

# The Deal Between Amazon and MGM: How Does This Deal Assist the Development of Amazon in the media stream?

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## ABSTRACT

This research discusses the development strategy of Amazon based on the acquisition of MGM in 2021. Using quantitative data-table and industrial reports as main researching methods, the research finds that the effect of COVID-19 and some problems in administration after merging with MGM are all the challenges Amazon will face. The researchers propose factors informing live streaming activities, loyalty issues, migration of e-commerce, competition and retention of talents to analyze the direction of the future strategy of Amazon. The results of this research can be the guidance of other cross-filed merging businesses in the e-commerce, providing a reference for the decisions to analyze the advantages and disadvantages of prospect.

**Keywords:** E-commerce, Acquisition, Media streaming, Amazon, MGM

## 1. INTRODUCTION

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### 1.1. Research Background

In recent years, there has been a significant tendency for stream media use. This area seems to be indispensable for corporations related to the media industry to compete with others and earn more profits. In 2020 which is a pandemic year, Amazon created approximately 500,000 jobs for people with all types of experience, education, and skill levels. Over 1.9 million small and medium-sized businesses are selling in Amazon's store [1]. For Amazon, it is one of the world's prominent online retailers. Its status is already unshakable in this respect. But merchants always want to earn more. Amazon owns prime video, but in terms of streaming media, prime video's strength is far inferior to streaming media giants Netflix and Walt Disney. Amazon has an Operating cash flow, which is \$66.1 billion in 2020 w increased 72% compared with \$38.5 billion in 2019 [2]. Amazon's strong operating cash flow has laid the foundation for Amazon's later promotion of potential projects and sustainable development. We participated in this Disney project in the past month to gain a lot of knowledge of media and negotiation skills.

Through the courses taught, we understand the importance of content and distribution channel to streaming media. The status and future development of the Amazon and MGM deal is closely related to these two parts.

### **1.2. Literature Review**

As NASDAQ OMX's News Release Distribution Channel (08 June 2021) reported that Market Research Future (MRFR) expects the global streaming media device market size to reach USD 24 billion at a CAGR of 17.5% from 2020–2026 [3]. As a result, streaming Media is becoming a market with huge potential attracting business magnates from every field.

Prahalaad and Hamel proposed Core competence, the defining capabilities or advantages that a business may have that distinguish it from the competition. It is believed to bring a competitive edge to an organization as it is not easily copied and holds the market position [4].

Eliyahu Goldratt developed the theory of constraints. It is a management approach largely underpinned by the premise that any system is as strong as its weakest link. Goldratt (1990) suggests that the improvement process should be based on finding the loophole in the production chain and identifying how to break the constraint [5].

Based on two of the theories above, Mntonintshi, U. analyzed that they can play important roles in mergers and acquisitions. First, it allows for strategic fit between the constraint of the acquiree and the core competence of the company being acquired. Mntonintshi, U. (2003) studied a case to provide an approach to fill the loophole of one organization with the strengths of another organization by merging [6]. Although it cannot ensure the acquisition's success, it is becoming a feasible strategy guiding M&A decisions. The content supports that in the deal of acquiring MGM, the strategy of Amazon of obtaining the brand reputation and high-quality production of MGM in filmdom to save its weak business in stream media is promising.

Most of them have studied Amazon's current development and past data. Still, few people have paid attention to how Amazon optimized the industry chain through MGM content after acquiring MGM and continued to develop and profit in the future.

### **1.3. Research Framework**

Firstly, we want to understand the recent environment of stream media. Secondly, we are supposed to research whether existing theories of acquisition/merging can successfully indicate this taking-over case. Then, we devote ourselves to explore how the MGM studio plays a role in the extension of the media market of Amazon in the present situation and whether this strategy can successfully increase profits. Next, we try to analyse the challenges around Amazon after this deal. Finally,

however, we will find the solutions to these problems by ways of case study, theoretical direction, and so on.

## **2. METHOD**

A quantitative method design was utilized for this research study, as it included quantitative data from a table and qualitative data from the industrial report.

### **2.1. Quantitative data-table**

Chia and Yi report some factors influencing the public's intention to watch live-streams in Table 1 [7]. This table was designed with four areas to evaluate the audience's performance in five different measures: gender, age, frequency, live-stream type, and platforms. Initially, measurements were divided into different items to categorize the frequency of social media use among audiences and further transfer the data in the form of percentages. In fact, those statistics are primarily acquired from the online questionnaire, which is created through Google form and spread in the social media platforms. Moreover, this questionnaire was distributed from May 5th to May 24th in 2017, and a total of 376 copies were distributed and collected. After initial filtering, there remained a total of 313 valid questionnaires. This table aims to give a holistic trend of the live-streams supported by user's watching frequency, the public's differentiated characteristics, and their habits. This table could be adhered to the background part to explain why high-quality content is necessary for Amazon to expand and retain audiences in the streaming media. In addition, this table could also be used in the result section to statistically prove that suitable content is fundamental for the development of social media because it can increase the hits of audiences.

### **2.2. Industrial Report**

The interview was designed to explore the future development of the retailing industry. In this industrial report, three professional strategic consultants named Steven Begley, Becca Coggins, and Steve Noble, respectively, will be interviewed to discuss the current situation for US retailers under the COVID-19. In addition, their ideas will be synthesized and combined cohesively to find out problems that US retailers might encounter. Furthermore, that industrial report could alleviate the development of results and discussion section because it could initially outline the retailing industry's current issues and further deeply discussed solutions in the following sections.

### 3. RESULT

#### 3.1. The Trend of the Retail Industry

As the spread out of the covid-19, the retail industry in the United States has brought about a big change. Because of the epidemic, people's offline shopping is no longer convenient, and crowded public places are not conducive to controlling the epidemic. More and more traditional retail industries have joined online retail. Compared with online retailers, the physical stores of the traditional retail industry have a certain influence in the local area. The physical stores can be used as the offline experience center and after-sales center of the online shopping mall. Moreover, traditional retail companies have a group of loyal and stable high-quality suppliers. The supply channels are wide, and it has the advantages of scale and cost. The offline supplier channel resources can be integrated and shared with the online to ensure the quality and sufficient supply of goods. Most traditional retail companies have well-established warehousing and distribution centers that have been operating for many years. While meeting the logistics and supply needs of offline physical stores, they can also support online e-commerce activities. However, if traditional retailers develop e-commerce, they will face fierce competition across time and space. Competitors are everywhere and have various means. If they are not prepared, they will be

tired of coping. As the traditional retail industry has joined the ranks of e-commerce, due to e-commerce marketing, relying on emerging technologies and media, marketing theories and methods are completely different from the traditional retail industry, so there is a lack of e-commerce professionals. The traditional retail industry will take measures to compete for talent. The battle for talent in the retail industry has also become more intense.

#### 3.2. Characteristics of Retailing Industry's Customers

In this section, the broad characteristics of customers will be discussed in the US retailing industry. As the COVID-19 stuck people's path stepping to physical stores, consumers started to purchase products from offline stores to online platforms. As shown from Table I, females aged 18-25 years old are the most important customers of the retailing industry since 56.9% of females and 34.8% of people aged 18 to 25 years old use social media platforms more frequently [7]. Moreover, the public tends to prefer watching TV shows related to talent shows and lives. Statistically, 37.4% of people prefer watching programs that talk about a talent show, while 39.3% prefer TV shows themed with lives [7]. Therefore, it seems crucial to have a variety of categories and rich content to attract different audiences.

**Table 1.** Statistics between public's characteristics and behavioral patterns

Measurement	Items	Frequency	Percent
Gender	Female	178	56.9%
	Male	135	43.1%
Age	Under 18 years old	3	0.9%
	18-25 years old	109	34.8%
	26-35 years old	90	28.8%
	36-45 years old	90	28.8%
	Over 46 years old	21	6.7%
Frequency	Rarely	132	42.2%
	Sometimes	137	43.8%
	Usually	44	14.0%
Kind	Game	78	24.9%
	Sport	66	21.1%
	New Discussion	91	29.1%
	Product Experience	95	30.4%
	Talent Show	117	37.4%
	Activity Involved	57	18.2%
	About Life	123	39.3%
	Sex&Desire	10	3.2%
	Other	17	5.4%
Platform	Typical Live Platform	48	15.3%
	SNS	204	65.2%
	Vlog	61	19.5%
	Other	0	0.0%

### 3.3. Characteristics of Amazon's Customers

Compared with most of the retailing industry's customers, Amazon's customers seem to be easily stimulated to purchase more products in the annual prime day established by Amazon. According to the survey conducted by Periscope, who is McKinney's consultant, over 70% of Amazon's members were glad to join Prime Day once a year to purchase discounted products in 2019 [8]. Moreover, Amazon's customers prefer to seek products in Amazon's self-operated brands, goods, and services. For example, in Amazon's video and music platforms, over one third of consumers' purchased goods come from those platforms wish lists [8]. In addition, more and more Amazon's patrons realized the convenience of voice shopping. Based on the respondents who answered the questionnaires, over 40% of consumers appreciate ordering Amazon's artificial voice assistant Alexa to purchase products in Amazon [8].

### 3.4. Possible Problems for Amazon

Based on the previous observation, three main issues might exist in the development of the Amazon under the COVID-19. Initially, Amazon might encounter the challenge of integrating MGM as soon as possible to extend advantages competing with other corporations such as Disney and Netflix. Second, especially for the COVID-19, the traditional marketing method needs to change in time to deal with the fast-changing market. Thus, consumer's buying patterns will tend to move towards e-commerce due to the proper social distance policy and safety issues. However-commerce requires abundant online marketing approaches and innovative content to attract consumers to purchase products on their platforms.

Secondly, Amazon's consumers might lose if Amazon could not utilize the MGM to produce high-quality content to retain audiences. There are two major reasons why this problem might happen. The first reason is that the rapid growth rate of e-commerce under the COVID-19 seems to gradually diminish Amazon's original benefits to operate patrons offline. Moreover, more innovative retailing corporations and their competitive pricing would cannibalize Amazon's market share if they still offer limited self-brand products and systems. In McKinney's industrial report, Becca Coggins states that three-quarters of customers might change their consumption patterns under the COVID-19, and they start to consider the product's usability, value and convenience [9].

Finally, MGM's talent retention seems to be a challenge for Amazon to develop under the COVID-19. However, some factors may stick the path forward of Amazon. First of all, the previous MGM's human resources system would be changed after the acquisition. Thus, employees need to spend time adjusting themselves

to a new working environment. Moreover, some fabulous employees might be uncertain about the current development of the retailing industry, and they are possible to dismiss from Amazon and seek new developments. Consequently, Amazon is responsible for encouraging those specialists and providing a better bonus system to retain them and maximize their profits.

## 4. DISCUSSION

In this section, the researcher discusses the quantitative research extracted from various sources. Examining the above results will help Amazon and other similar companies in the same industries inform their business decisions and improve the identified problems. For example, researchers can draw relevant recommendations on exploiting the existing challenges affecting the demand and improving financial sustainability.

### 4.1. Factors Informing Live Streaming Activities

Descriptive statistics postulates various factors that live-streaming behavior. Significant factors affecting live streaming behavior shown in the findings are age, gender, and income relevance. According to the descriptive statistics, females at 56.9% (N= 178) accounts for the biggest group of gender that live stream content via online platforms, including Amazon Prime, Disney, and Netflix. On the other hand, male audiences are a distant second at 43.1% (N= 135). Therefore, this shows that females have a far bigger powerful yearning to watch content via online platforms than males. As a result, this leads to the conclusion that gender is a significant factor that informs live streaming behavior.

Age is another definitive factor that informs live streaming behavior. The statistics show that people in the 18- 25 age bracket at 34.8% (N= 179) account for the biggest group of online content viewers. People in this age group are mainly the late millennials and early Generation Z. Perhaps, this group supersedes other generations on live streaming because of their enormous familiarity with online technologies. Undoubtedly, late millennials and Generation Z are the most tech-savvy consumers. Therefore, this informs this group of consumers to embrace viewing content online.

People aged 26- 35 years (N= 90) and 37- 45 (N= 90) are the second leading groups of online live streamers at 28.8%. There is no existing theorem to explain why individuals between their late twenties and early forties are the second leading groups of online streamers. Perhaps, this group also encompasses the second leading tech-savvy consumers. Consumers beyond 46 years account for 6.7% (N= 21) of the live streamers, while people aged below 18 years at 0.9% (N= 3) hardly use live streaming. According to the findings, one can deduce that age is a critical parameter in informing consumer

behavior. The youthfulness of the consumers has a direct effect on live streaming. However, it remains unexplained why minors (those below 18 years) hardly use live streaming services. Perhaps, the limited access to IoT (Internet of Things) by the "under 18" because they are still minors may explain their limited use of live streaming services.

Income is another major factor that influences consumer behavior in all industries and for all products. Income capacity correlates with the purchasing parity among the consumers. In addition, income improves services or product affordability. The researcher establishes that income correlates with live streaming frequencies [10]. Therefore, it means that people with high-income capacity tend to engage in online streaming than those with lower income. Various aspects may explain this. For example, high-income people can afford IoT to sustain live streaming services, including mobile devices, internet access, and smart TVs. Therefore, economic improvement will have increased live streaming services because the households' purchasing parity will increase.

#### **4.2. Loyalty Issues**

The loyalty issue is a significant concern facing Amazon. Undoubtedly, Amazon is an e-commerce giant renowned for its customer-centric culture. The company offers superior services and products to the users [11]. However, live-streaming services are far inferior to those offered by competitors. Service inferiority has an inverse relationship with loyalty [11]. Therefore, this shows that Amazon should replicate its superior experience in other retail products towards online streaming.

#### **4.3. Migration of E-Commerce Under Epidemic Situation**

The pandemic was a rare social factor that had a positive effect on the live-streaming industry. Containment measures, including lockdowns, movement restrictions, and curfews, hurt productivity and financial performance in many industries. Surprisingly, this was different for the live-streaming business [11]. Lockdowns correlate with the drastic growth in live-streaming activities. The biggest factor that led to this was the substantial time that people spend at home. Business closures also lead many people to spend time at home. In addition, the loneliness that comes with the sudden halt of social activities sparked massive online streaming [6]. Therefore, this killed loneliness that people suffered during the pandemic.

#### **4.4. Competition and Retention of Talents**

The findings reveal competition to be among the biggest challenges facing Amazon Prime. According to research, Amazon Prime accounts for a negligible market

share compared to the giant live-streaming companies, including Netflix and Walt Disney [12]. The inferiority of Amazon's services is a significant reason that weakens the competitive position of Amazon. In addition, Amazon's competitors offer far better employment terms, including a healthy working environment, recognizing employees' contributions, and proper incentives [12]. Unhealthy culture and improper recognition of the staff at Amazon are the leading cause of staff turnover.

The discussion provides a host of insights that could inform Amazon's strategy. Conclusively, Amazon should relook at the marketing of its live streaming service via Prime Video. Furthermore, the company should focus on service superiority to compete favorably with live-streaming giants, including Netflix and Walt Disney. In addition, the company suffers from job dissatisfaction issues besides the high competition. However, the primary opportunity is that the COVID-19 expanded live-streaming business, creating an opportunity to grow revenue and improve financial success.

### **5. CONCLUSION**

#### **5.1. Conclusion of your key findings**

COVID-19 has had an important effect on the retail market. It is a signal for Amazon to adjust its strategy for future development. Offline retail shows a downward tendency. Comparatively, online retail companies will face more challenges and opportunities to draw traffic into the platforms and retain customers. The expansion of media streaming will be a powerful weapon. According to the studies, the analysis shows that gender, age and income are the typical differentiating factors of informing live streaming activities. Therefore, Amazon is suggested to allocate media content based on preference characteristics of different crowds, intending to attract audiences most effectively. However, the services in media streaming are unsatisfactory, which will result in customers' experience gap compared with offline services. Therefore, Amazon also should focus on online services to keep customers' loyalty. Additionally, the findings show problems in competition and retention of talents brought by the acquisition of the MGM, which should be paid attention to avoid.

#### **5.2. Research significance**

Taking the acquisition between Amazon and MGM as an example, this research focuses on the strategic changes of e-commerce under the COVID-19. According to the studies, the challenges and opportunities have been analyzed in this research, which can be referable guidance for other e-commercial enterprises. The effect of this acquisition on the media streaming area of Amazon can be a choice to save some online retailers who dropped in this internet era.

### 5.3. Limitations

The research mainly using secondary data to analyze the issues, lacking primary data as support. Moreover, individual contingency may exist in the case study of the acquisition between Amazon and MGM due to the specific status of different companies. So, this result may not be completely used in all similar companies. In the future, the researchers will continue to follow the dynamics of the acquisition between Amazon and MGM and the future development of Amazon, recording the newest results to reanalyze. Meanwhile, the researchers will attempt to interview the decision-maker of each company to collect information about the reason for new strategies.

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