

Team case write-up 1

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1. A dynamic pricing strategy involves changing the prices of certain products and services multiple times a day in response to market trends and competitor price movements.(Intelligence Node,2022) However, individualized pricing is based on the data that Amazon collects from the customers' purchase behaviors. Amazon is able to charge prices or to offer discounts to different customers with different willingness to pay, hence further maximizing the profit.

Amazon has disadvantages to individualized pricing as well; repricing, if operated improperly, can create an unfavorable perception in the minds of consumers. In some ways, this approach appears exploitative and opportunistic. Customers feel more secure and in control when their regular purchases are fixed. In addition, pricing strategies may lead to allegations of price discrimination, with some customers believing that pricing strategies favor particular consumers. Prices were allegedly set higher in certain locations and for specific customers by Amazon.

Admittedly, individualized pricing has these disadvantages. Amazon should take it because Amazon is able to generate more profits

2. Amazon is an operational excellence company. As the textbook mentioned, Amazon has a bigger lung when it comes to breath-holding contests. There are few competitors that can survive after the price war. "Amazon worked its way to the top by implementing sophisticated processes, advanced technology, always competitive Amazon pricing and customer centricity, and by slowly expanding to different geographies and diversifying its merchandise."(Gallaughier,2018) Selection, customer experience, and low prices work together to create several additional competitive advantages by reinforcing one another. In addition to ensuring brand loyalty and retention, low prices make Amazon a profitable platform for sellers to sell their products. "Selection attracts more customers, and more customers attract more sellers bringing in more selection." (Gallaughier) Amazon is the first choice for more than half of online product searches because of this strong two-sided network effect, which has continued to grow and appeal as a third-party seller outlet. Through the collection and leveraging of data, Amazon can enhance customer experiences and increase sales. As part of its delivery service, Amazon owns its own fleet of trucks for transporting long- and medium-haul products. As part of its fleet expansion, the firm has leased 85 cargo planes, giving it more time to accept orders for next-day delivery. For overseas products, Amazon also operates its own ocean freight. Cost and customer service factors are taken into account by algorithms when determining which path is most effective.

3. The negative cash conversion cycle, CCC, means that Amazon receives payments from most customers before Amazon has to pay its suppliers. Amazon, according to the textbook, posted a revenue report of over \$386 billion in FY 2021.(Gallaughier,2018) By assuming that the cash conversion cycle of Amazon is -20 days and suppose there are 365 days in a year, we are able to calculate Amazon's average daily revenue of \$1.06 billion. Multiply the average daily revenue and total days of Amazon's cash conversion cycle, we are able to get a number of \$21.15 billion. In other words, Amazon has approximately received \$21.15 billion payments from customers before it paid to the suppliers in FY 2021, which allows Amazon to generate a positive cash flow and avoid a lot of financial risks.

Reference

Gallaughher, John. *Information Systems : A Manager's Guide to Harnessing Technology*.
Boston, Ma, Flat World, 2018.

Intelligence Node. "All You Need to Know about the Amazon Pricing Strategy in 2022."
Blog, 18 Jan. 2022, www.intelligencenode.com/blog/amazon-pricing-strategies-model/.