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Retail resistance: Is Amazon suddenly vulnerable?

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Nike's Air Jordan 1 Mid Fearless Blue the Great, sold out upon launch last month. Image credit: Nike

By Gary Fassak

From its humble beginnings as a quaint online bookseller, Amazon has become a global colossus.

By selling everything from Salad Shooters to servers, and from tiny doll houses to REAL tiny houses, today's Amazon accounts for about half of online transactions conducted in the United States.

Clearly, Amazon CEO Jeff Bezos has unlocked the secret to how things should be sold online. For any retail business, how can you lose by joining up?

But crawling from the shadows cast by the Amazon monolith is the beginning of a resistance movement being led by a surprise rebel.

Running away

Nike which has swashbuckled and, dare we say, "swooshed" its way to sales successes of its own, reaping $36.4 billion in sales last year appears to be poised to flex its retail muscles against Amazon.

Though a late entrant to the Amazon sweepstakes, Nike recently announced it was departing the Bezos universe after just two years of partnership.

Why? First, Nike has a new CEO, John Donahoe, who grew up in the Internet space.

From Mr. Donahoe's perspective, Amazon is merely an aggregator, providing a platform to list its products but critically without the curated brand experience for which Nike and other large brands are known.

Second, although Amazon provides scale and access that pumps needed lifeblood into smaller companies, all is not perfect in their walled garden.

Some criticize Amazon as becoming a victim of its own success, becoming so big that it is now difficult to search. And, as Nike is contending, it certainly is not providing a curated brand experience for brands that invest millions and billions of dollars in perfecting that paradigm.

Flee market

Another theme rising to the fore paints Amazon as a flea-market style experience littered with cheap knockoffs.

Smaller companies such as Allbirds, which have developed their own small but loyal customer base, have steered clear of the platform due to the proliferation of copycat brands offering similar designs at a lower price without the quality of the shoes they work so hard to engineer, and without the environmentally sustainable ethic that Allbirds pursues in every aspect of its operation.

Third, it can be rough to live in "the Amazon."

The retailer's practice of forced ranking and constantly changing list of customers and suppliers with like items can cause surges and declines in business demand, compared to the relatively stable ongoing demand so important to efficient supply chains.

Retired GE CEO Jack Welch famously said a company should never let anyone get between you and your customers. Though Amazon has done just that by massively investing in its platform, its ever-changing retailing rules are causing some fraying at the edges.

With Nike's revolt, perhaps we are at the forefront of another cycle of creative destruction and adaptation.

Plus point

The large brands with the resources to do it will likely choose to go direct to their customers.

Disney was quite content to partner with Netflix, sending its content through the ubiquitous platform. But not anymore. Now Disney is going "over the top," direct to their customers, with Disney+.

The just-launched streaming platform provides the ultimate curated experience designed to build loyalty among Disney's customers. This synergy is particularly evident through the practice of cross-bundling some of its other content such as ESPN and its recently acquired Fox Studio properties.

So, what of your mid-cap company, which does not have the resources of Nike or Disney to create a customized, loyalty building experience for your customers what to do? One place to start is by paying attention to what made your brand successful in the first place.

Do you really know what you stand for? Do you know what compels customers to buy your product or service instead of the competition? Do you innovate constantly? Do you listen to your customers in a systematic way? Do you study the market beyond your competition so that you can "look around the corner" to see what is coming?

If you do these things, then the Amazon platform likely provides added leverage, access, efficiency and back-end fulfillment. If you are not doing these the same thing will happen to your brand on Amazon as it always has in the non-Amazon retail market a slow, or maybe fast, erosion, as competition speeds ahead.

NOW IS THE time to take a hard look at your go-to market strategy. Learn from Nike and Amazon, even if you do not have their resources.

Know your brand, innovate constantly, make delighting your customers a core company value, and look around the corner.

If you do, you will be one of the fortunate brands that pulls away from the pack. If you do not well, that is not a place you would like to be.

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