THE HINDU BusinessLine

Date: June 2, 2018

Decoding the moves of Amazon, Walmart

They are not merely about competitive rivalry, but addressing customers' pain points and enhancing the shopping experience

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It is being speculated that Amazon may take a minority stake in Kishore Biyani's Indian retail business, part of the Future group. Analysts and popular press were quick to point out that since Walmart, Amazon's global rival, acquired a majority stake in Flipkart, Amazon is retaliating to make inroads into the 'offline' retail sector to remain competitive in India.

When Amazon acquired US-based brick and mortar grocery store Whole Foods, analysts said Amazon needed an offline presence as 70 per cent of the global population still prefer traditional 'in store' purchase when it comes to grocery shopping. Others wrote that the shift to online shopping is slower than expected and hence Amazon has taken the brick-and-mortar route.

When Walmart acquired Flipkart, analysts instantly pointed out that Walmart, which has been unsuccessful in entering the Indian brick and mortar retail market, is now finding a way into the high growth e-commerce market and taking on its global rival Amazon.

The interpretations made by the analysts are correct, but there is more that needs to be decoded. In their strategy-making process companies consider a number of issues that may not be visible on the surface.

What are companies like Amazon and Walmart striving to achieve? Well it's much beyond mere competitive rivalry. Their actions and counter-actions are only to a certain extent competition induced; the larger objective emerges from their understanding of the 'pain points' their customers are experiencing.

Today, customers have many options in terms of the way they want to shop. Their shopping behaviour also changes with time, technology, retailer's offering, price points, and their perceived experience. In such a situation, if either Walmart or Amazon proclaims they are an 'online' or 'offline' player and hence offer only limited ways in serving their customers, they are for sure short-sighted.

Such an action tantamounts to taking an 'inside-out' position — that is, I have a brick-and-mortar store, you have to visit my store; or, I am an online platform and you need to order online if you need to buy from me.

This isn't going to work, especially when consumer preferences are fast changing, technologies rapidly emerging and competitors instantaneously reacting.

'Outside-in' approach

So, if we analyse the strategies of both Amazon and Walmart, they are by no means taking an 'inside-out' position; contrarily, both are following their customers, closely understanding their 'pain points', and looking to solve their problems. Even though they may not have all the required capabilities 'in-house' to solve every problem of the customer, they are ready to orchestrate a solution that would precisely address the problems.

This is an 'outside-in' approach where the company, be it Amazon or Walmart, becomes typically a general purpose contractor assembling solutions that can be delivered to the customer.

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To understand the 'outside-in' approach and the long-term strategies of these companies, we need to see their concerted actions over a period of time, and not merely 'standalone' ones like specific acquisitions. If we take Amazon, they are not making any specific hypotheses or assumptions as to how their customers will behave — that is, one day all customers will shop online, or, it is a matter of time before the whole population moves to online shopping. No. They don't make these assumptions.

These companies are building capabilities, and every one of their actions, be it an acquisition in the US or elsewhere, is furthering their objective as a general purpose contractor to gain certain capabilities, which they do not currently possess, that will help them in addressing their customers' pain points.

There is an enormous focus on 'customer' and everything they do is aimed at addressing the emerging needs of the customer. With such an 'outside in' approach, the business of Walmart and Amazon is bound to converge, as they are both dealing with the retail customer who looks for a good shopping experience at the right cost.

If we see the actions of Walmart and Amazon in light of this 'outside in' approach, we will gain interesting insights and a common thread across all their actions will start emerging.

Let's say the customer is not smartphone or keyboard savvy. Well, Amazon has developed a voice assistant like Alexa, where the orders can be placed through voice. If you have the barcodes of the products you want to order again, Amazon has Dash, a device which scans barcodes effortlessly, making life easier for the customer and offering him/her a better experience.

Customers may not always be in a position to accept the orders at their homes, but would want to conveniently collect them.

This is one of the biggest pain points of retail customers globally. Well, Amazon has Whole Foods where one can order online and pick up 'in store'. Walmart of course has the largest network of stores that also act as collecting points; more than 90 per cent of the US population lives within ten miles of a Walmart store.

To improve customer convenience, Amazon goes a step further; it provides 'lockers' in their Whole Foods stores where customers can pick up deliveries at their convenience and drop the returns, as well.

With Jet.com acquisition, Walmart has gone even further.

Jet.com has a tied up with a company called Latch, whose door-locking systems enable customers to open their apartment doors or provide access to grocery or package delivery inside their building or apartment when they are away at work. Without such an arrangement, it gets more and more difficult and expensive to deliver packages in an urban setting.

It can be clearly seen how both these companies are attempting to beat each other in emotionally connecting with customers and solving their problems, rather than calling themselves online or offline companies.

Winning proposition

So, seeing opportunities to serve the growing needs of the Indian customer, Walmart's entry through Flipkart is hence a winning proposition. For Amazon, taking equity stake in Future Retail is a logical decision as grocery is a key segment that has immense growth potential in the coming years. Biyani acquired Bharti Retail a few years ago and has integrated Bharti's small format street corner grocery stores 'Easy Day' into its Future brand.

Biyani's are looking to aggressively grow the Easy Day network to more than 1,000 stores in the next two years; these will become natural collection points and warehouses to a very large market and obviously furthers Amazon's aspirations to deliver groceries to the Indian market.

Companies should, therefore, not restrict themselves and look through the narrow lens of which channel they will serve through; it boils down to being present in multiple channels, and how well these are integrated to provide a superior experience to their customer. Hence, retailers should no longer view online and offline as separate businesses.

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