2.2 billion. By the end of 2017 over 50% of U.S. households may have Prime membership.

This year's Prime Day was available to all Prime members. Not a prime member yet? No problem—Amazon offered a free 30-day trial of its Prime service (students can sign up for a free six-month membership, too, and can continue their subscription at a reduced price). Amazon's reach is impacting businesses of all types—from the downswing in shopping at the nation's malls to the grocery industry to distribution channels. Recently, Amazon has a proposed buyout of Whole Foods and has expanded its own online grocery offerings.

The online retailer's expansion is good news for consumers at the moment, but the longer – term implications are less clear. Having watched the impact of Amazon on brick and mortar stores, grocery stores have stepped up their game, offering lower prices, online ordering, delivery services, more product choices, and renovated stores. Over time, however, the concern about being able to compete with Amazon is significant.

Amazon is embarking on a hiring bonanza, aiming to grow its workforce at its U.S. warehouses by holding a four-hour [job fair](#) at several of its warehouse locations across the U.S. on August 2, 2017. Amazon is planning to add up to 50,000 full time jobs, (nearly half of the planned 100,000 full time jobs it has planned to add) with Amazon touting on the spot job offers to applicants. These will be warehouse and customer service positions. The jobs come with an attractive benefits package, too, such as health and disability insurance, retirement benefits, and stock plans. For part – time workers employed at least 20 hours per week, insurance is available. Wage rates will vary by location, with job fairs being held at ten different locations.

Amazon has grown from roughly 56,000 employees in 2011 to over 340,000 last year. This follows an [overseas expansion plan](#) announced in April, which calls for adding 1300 small warehouses near urban centers to add to its well-established presence in England and Germany. Amazon continues to expand its reach, both domestically and abroad, enticing consumers to buy more of its own products, such as the Amazon Echo or Echo Dot, by offering additional discounts available only through ordering on its own devices such as the Echo as well as by promising two hour delivery through its Amazon Prime Now service. This two-hour delivery service, already available in select U.S. major metropolitan areas, is a focal point of Amazon's European expansion plan.

Amazon is also continuing to expand its footprint by increasing its product diversification such as expanding into prepared meal kit delivery, and it has recently made deals with Sears to carry appliances as well as a deal with Nike, and it is reported to be working to enter the [health industry](#) with the management of electronic health records as well as telemedicine. Amazon already sells medical supplies. Also already selling automotive parts, Amazon is now moving to integrate its [voice-enabled](#) assistant, Alexa, into vehicles and aims to enter the [new car](#) market in Europe.

What's next? Industry analysts and media sources tongue-in-cheek joke is that Amazon aims to take over the world. Its founder, Jeff Bezos, has watched Amazon's stock price surge to over \$1,000 a share. As more areas of industry come into the crosshairs of Amazon's focus, world domination of e-commerce is becoming less and less of a far-fetched idea. While we can't buy everything on Amazon (yet), it has become the go-to source for price matching, product review information, and quick delivery of thousands of items (ranging from hours to days, depending on location and the item being purchased).

Amazon's genius "add on" products—products that are eligible for free shipping along with an order greater than \$25—are a great example of product tying, the practice of offering products together to reduce cost. Amazon has also rolled out "subscribe & save" that offers a discount on products scheduled for automatic delivery on a schedule chosen by the customer. These tend to be items such as garbage bags, diapers, dog treats, and such. Subscribing to at least five items per month earns a customer an additional discount. With discounts and two hour delivery windows to your doorstep--no wonder grocery stores are stepping up their game!

Among Amazon's latest strategies to expand its product offerings is buying from particular brand third party retailers and then reselling the products on Amazon. [Birkenstock](#), a seller of sandals and shoes, is one example of this. Birkenstock halted sales through Amazon, however, supposedly due to counterfeit concerns. Amazon's announcement to use third party resellers has led Birkenstock to threaten to pull its authorized retailer status from its network of sellers should they choose to sell to Amazon. Birkenstock [notified](#) its authorized sellers on July 20 that they are not permitted to work with resellers such as Amazon and should they do so, they will be closed forever. Birkenstock is an iconic brand and doesn't want its distribution controlled by Amazon. Where such battles end up remains to be seen, but Birkenstock is threatening legal action to hold onto control of its brand. At the moment, Birkenstocks can still be purchased on Amazon's Birkenstock site.

Beyond the Birkenstock dust-up, Amazon recently has found itself in hot water with the U.S. government for [violating](#) U.S. sanctions. Amazon has admitted to sales over a five year period (2012 through 2017) to individuals or groups on the government's do not sell list due to terrorism or other violations such as human rights by selling to individuals listed on the terrorism lists as well as Iran Threat Reduction and Syria Human Rights Act lists. Amazon reports it is strengthening its processes to stop these violations in the future.

So, where does this leave Amazon and its ever-growing customer base? It's hard to beat the convenience of Amazon as well as the pricing on some items, but global expansion at such a fast clip obviously has its challenges. Moreover, Amazon no longer offers the lowest prices on many items (do your research!), and depending on the item in question, sometimes being able to see the product in person is preferred to an online ordering process.

There is no question that Amazon's size can be a barrier to entry for firms trying to compete with it these days. However, it's extremely easy to work with Amazon, listing your business as a third-party seller and selling used items on their site. What's in it for Amazon? A monthly fee charged to the seller as well as 'additional selling fees' that Amazon collects. Consumers like choices. Amazon offers plenty of options for consumers, and it has been successful in partnering with third party sellers to increase their product offerings. Providing a platform for global sales that would be cost-prohibitive for many businesses is a winner for many businesses. Are there counterfeit issues and bogus sellers? Of course. Caveat emptor! Sellers have reviews just like products on Amazon.

While consumers might complain about the monopoly power of a company like Amazon eventually restricting buying options, and the international sales that violated U.S. sanctions are troubling, consumers seem to like convenience and a sale and consequently have not slowed their buying habits with Amazon. As we become more of an online, convenience-driven society, world domination of e-commerce seems more than a step closer for Amazon.

***Note: The author of this article has no affiliation, direct or indirect, with Amazon.***

