



Amazon Echo

“Always ready, connected, and fast. Just ask”

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Executive Summary

Amazon Echo is a \$179.99 Wi-Fi speaker and voice-first-device that provides users seamless, hand-free integration with their favorite apps via Alexa voice service. As market leaders in this category, Amazon is positioned well to take advantage of the high degree of customer loyalty inherent to the voice-first-device market. Our strategy targets the 54 million Amazon Prime members in the United States to generate an additional 13 Million units in sales by 2020. Total combined revenue from the increase in Echo sales and resultant increase in amazon.com purchases will be \$3.90 Billion by 2020.

We will maintain our current placement and pricing, and adjust our promotion plan. We will spend \$11.9 Million on marketing activities that leverage the opinion leader status of our core customer base, bring Alexa into vehicles, airports, and smart home applications.

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Product Description

The Amazon Echo is a Voice-First, always-on device, used by Amazon customers to interface with the Alexa service which is commonly used for music, shopping, news, and personal assistance. The Echo is composed of many components, most notably its digital media and wireless processors, as well as its 4GB flash drive, and speaker.



Figure 1. Amazon Echo System [1]

The Amazon Echo and its incremental innovation, the dot and tap, are the most convenient solution on the market for fast delivery of manufactured goods, personal services, and control of household appliances. Its primary competitors are Google Home, Apple Siri, and in the near future, Microsoft X-box.

Market Analysis

- Market demographics

Based on a March 2016 survey from the *Love My Echo* online community, Amazon Echo owners can be broken down as follows: The average age is 55.8 years. The average income of people who pay the Amazon Echo is \$115k per year. 69% have a college degree. 61% are males. 63% are married. Finally, 69% of the customers have no kids [2].

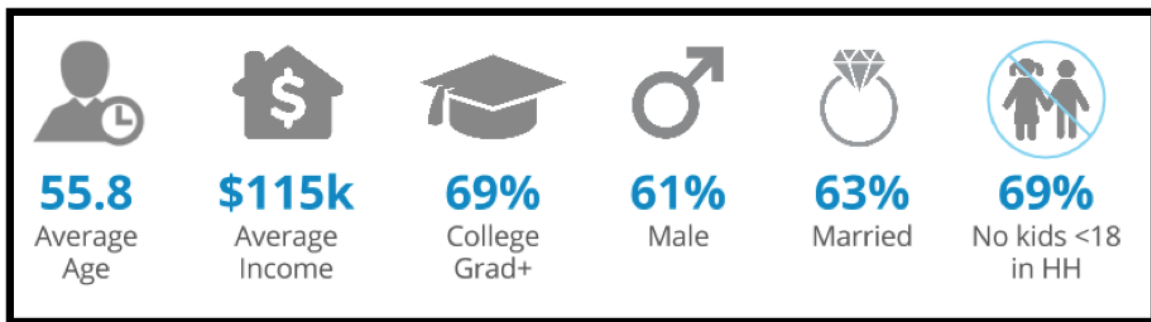


Figure 2. Amazon Echo Market Demographics [2]

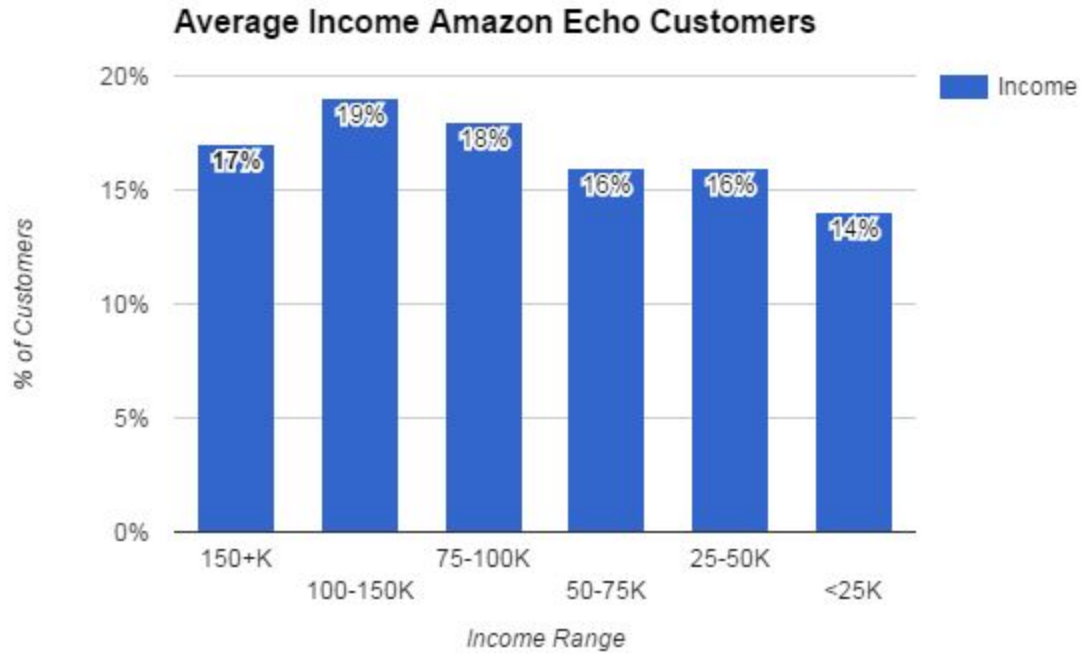


Figure 3. Average Income of Amazon Echo Customers [3]

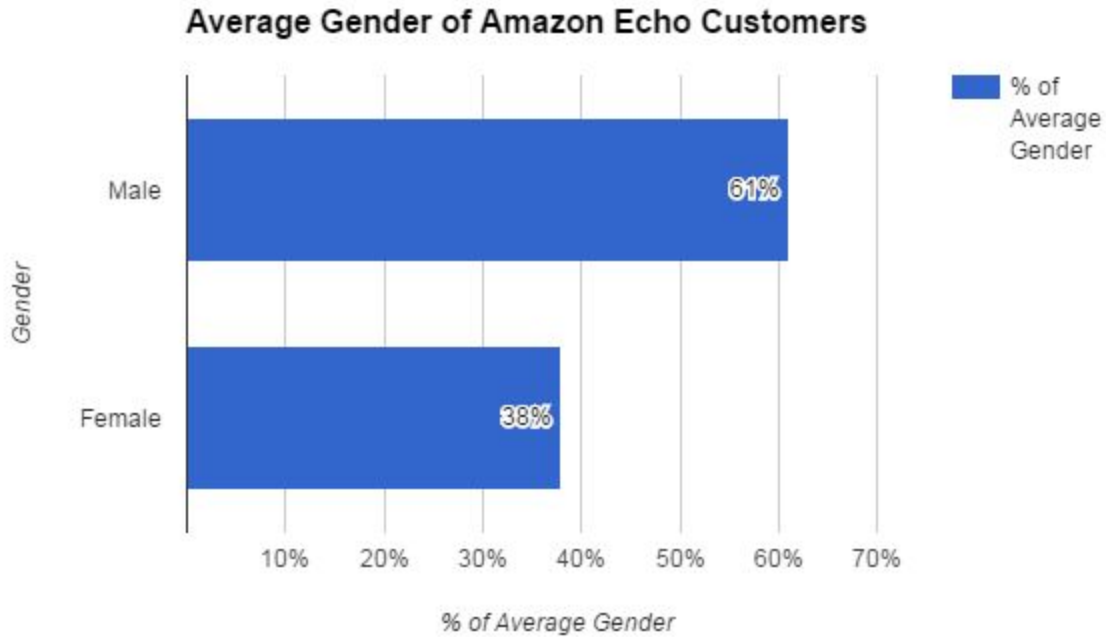


Figure 4. Average Gender of Amazon Echo Customers [3]

- **Market needs**

Business Insider analyzed the how current customers are using Amazon Echo. Figure 5 summarizes use cases for Echo. The most frequent use is for playing music, followed by controlling home feature such as smart lights, using Echo to set a timer. Therefore, it can be observed that customers' needs are diverse and include the establishment of the smart house concept. The data shows customers use Echo to order items online, including pizza, taxi service and other products from Amazon.com [4].

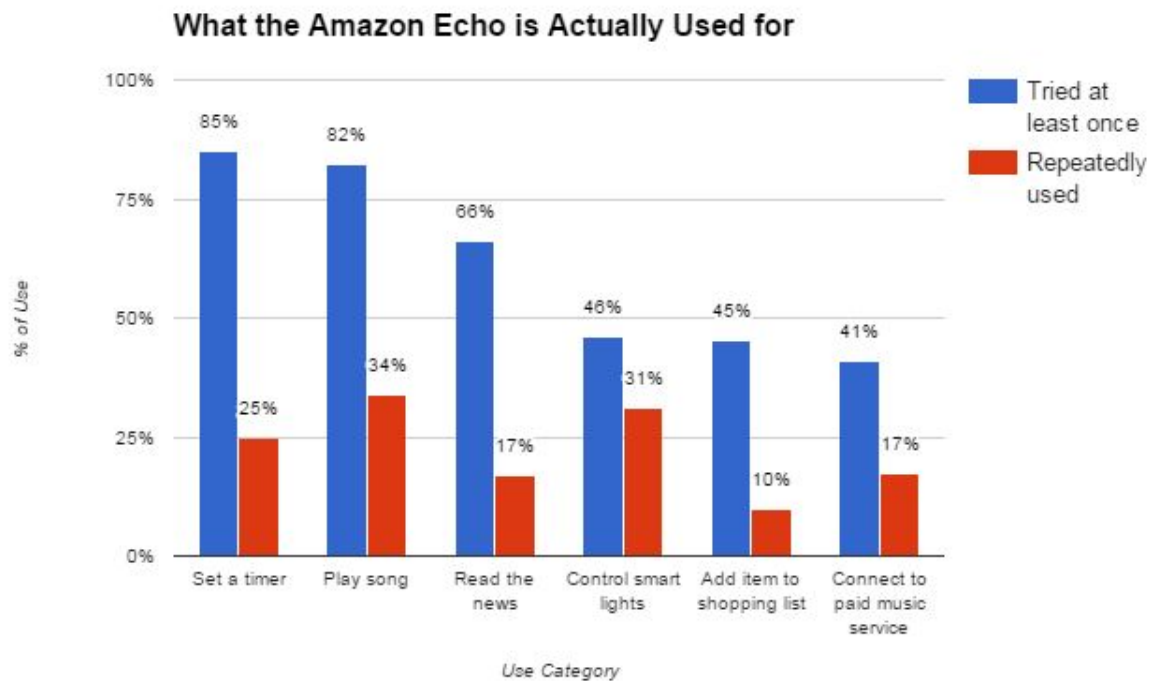


Figure 5. Current Use of Amazon Echo [5]

- **Market trends**

Demand for voice-first-devices is increasing. Customers want to make their life easier, and voice-first-devices enable customers to multi-task. Voice-first-devices provide the capability for customers to speak commands and seamlessly play music, turn on lights, order pizza, get breaking news and other incredible things. Figure 6 shows that since the introduction of the first voice-first-device the market has been growing with a favorable trend. In 2017, VoiceLabs predicts there will be 24.5 million devices shipped, leading 33 million total devices [6]. Additionally, market research by Technology Applications shows that expected market growth from 3.73 Billion in 2015 to 9.97 Billion by 2022 [7]. Therefore, the adoption of voice-first-devices will keep

increasing as the devices penetrate the mainstream market, moving from early adopters to early majority.

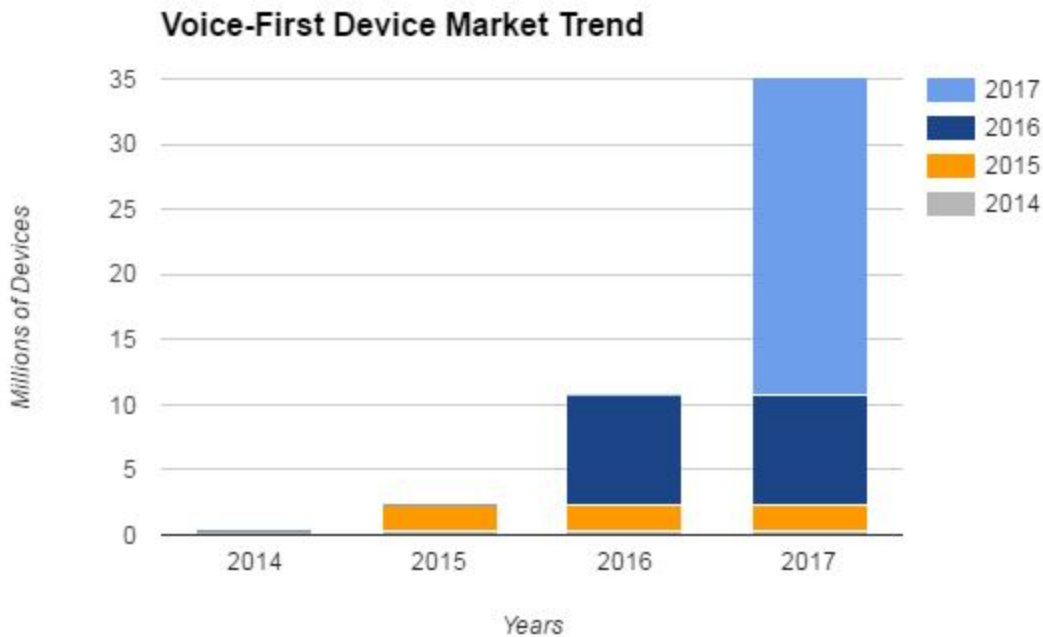


Figure 6. voice-first-device Market Trend [6]

- **Market growth**

The voice-first-devices market will keep growing since there will be more products out in the market that will provide new capabilities to the customers such as Google home. However, for this to happen the companies needs to provide an experience and specialize products. According to VoiceLabs, Google, Amazon, Microsoft and Apple will have specialized voice-first-devices [6].The following are the examples of the specialization per company:

- Google is going to excel at mining the web and providing intelligent responses to general knowledge questions. In addition, they will excel at email, contact and calendar features.
- Amazon is going to excel at commerce hands-free tv and home automation
- Microsoft is going to excel at email, contacts, calendar, and gaming features.
- Apple is going to excel using AirPods for on the go use cases.

Therefore, if each company specializes in their strengths and improves their voice-first-devices, the market will keep growing. However, they will need to adapt and deliver products quickly since the voice-first-device market is characterized by having only 11% of customers that will buy a competing device. This means that the company that manages to penetrate to the customer's home first will retain 89% of their customers [6]. In addition to company specialization and customer retention, another factor that could have an impact on the market growth is the adoption or development of third party applications. If the company provides the ecosystem to third party developers to create complementary products, i.e. custom applications, for their devices, it will provide more value for their device which will support the market growth. Figure 7 shows the increasing availability of applications for Alexa as a result of Amazon making it easy to build them via their open API Alexa voice applications.

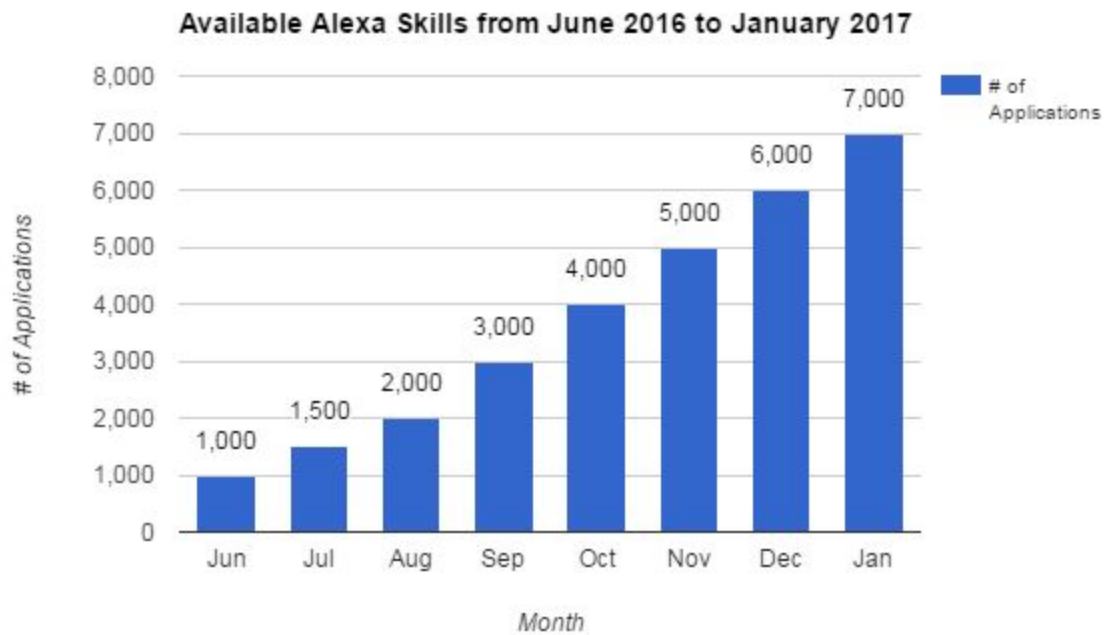


Figure 7. Available Alexa Skills from June 2016 to January 2017 [6]

- **Buyer behavior**

A March 2016 survey from the *Love My Echo* online community shows what time of day customers use their Echo. 77% of the participants said that they use their Amazon Echo during the evening time, 72% use their Amazon Echo during early morning, and 28% of the participations use their Amazon Echo during the lunch. [2]. The same survey was used to evaluate and assess where customers use their Echo. Users spend 77% of their time in the same room as Echo (on average), with the kitchen and living room being the most popular locations [2]. These results are shown in Figures 8 and 9. This proves that the Echo is being used as a home device since it is used at times typical for non-working hours and it has been placed where the most activity in the house is, the kitchen and living room, therefore, we can see that customers value the

Echo and will probably appreciate its functionality being available in other areas of their life activity, such as their car.

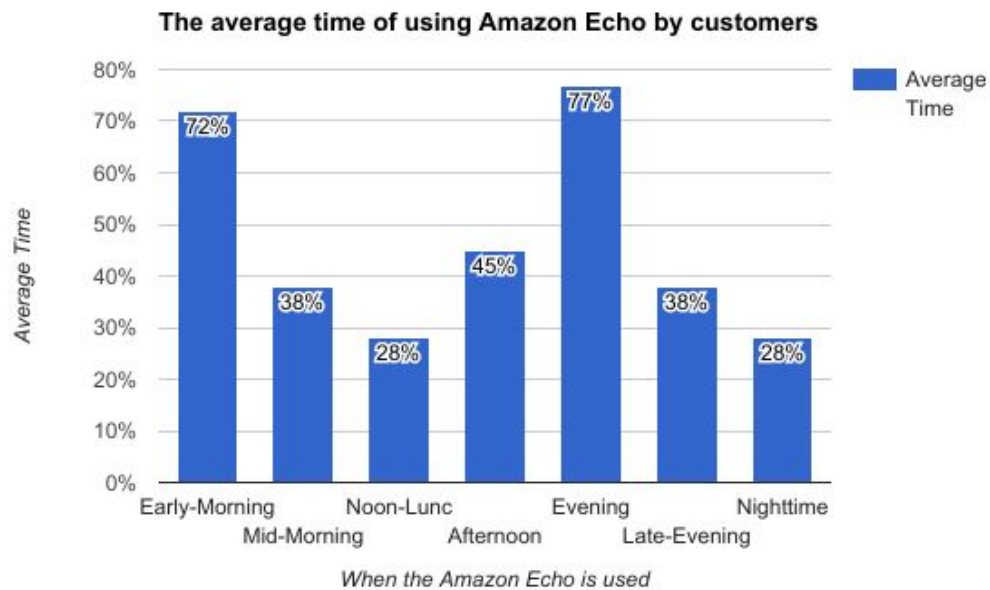


Figure 8. The average time of using Amazon Echo by customers [2]

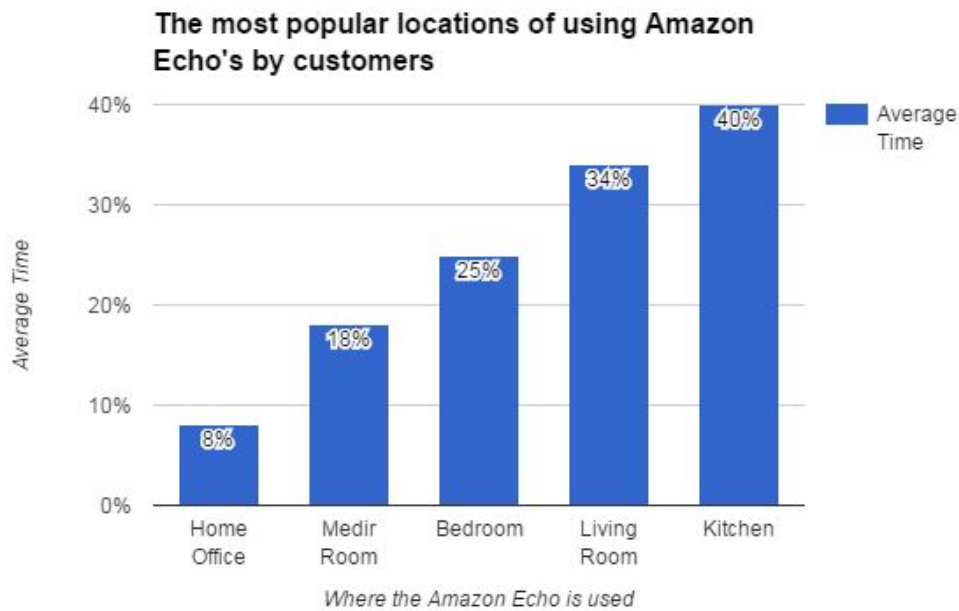


Figure 9. The most popular locations of using Amazon Echo's by customers [2]

- **Customer Segments**

Amazon Echo has the voice assistant Alexa which will provide hands-free voice controls. Currently the only languages supported are English and German. This marketing plan will focus on the English speaking Amazon Prime members in the United States.

There are 54 million Amazon Prime members in the United States. Prime members pay \$99 a year and receive the following benefits: Streaming of over 2 million songs through Prime Music and unlimited streaming of movies and other video content with Prime Video , free two-day shipping for eligible purchases, and the ability to borrow books from the Kindle Owners' Lending Library. Echo is positioned to add value to Prime members by integrating seamlessly with their favorite Prime member features

and services through intuitive voice commands [8]. Figure 10 shows the increasing trend of the US prime members within the year.

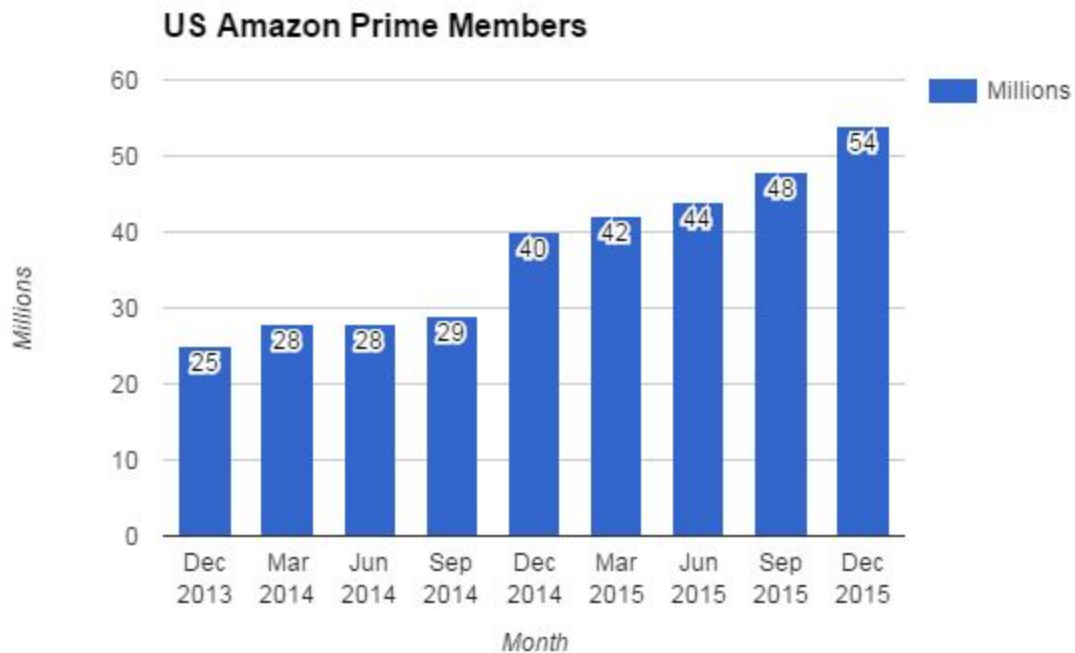


Figure 10. US Amazon Prime Member [8]

- **Competition Analysis**

The porter's model, figure 11 shows forces that determine the competitive dynamic of voice-first-devices. Porter's five forces model shows competitive power that Amazon has with respect to the competitors in the market, the power of suppliers/buyers, the threats of substitutes and new entrants to the market.

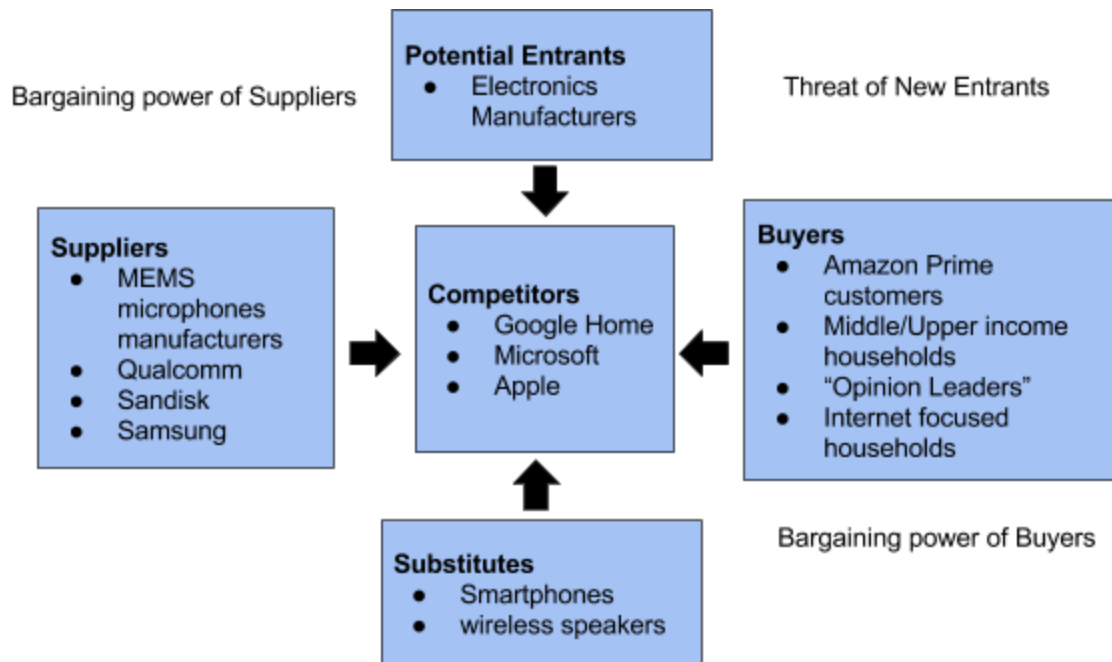


Figure 11. Porter's Five Forces

Bargaining Power of suppliers: Amazon purchases product components through suppliers, some of which are single sources suppliers. There is also the potential for the supplier to go into business independently, making voice-first-devices to compete with Amazon Echo. There is no risk if a supplier goes out of business since the amazon echo is made of common electronics.

Bargaining power of customers: Customers currently have limited alternatives for voice-first-devices since currently there are only two products out in the market (Amazon Echo and Google Home). In addition buying this product will be more of an experience since it will enable the customer to access all the Amazon account perks.

Threats of new entrants and substitute products: The voice-first-device industry requires the development of artificial intelligence and integration of multiple apps to the

device if the entrant wants to be successful. New entrants will require investment in these areas to be successful.

Therefore, the voice-first-device industry is a low competitive industry at the moment that is dominated by Amazon Echo. This gives Amazon a competitive advantage against other entrants like Google which launched their voice-first-device, Google Home, in 2016. The company that provides the better experience to the customer by integrating their voice-first-devices with other services and applications will dominate the market.

- **Positioning/Value Proposition**

A SWOT analysis was performed to understand the value proposition of the Amazon Echo. Table 1 provides the summary of the SWOT analysis for the Amazon Echo.

Table 1. Amazon Echo SWOT Analysis

Strength <ul style="list-style-type: none">● Product Leader● First to market● Device connectivity● Multiple size options● Application programming interface● Cloud Service	Weakness <ul style="list-style-type: none">● Artificial intelligence● Device voice recognition● Lack of integration with third party apps (ex. Spotify, youtube)
Opportunities <ul style="list-style-type: none">● Improve voice & language recognition● Enable Alexa to use third parties apps● Speakers quality	Threats <ul style="list-style-type: none">● Google Home (2016)● Apple (possible future)● Microsoft (possible future)

Amazon Echo has the market advantage against its competitors since it is the Product Leader because it was the first device of its kind in the market. was first to market. This is an Amazon product which implies that it will be supported by Amazon data analysis capabilities which will result in fast improvements to the devices based on customers feedback. Additionally, the Amazon Echo is able to connect to other Amazon products which will enhance the customer's experience by providing multi-tasking capabilities and ease of use. Therefore, the value proposition for the Amazon Echo is to connect the customers with their shopping apps, Amazon Music, and Amazon Video through handsfree communication. However, the Amazon Echo can improve its artificial intelligence voice since it is having issues depending on the customer language accent.

- **Total Available Market**

Based on Gartner forecasting, consumer spending on virtual personal assistant (VPA)-enabled wireless speakers will top \$2.1 billion worldwide in 2020, up from \$360 million in 2015[9]. By 2020, households are forecast to have adopted a VPA-enabled wireless speaker [10]. “The widespread adoption and proliferation of VPA speakers could result in a significant number of online shopping orders. Vendors that are able to create an intimate, familiar relationship with the user will be able to contextualize ordering to the extent that preferred products will be proposed, and processing details will already be captured. As a result, the user's propensity to purchase products and services using VPA systems should increase, transactional friction could be reduced and the overall user experience would be improved” [11]. “However, things are about to get a lot more crowded. In addition to speakers from Google and Apple on the way, a host of third-party products powered by Google Assistant, Apple's Siri, Microsoft Cortana, and a slew of other voice platforms will all continue to make VPA's a major part of our everyday lives.” [12] Nevertheless, Amazon launched its Echo products with two languages, English and German. Based on the current language capabilities, total available market (TAM) will be focused on english and german speaking communities. Therefore, the TAM will be calculated for United States and Germany.

- **Serviceable Available Market**

Data from securities research firm Consumer Intelligence Research Partners LLC, or CIRP, shows that 8.2 million U.S. shoppers own one of the voice-activated digital assistant devices. That's up 173% from an estimated 3 million shoppers in 2015. CIRP estimates that Amazon sold 3.1 million devices in the fourth quarter of 2016 alone, up from 1 million devices sold during the same period in 2015. [13]. The company serviceable available market strategy will focus on US market since the company shows a significant growth there.

- **Serviceable Obtainable Market**

Based on statista website, Amazon reach 81% of the United State demographic [14]. The marketing plan will focus on the US Amazon Prime members since this membership provide the following benefits and Amazon is attempting to hasten that trend by offering a discount on its new Echo Dot: buy five, get the sixth for free [11]. The company SOM strategy will focus on the 54 million US Amazon Prime members. since this customers are loyal to Amazon. Therefore, If Amazon manage to enter and dominate that customers segments that has 54 million members, will give them the competitive advantage since the voice-first-device industry is well known of the first company that penetrate to a segment will retain their customers.

Objectives

- **Financial Revenues Margins Growth Rate**

The Amazon Echo along with its Alexa voice assistant has steadily put Amazon in a leading position within the Internet of Things and the burgeoning consumer market

for artificial intelligence. According to Statista's estimates — based in part on earlier US sales data from CIRP — total Echo device sales have more than doubled from 2015 to 2016. [15]

- **Future Revenue Growth**

The objective for future revenue growth for Amazon Echo is to sell an additional 13 million units in the US by 2020. This represents 40% of the 54 million US Prime members. The Alexa-enabled Echo and its family of products, coupled with transactions and apps, could provide a large revenue opportunity, and make Amazon a pivotal part of people's everyday lives. It is estimated that there are about 8.2 million total Echo devices sold since 2014.

- **Nonfinancial Goals**

The big appeal of the Amazon Echo is that it's hands-free. You say something, it responds. Since this interface comes from the world's biggest e-commerce company, the common wisdom is that Amazon is trying to create a world where it's hard not to buy whatever you want from the so-called "everything store," if only because the Echo makes it so simple.

Another reason, as this chart below from Statista shows, is that most Echo owners just aren't using the device to buy things. According to a late 2016 study by Experian, only 32% of the 180 Echo owners surveyed have asked Alexa to buy something on Amazon Prime. Instead people tend to use Alexa for less complicated tasks, like playing music, reading the news, or controlling smart lights. The tech world may be right to be bullish on voice tech, and in a few years Amazon may find a way to turn Alexa into a self-sustaining shopping machine [16].

- Sales compared to new products

The below graph shows the statistics between Amazon Echo & Google Home for the last week of December 2016 where the demand for the two products were highest.

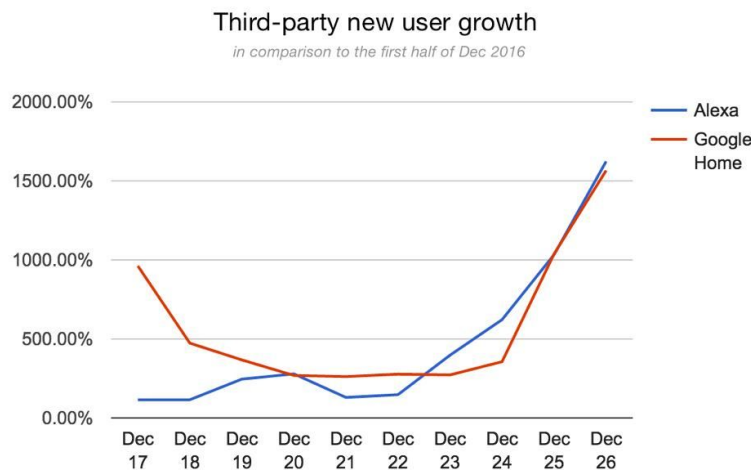


Figure 12. Comparison between New user growth of Alexa & Google Home [17]

The Echo first went on sale in late 2014 only to Prime members, but became generally available in June 2015. CIRP estimates that approximately 2 million units were sold in the first nine months of 2016, by 2017 year the number should be north of four million.

Google Home sales are harder to estimate, since the product has no comparable year-over-year history, and Google has not released any sales figures since it is recently launched. [17]

Marketing Strategy

- Product lifecycle

Since the Echo's release in 2014, 8.2 million units have been sold. However it is still in the early adopters stage, and thus our next target is to sell 13 million additional units by 2020 in order to saturate the early majority before the product will begin its declining phase of the late majority in 2021.



Figure 13. Product Life Cycle

- Positioning

As a successful brand, Amazon must continuously excite and engage the customer, be disruptive in the marketplace, provide creative solutions for customer needs, and most importantly, be convenient for the customer.

Amazon's advertising strategy is "word of mouth", the primary method of advertisement will focus on opinion-leaders whose words our current and future customers will listen to. Since opinion leaders stay current with news content and the activity of our company is in the public eye, news of Amazon's growth, specifically in newspaper articles and ezines is more than enough to acquire attention from the

opinion leaders. For example, our Air Fleet will begin operations in April, 2017, which will be reported in major publications due to our public relations department and thus the Amazon brand and the fulfillment of its promises will be seen by opinion leaders. This will also benefit the Amazon brand, as it will be disruptive and creative for the shipping industry because we will be the first e-tailer and web services provider that leases an air fleet for product delivery, and this will show our customers that we committed to increasing their convenience by delivering their goods faster. We know quick delivery is important for our Prime members, as most of them signed up for the free 2-day shipping feature.

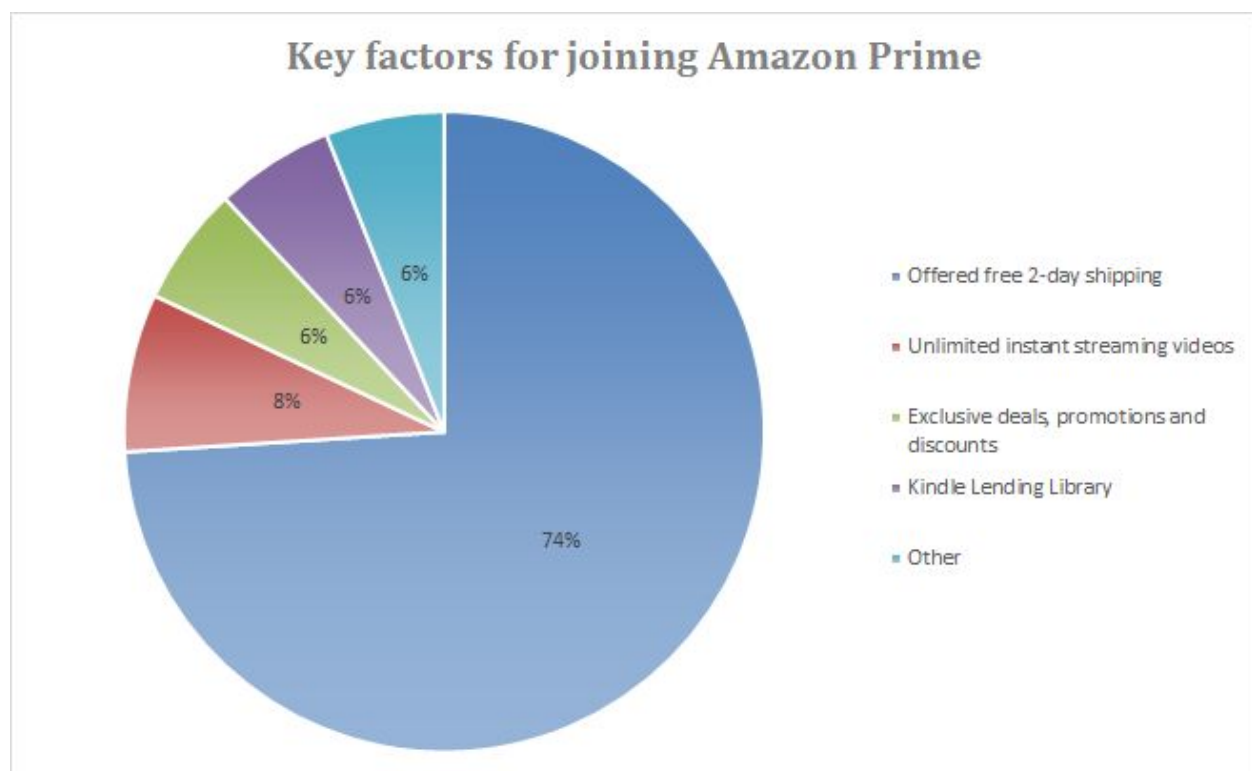


Figure 14. Key factors for joining amazon prime

According to an experiment run in Matlab to test how effective opinion leaders are in diffusing technological innovation [18], there are two types of opinion leaders. The first type we will call the *sociable* opinion leader who diffuses information quickly because of their frequent social behavior. The second type we will call, the *deeply*

connected opinion leader who diffuses the most information because of their long chain of connections in their large network, or in other words, “high distance centrality” of network nodes is best for reaching the maximum number nodes i.e. “cumulative adopters”. We will target the appropriate type of “opinion leader” for each of our advertising campaigns. For example, time sensitive promotions will target “sociable” opinion leaders and new product releases will target “deeply connected” opinion leaders”

When Amazon Prime Air begins service in April 2017, 40 leased aircraft, will perform 200 daily takeoffs, which is a chance for our airport customers to see that Amazon’s logistical competency is excellent. This will change the company image for business travelers who will see our airplanes.

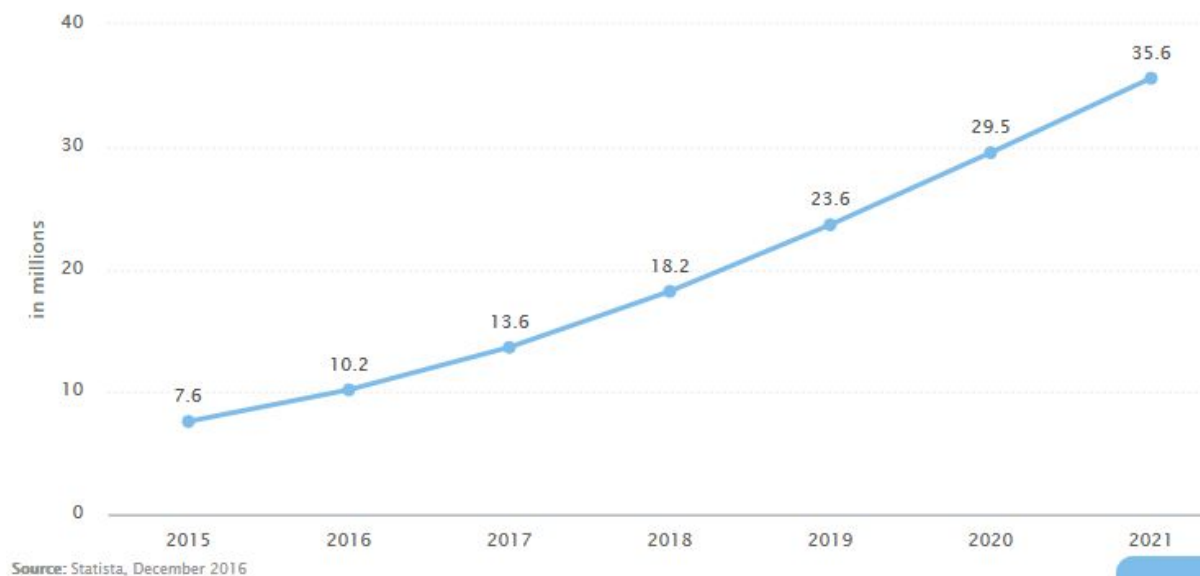


Figure 15. Revenue of Connected Cars [19] (35.6 million in 2021)

Recently, car manufacturers have begun marketing their cars to governments in anticipation of autonomous vehicles being purchased for use in what will soon become government “Mobility Management Systems”, currently know as “Public Transportation”.

Even now, public agencies have integrated Lyft and Uber into their customer facing “trip planning” systems.

Lyft and Uber have predicted an end private car ownership by 2025, which will be lucrative for car manufacturers because it is more profitable to rent a car on-demand rather than sell a car. Also, Ford has announced that its first autonomous cars will be available “on-demand” before they are available for purchase on the open market.

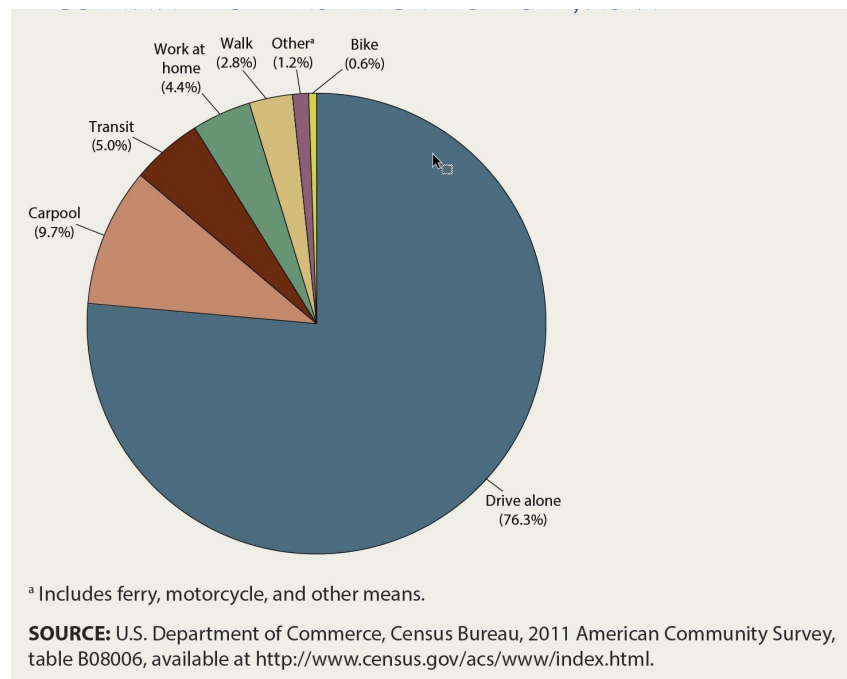


Figure 16. How people get to work, 2012

Therefore, it is crucial that Alexa be integrated into these upcoming autonomous vehicles and this company strategy is being implemented in this marketing plan by implementing Alexa into the cars of our partner car manufacturers. 76% of drivers commute to work via a car and in the future, their cars will be replaced with on-demand autonomous vehicles that will use a digital assistant, such as Alexa. By partnering with automobile manufacturers now, our Amazon Prime members will be able to use their

Echo and extend its use into the automobile by using the Alexa integration integrated into the car by the manufacturer.

Integrating Alexa into vehicles has already begun with her integration into the INRIX OpenCar platform, which is a direct competitor of Google and Apple. We assume that OpenCar will be the most accepted platform by car manufacturers as it offers the most customization, requires less access to sensitive data, and its application ecosystem such as fuel, parking, and internet radio apps is vast. OpenCar is already being used in cars from top brands such as Audi, BMW, Mercedes-Benz, Tesla, and Toyota whose target markets overlap with our “opinion leader” and “Amazon Prime” customers segments in that they generally have incomes above 50K and prefer good quality products and convenience. This need for convenience will also be met by INRIX’s implementation of technologies to facilitate advanced navigation which will reduce the amount of time that customers spend in traffic [20].

Amazon’s role in promoting the adoption of autonomous vehicles with advanced navigation systems also assist the company with its pursuit of “corporate social responsibility” (CSR) by reducing fuel usage due to reducing driving time because of advanced navigational systems, and also reducing the amount of raw materials used to build cars by enabling customers to share cars that are used by dozens of people rather than just one person.

We intend to promote this technology most heavily in Los Angeles because among the “trend setting” cities shown, it has the highest count of cars and the most traffic congestion [21].

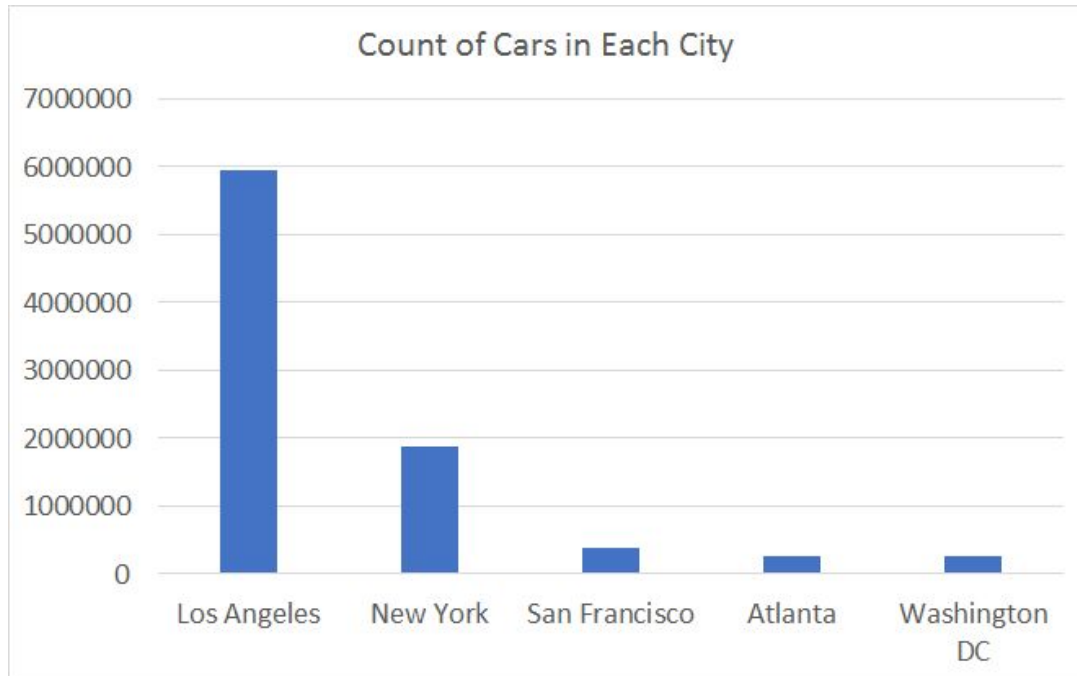


Figure 17. Count of Cars in Each City [22][23]

Los Angeles, New York, and the other cities shown in figure 17 are known as trendsetting cities [B14] and also have very high traffic congestion [21]. Therefore, in these cities, it is best to market the Echo and the integration of Alexa use in cars. We are assuming that opinion leaders will write articles about their experience using the Echo at home and Alexa in their car to reduce their commute by using the predicted travel times and navigation features.

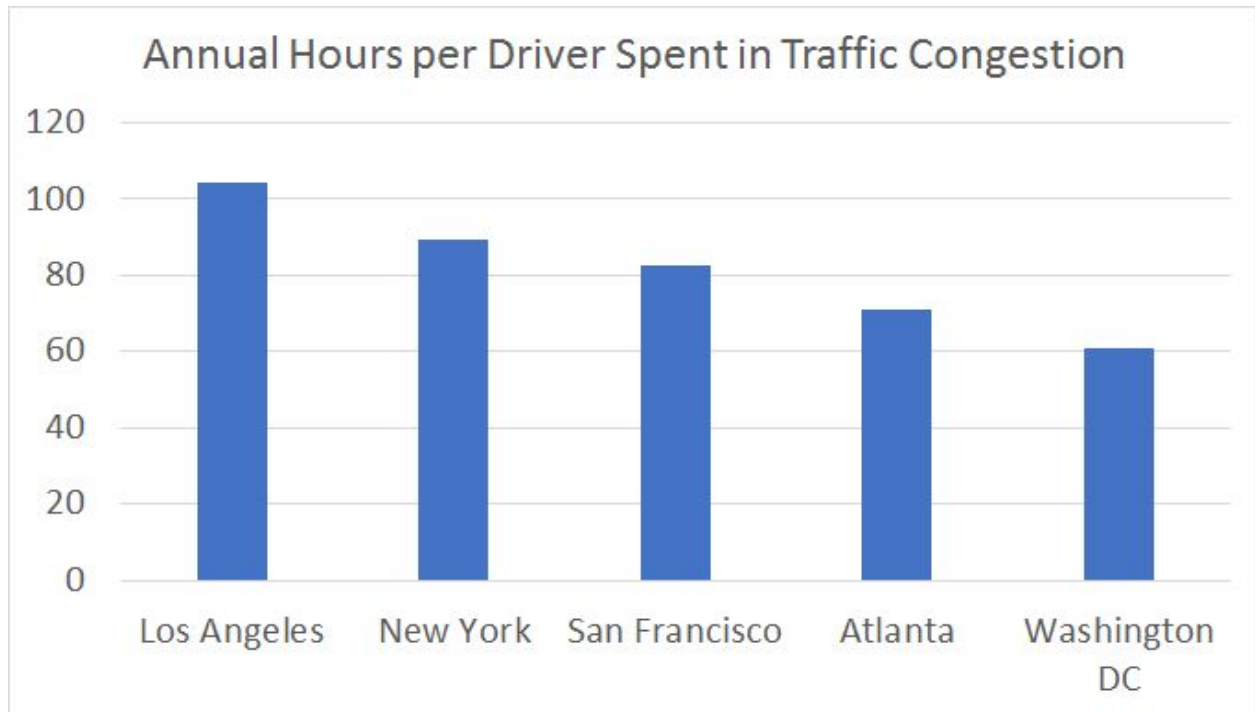
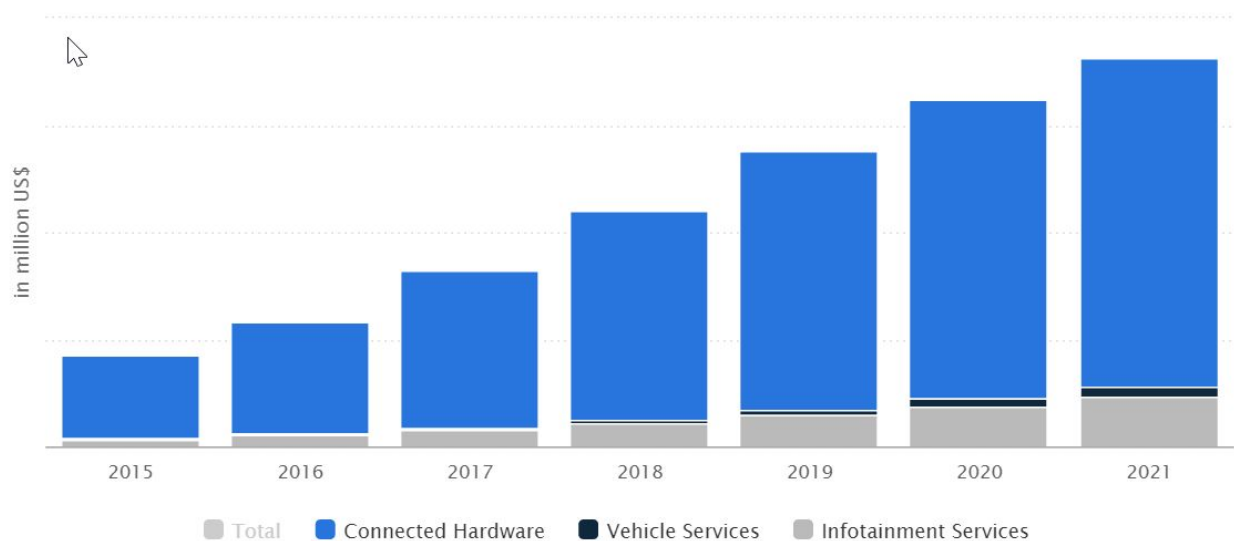


Figure 18. Annual hours per driver spent in traffic congestion [22][23]



Source: Statista, December 2016

Figure 19. Revenue of Connected Car Market [19] (\$8.194 Billion in 2017)

Amazon will also increase its revenue share of the digital music market via its streaming Amazon music services that are included with Amazon Echo's Prime membership, which will also be available in cars via the customer's cell phone or the via the car's internal OpenCar framework that is integrated with Alexa.

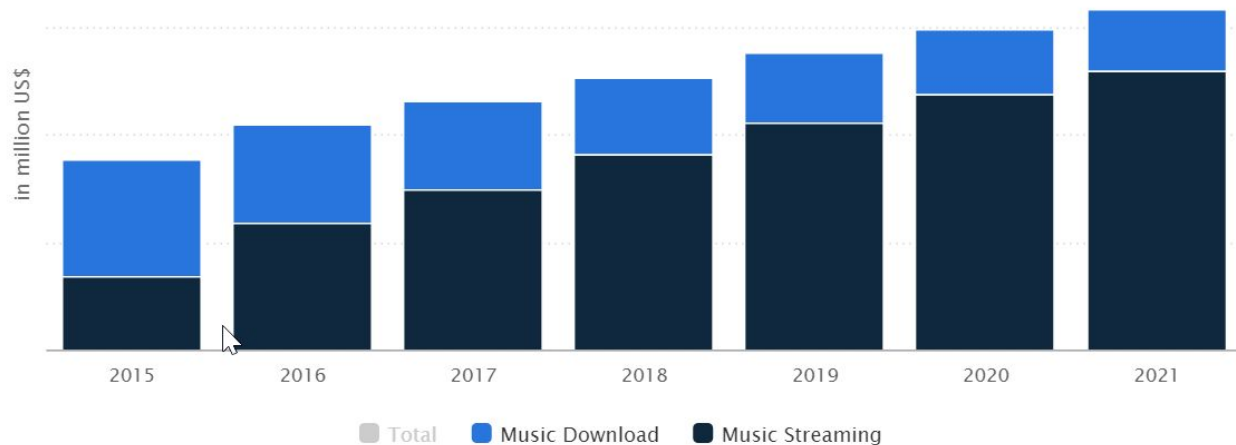
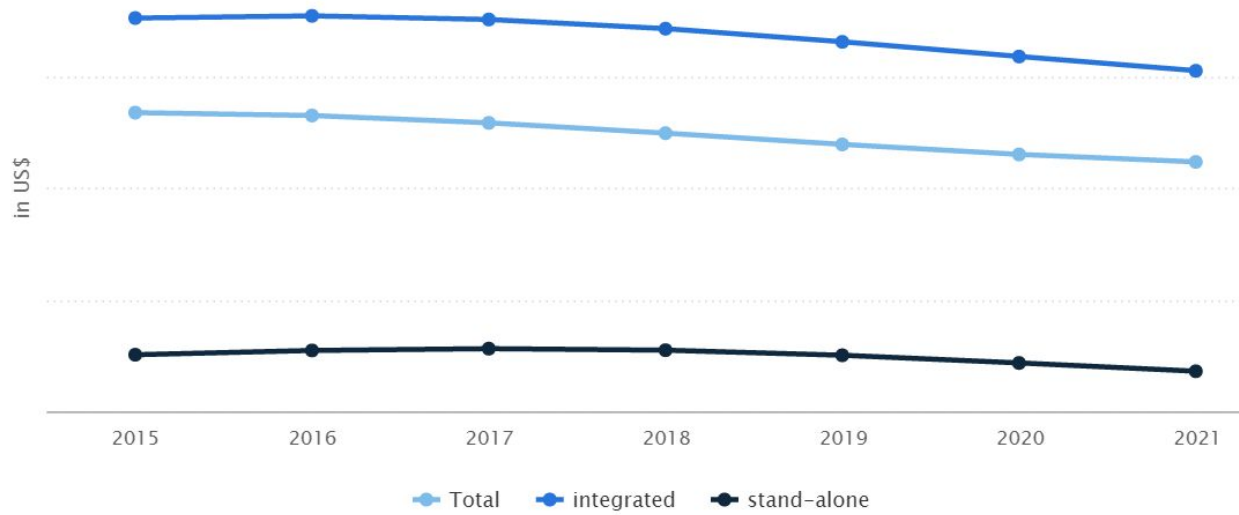


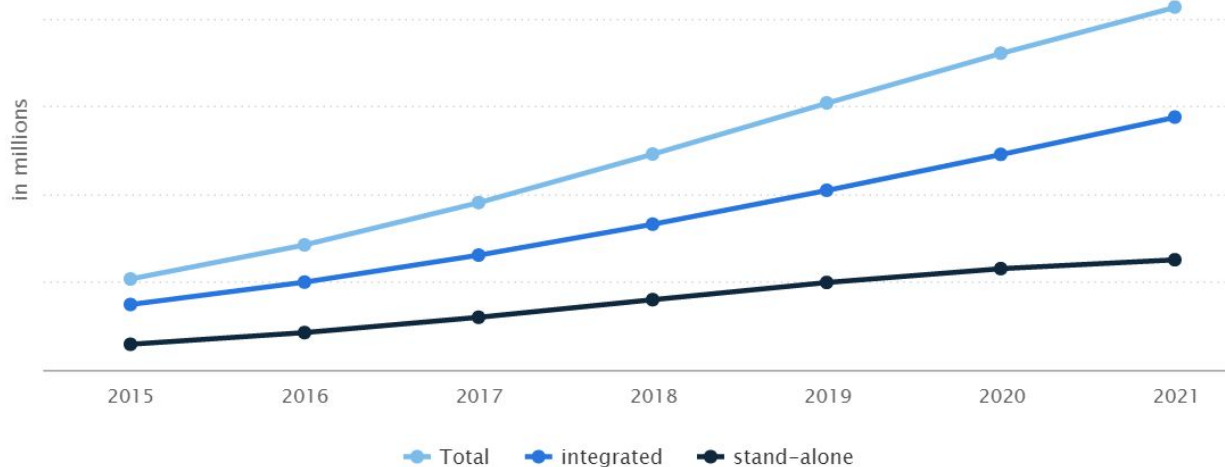
Figure 20. Revenue of Digital Music [19] (\$4.605 Billion in 2017)

There is also an urgency to penetrate the smart home market. Although the total revenue of this segment is increasing each year, the revenue per home is predicted to decrease after 2020. This is concerning because households are less likely to switch to the Echo if they have chosen products that are only compatible with a competitor, making less likely to spend their decreased annual revenue on a competing product.



Source: Statista, October 2016

Figure 21. Average Revenue per Smart Home [19] (\$258.07 in 2017)



Source: Statista, October 2016

Figure 22. Count of Homes in “Home Automation” segment [19] (41.3 million in by 2021)

Another segment worthy of attention is the home security market. Since the demand for integrated home security is rising, we can assume that Echo’s compatibility

with these products will be important for our Amazon customers. Therefore, expanding our partnerships beyond ADT and our other home security partners is important and will be done by showcasing the Echo at electronics shows. This which will encourage opinion leaders and home security manufacturers to integrate their products with Alexa, resulting in additional value proposition for Amazon Prime members considering the purchase of an Echo.

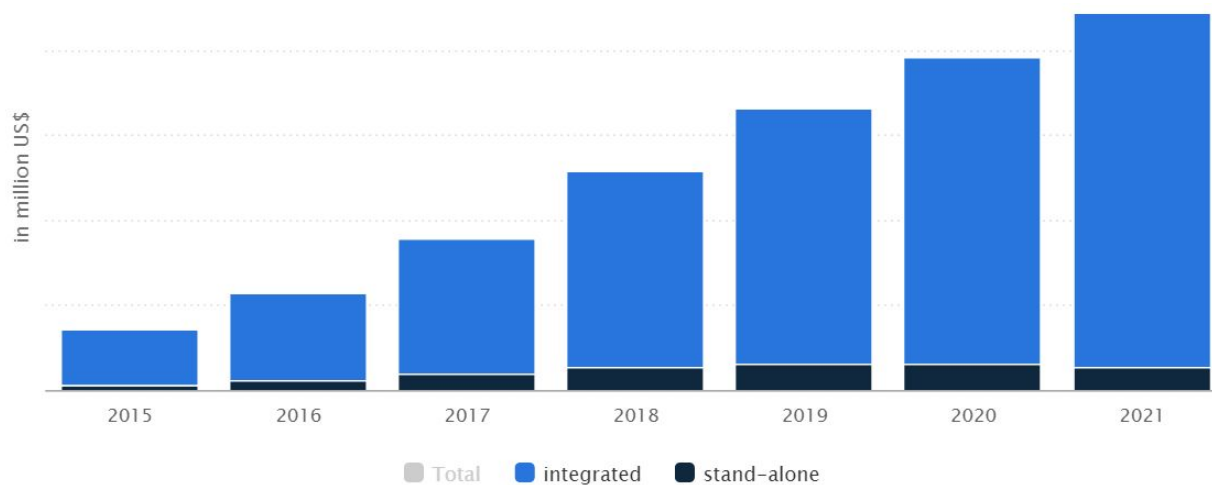


Figure 23. Revenue of “Security” segment [19] (\$4.466 billion in 2017)

● Distribution

Currently we see no need to add additional distribution channels, as the Echo is already available on Amazon.com and in many specialty stores, such as Toys “R” Us and Best Buy. Since opinion leaders are known to like specialty stores and the convenience of online shopping, our strategy is already in effect. The strategy of high sales volume can also be implemented without issues using these channels.

- Promotion

Penetration into the car market is important in order to obtain more business customers, as 76% of work commutes are done by car. Alexa's presence at Auto Shows with partner car manufacturers, Ford, Hyundai, Volkswagen, and Volvo will be an essential first step for Alexa's entry into the new car market and will also provide "word of mouth" advertising. For example, car manufacturers will be asked to place billboards of sample Alexa commands near the car that customers can try, for example toggling the car's cabin lights, playing music, unlocking a house door, and controlling a house thermostat.

The Logitech Zero Touch product may be promoted as an alternative for used cars, as it consists of a mount for a smartphone and its included app interfaces with Alexa as opposed to Google Now and Siri.

As mentioned in the company strategy, Amazon aircraft will be painted with Alexa slogans which will be seen by our air travelling Prime members, as a form of advertisement. Further market research will determine how many of our customers are air travelers, which may warrant the need for additional airport promotions such air passenger ticketing machines that use Alexa, print advertising in the airport, and digital signage solutions. Installing free Wifi access in 30 airports that advertises the Amazon Echo and Amazon offline video will promote the use of Amazon services on the airplane so that customers can be entertained by Amazon video during their flight and also be encouraged to purchase an Echo.

A disproportionate amount of sales occur during the 4th quarter and so during this time, highly sociable opinion leaders will be marketed to because of their ability to quickly diffuse their opinions. In order for them to quickly and easily share the knowledge of these discounts, social media and press releases to "daily deals" websites

will be used. The severely discounted products will primarily be Alexa compatible products for the home, as customers who choose the Alexa platform are unlikely to switch to a different voice-first platform for their home.

Our most expensive promotions will be reserved for leads and customers who are most likely to spend \$1000+/year. This includes discounted prime membership for premium frequent flyers, access to Amazon Music and Picture storage when purchasing a phone from a carrier that pre installed Alexa on it.

● Price

The Echo is priced as low as possible, thus profit from its sale is minimal so our strategy is captive product pricing. Our research in Figure 24 shows that the cost of raw materials at bulk prices is almost half of the \$180 MSRP of the Echo, while analogous data from typical smartphone cost of materials and manufacturing is one-third of the selling price to create a 60% profit, [24] thus we see that Echo is sold at a minimal profit.

Pricing Table for Amazon Echo					price estimated
Manufacturer	Model	Qty 1	Qty 1000	Qty 10,000	Description Source
Texas Instruments	TPS53311RGTT	4.33	2.06	1.73	2.9V to 6V Input, 3A Synchronous Step-Down store.ti.com
Texas Instruments	TLV320DAC3203IYZKT	4.25	2.02	1.7	Ultra Low Power Stereo Audio Codec With In store.ti.com
Texas Instruments	TPA3110D2	2.24	0.98	0.8	15W Filter-Free Class D Stereo Amplifier store.ti.com
Texas Instruments	DM3725CU5100	43.52	30.46	27.2	Digital Media Processor store.ti.com
Texas Instruments	TPS65910A1	5	2.58	2.22	Integrated Power Management store.ti.com
Texas Instruments	LP55231	2.42	1.06	0.86	LED driver store.ti.com
Texas Instruments	TLV320ADC3101	3.38	1.61	1.35	analog to digital audio converter store.ti.com
Texas Instruments	SN74LVC74ADBR	0.35	0.12	0.09	Dual Positive-Edge-Triggered D-Type Flip-Flop store.ti.com
Sandisk	SDIN7DP2-4G	6.04	5	4.53	4GB flash drive findchips.com
Qualcomm	QCA6234X-AM2D	21.63	17	16.5	Wifi and bluetooth module findchips.com
unknown	S1053 0090 V6	8	1.5	1.4	(price based on similar product) (7 micropho alibaba.com
Total		143.06	89.76	81.03	

Figure 24. Pricing Table for Amazon Echo

However, the revenue of the echo is insignificant, as its channel to Alexa is how Amazon products and services are conveniently accessed by our customers. We will continue to keep the price of the Echo as low as possible in order to keep it easily economically accessible for our middle/upper income market segment, as they are

approximately 70% of our Amazon Echo customers [3]. The Amazon Tap and Dot are a “pricelining” option for the customer to obtain most of the Echo features for a 30% or 60% lower price. It is also important to note that customer equity is increased with these products as customer revenue increases 10% because of these products.

Budgeting and Control

The total budget for this marketing plan will be \$11,875,000, spent through 2020. This will cover painting the logo on partner airlines and partnering with 30 airports to provide Wi-Fi, the 50 auto shows and 25 electronics shows, direct mail promotion. This marketing plan cost will be covered by the increase in sales due to the customers ordering items through their Amazon Echo. It is expected that customers will spend 10% more on Amazon.com after purchasing Echo [25]. With an average annual spend of \$1,200 per Prime member, Amazon will see an additional \$120 in online purchases per member [26]. This is a total revenue increase of \$1.56 Billion by 2020 from 13 Million Prime member purchases. Based on the proposed marketing strategy, Amazon will acquire 40% of the US Amazon Prime members which will result in \$2.34 Billion revenue from Echo sales. Total combined revenue from the increase in Echo sales will be \$3.90 Billion by 2020.

Market Plan Budget				
Cost Type	Units	Recurrences	Cost (\$) per unit	Total Cost (\$) per marketing option
Paint Airplane Logo	40	1	\$10,000.00	\$400,000.00
Alexa in Major Cars brands	3	1	\$0.00	\$0.00
Alexa in Major airlines	3	1	\$0.00	\$0.00
Auto Shows	50	3.5	\$10,000.00	\$1,750,000.00
Airport Wi-Fi	30	1	\$100,000.00	\$3,000,000.00
Consumer Electronic Show	1	2	\$300,000.00	\$600,000.00
Electronic Shows	25	3.5	\$20,000.00	\$1,750,000.00
Direct Mail Promotion	5,000,000.00	3.5	\$0.25	\$4,375,000.00
Total (\$)				\$11,875,000.00

Figure 25. Market Plan Budget

Company Analysis

The luxuries of today will be the standard everyday use products and services of the future, as we now see multiple computers, two cars, and mass customization in nearly every home. Our Amazon Prime members of tomorrow will commute daily via supersonic aircraft, their logistics chain will depend on autonomous vehicles, aircraft, and ocean freight, and their center of daily activity will revolve around the aerotropolis, the new airport cities of the future.

Even now, half of the top 500 revenue producing firms in the U.S. companies have placed their headquarters within ten miles of a hub airport and consulting firms have responded to government RFPs to create aerotropolis master plans [27]. In history, people have always moved to where they will have the fastest access to other places, thus we can expect our Amazon customers to do the same.

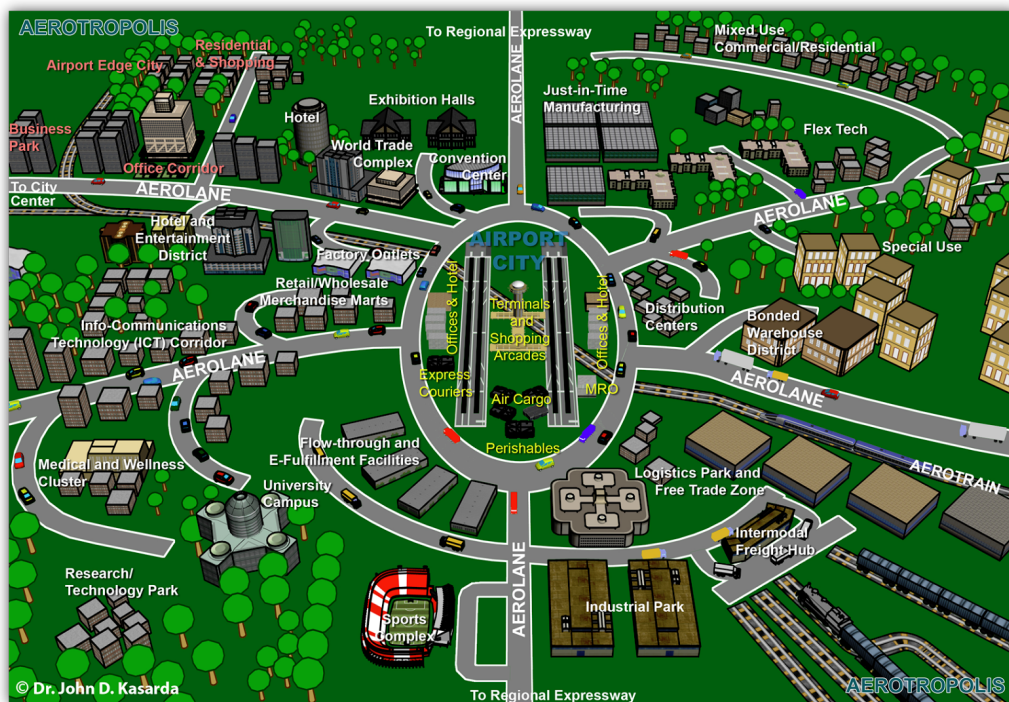


Figure 26. Aerotropolis

Although this future will be common over twenty years from now, it has already begun and our Amazon Prime members will be the opinion leaders in this new infrastructure. Even now, Alexa is available for download on every major smartphone and the count of Alexa based appliances in the Amazon customer household is only in the beginning stages. We are creating a future in which Alexa will be in every electrically powered object, from jewelry, to street lamps, to skyscrapers, and the Amazon Echo and its iterations are only one of the gateways into this future.

For now and beyond the foreseeable future our company strategy is growth. Due to the strong economy of the United States, our operations department has expanded our Served Available Market (SAM) to nearly match the Total Available Market (TAM). Our job in marketing Alexa and her most known physical form, the Echo, is to increase the service obtainable market (SOM) to the maximum profitable size for Amazon, but also be careful not to distress our competitors such that they may form an alliance to eliminate us.

We must also remember that our primary focus is on our customers and the promises that have made to our shareholders, for they have financed of our growth now and will do so into the foreseeable future. As such, our marketing strategies must be strong, and so we will target segments based on their need, create value propositions for each of these segments, and rather than anticipating the future, we will use “market driving” strategies to create it.

Since our perpetual strategy is growth, our tactics will constantly strain our personnel, infrastructure, and finances. Penetrating into new markets presents its own set of challenges, as we are not the best vendor in any market, however for our customers, we are the most convenient, thus we must always focus on the needs of our customers.

Due to Amazon's massive CRM infrastructure and brand image, customer volatility is fairly low, however due to awareness of Amazon with the opinion leaders of its stockholders, the volatility of the stock price is quite high, meaning that unwanted inconsistencies such as late holiday deliveries or "technological uncertainty" due to an outage of Alexa's infrastructure, which can drastically decrease stock value within a few days.

As our primary competitor for the next three years will be Google Home, its company strategy and objectives are quite different. While Google and Amazon put great effort into expanding their customer base as quickly as possible while increasing the customer's use of their product, they differ in that Google's customers acquire most of their Google products for free, their data is mined, and then monetized in the form of \$60 billion in advertising revenue. [28] Google Home is a competitor, but its stockholders have invested in a different strategy and revenue model, therefore there will be competition, however we predict that Google's segmentation strategy will be different.

- **Tangible Assets**

Table 2. Amazon Statement of Financial Position, Property, Plant and Equipment

Assets	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Land and buildings	13,998	9,770	7,150	4,584	2,966
Equipment and internal-use software	25,989	18,417	14,213	9,274	6,228
Other corporate assets	649	334	304	231	174

Construction in progress	1,805	1,532	1,063	720	214
Gross Property and equipment	42,441	30,053	22,730	14,809	9,582
Accumulated depreciation	13,327	8,215	5,763	3,860	2,522
Property and equipment, net	29,114	21,838	16,967	10,949	7,060

Table 3. Amazon Assets Description

Item	Description	The company
Equipment and internal-use software	Carrying amount as of the balance sheet date of long-lived, depreciable asset used in production process to produce goods and services.	Amazon.com Inc.'s equipment and internal-use software increased from 2014 to 2015 and from 2015 to 2016.
Construction in progress	Carrying amount at the balance sheet date of long-lived asset under construction that include construction costs to date on capital projects that have not been completed and assets being constructed that are not ready to be placed into service.	Amazon.com Inc.'s equipment and internal-use software increased from 2014 to 2015 and from 2015 to 2016.
Gross property and equipment	Carrying amount at the balance sheet date for long-lived physical assets used in the normal conduct of business and not intended for resale. This can include land, physical structures, machinery, vehicles, furniture, computer equipment, construction in progress, and similar items. Amount does not include depreciation.	Amazon.com Inc.'s gross property and equipment increased from 2014 to 2015 and from 2015 to 2016.

Property and equipment, net	Tangible assets that are held by an entity for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to provide economic benefit for more than one year; net of accumulated depreciation. Examples include land, buildings, and production equipment.	Amazon.com Inc.'s property and equipment, net increased from 2014 to 2015 and from 2015 to 2016.
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- Intangible Assets

Table 4. Amazon Statement of Financial Position, Goodwill and Intangible Assets

Assets	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Marketing-related	499	457	457	429	422
Contract-based	397	130	172	173	177
Technology-and content-based	705	559	370	278	231
Customer-related	299	331	535	368	332
Acquired intangibles, gross	1,900	1,477	1,534	1,248	1,162
Accumulated amortization	(1,046)	(715)	(770)	(603)	(437)
Acquired intangibles, net	854	762	764	645	725
Goodwill	3,784	3,759	3,319	2,655	2,552

Goodwill and acquired intangible assets	4,638	4,521	4,083	3,300	3,277
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Table 5. Amazon Acquire Asset Description

Item	Description	The Company
Acquired intangibles, net	Sum of the carrying amounts of all intangible assets, excluding goodwill, as of the balance sheet date, net of accumulated amortization and impairment charges.	Amazon.com Inc.'s acquired intangibles, net declined from 2014 to 2015 but then increased from 2015 to 2016 exceeding 2014 level.
Goodwill	Carrying amount as of the balance sheet date, which is the cumulative amount paid and (if applicable) the fair value of any noncontrolling interest in the acquiree, adjusted for any amortization recognized prior to the adoption of any changes in generally accepted accounting principles (as applicable) and for any impairment charges, in excess of the fair value of net assets acquired in one or more business combination transactions.	Amazon.com Inc.'s goodwill increased from 2014 to 2015 and from 2015 to 2016.
Goodwill and acquired intangible assets	Sum of the carrying amounts of all intangible assets, including goodwill, as of the balance sheet date, net of accumulated amortization and impairment charges.	Amazon.com Inc.'s goodwill and acquired intangible assets increased from 2014 to 2015 and from 2015 to 2016.

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