



Amazon's healthcare revenue stream widens...

Is Amazon preparing to flood the healthcare industry?

Amazon's current flows year round...

It's the holiday season and shoppers are in the stores and online. Amazon is taking orders, filling orders, shipping orders. Once the season is over, they capably process returns, refunds and exchanges -all the while shipping out new orders. Amazon's is relentlessly moving forward. Among the many milestones of 2016, it launched more than 6 different private label clothing brands, a music streaming service (Amazon Music Unlimited), introduced a branded cargo air fleet (Amazon Prime Air), globally expanded its Amazon Prime Video service and reportedly is venturing into the Middle East by seeking to buy Souq.com, an online marketplace. If there wasn't already enough to say about Amazon's ongoing innovation and expansion; it seems to be poised to cruise further into healthcare.

Amazon has healthcare on its mind and in its warehouses...

A close inspection of their site reveals a diverse and growing assortment of healthcare items. They have carried home medicine cabinet products (Amazon Health & Household) aplenty for a number of years (OTC medications, first aid items, personal care products, sundries). These align with Amazon's core consumer customer mission and have been a part of their standard lineup for a while. Augmenting these everyday items is a deep assortment of more specialized consumer healthcare products. They represent a blend of durable medical equipment, home healthcare supplies and other items. A quick sample reveals crutches, glucose monitors, ostomy goods, blood pressure cuffs, wheelchairs and a variety of other items greatly apart from aspirin and band aids.

By searching further, it's easy to see Amazon is widening and lengthening its reach into healthcare. You will find an impressive lineup of products for advanced home healthcare needs. As you continue to search, you will find a large group of products clearly meant for medical practice. The lineup is diverse in selection, complexity and price. Amazon carries catheters, speculums, infusion pumps, syringe pumps, IV bags, infusion tubing, luer lock components and other disposables, sutures, oximeters, oxygen concentrators, forceps, medical carts, real hospital beds (some over \$9,000), autoclaves, scalpel blades and more –plus a wide range of laboratory supplies.

There are additional, more telling indications Amazon is taking more than a casual tour of healthcare. Their cloud unit, Amazon Web Services, is already working with companies involved with genomics, life sciences and healthcare providers/insurers. Amazon is expanding their staff working in the healthcare space. Their career portal has openings posted for a variety of healthcare sector-focused positions. Some are technical and steered towards healthcare industry cloud computing roles; others are aligned with healthcare B2B or B2C responsibilities.

Amazon has what it takes to stay afloat in healthcare...

Born as an e-commerce enterprise, Amazon's DNA is digital and in today's healthcare environment, the ability to develop, and manage digital resources is paramount. In terms of digital marketing, e-commerce and logistics, they are a juggernaut. Amazon has over 130 million visitors to their sites per month. They have separate websites for the United States, United Kingdom, Australia, Brazil, Canada, China, France, Germany, India, Ireland, Italy, Japan, Mexico, Netherlands, and Spain –plus shipping to other nations for some products. Recently, they enriched the German Amazon website with Dutch and Polish language versions. Amazon's cloud computing is 10 times larger than the next 14 largest cloud providers combined.

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From a technical point of view, Amazon is well positioned to operate efficiently in a digitally-dependent healthcare industry.

Amazon is a company raised on successfully exploring and settling in new markets –sectors where naysayers stated they had no business going into. Moving on from books, CDs and DVDs, they carry goods used by consumers throughout their homes covering the kitchen, living room, bedroom, backyard, garages –and assertively moving out from the confines of the medicine cabinet in the bathroom. They are well established in B2B commerce with office supplies, industrial supplies and other product categories; it's easy to see why medical practices, hospital systems and other healthcare entities would look more to Amazon as a supplier. Plus, the companies Amazon markets products for have great confidence in their ability to consistently deliver. At competitive prices, Amazon's infrastructure routinely transports products into dense metropolitan markets and rural locations –key experience and resources to possess in a high service, increasingly cost-sensitive healthcare marketplace.

Healthcare is a highly regulated industry which is a barrier or at least a bottleneck for some companies seeking to do business in it. Based on Amazon's existing selection of products and business models, they have breached that issue. They are deeply experienced in successfully operating through litigation and rule heavy business channels such as interstate commerce, importation, vendor contracts, licensing deals and others. As they venture further into healthcare, the red tape gets denser but they can be expected to manage through it to successfully reach customers.

Advantages as a "newcomer"...

In the healthcare sector, Amazon has many strategies and tactics to choose from --what approach they take to build up their presence in healthcare with consumers or patients/providers is anyone's guess. Based on what they are selling in healthcare now, they are earning revenue while building up data and experience with a variety of healthcare products and healthcare customers. In some instances, Amazon has avoided attention and quietly expanded into new markets with select items then ramped up based on customer need and supplier interest. Noisy or quiet, the results speak for themselves. Amazon has a solid track record of disrupting entire industry sectors, forcing incumbents to remake business models and changing customer buying habits. You can ask Barnes & Noble (books), Office Max (office supplies), W.W. Grainger (industrial supply), Walmart, Target (mass merchandisers), Netflix (video streaming) about the upstream current Amazon forces them to swim against.

McKesson, AmerisourceBergen, Cardinal, Henry Schein and Owens & Minor are all sizable, well entrenched healthcare trade entities. GPOs like HPG, Innovatix, Premier and Vizient are equally experienced and positioned. They have direct relationships with customers just as the trade partners do. This type of business environment, no matter how locked up it may seem to be by the incumbents, is where Amazon historically has successfully rewritten the terms of engagement.

With a new and different perspective, Amazon can formulate its own unique approach to healthcare provider organizations. They aren't so deeply ensnared in legacy business arrangements and operational processes with healthcare organization customers. Perhaps it "rewrites the book" on healthcare contracting, making it easier, faster and streamlined for senior-level decision makers across finance, legal, purchasing and other units in healthcare provider organizations to do business with them versus GPOs and traditional trade channel arrangements.

Maybe Amazon takes this a step further and makes it substantially easier for healthcare product manufacturers to work with them as well. Another possible arrangement is between GPOs and Amazon --and managed care plans may be another consideration. The healthcare industry has already undergone significant change due to healthcare reform. It's possible the timing is right for a new, pivotal entrant; one that is known for embracing customer needs while simplifying and accelerating the buying process!

A variety of courses can be charted...

Amazon may choose to widen its existing relationships with consumers needing direct access to more advanced healthcare products and forgo a big splash in healthcare. It can embrace existing consumer customers and develop new ones as they continue to maximize their use of data and gain more diverse healthcare product experience. While offering the assortment of non-typical, more advanced/specialized products to households, it enables them to sell more traditional consumer products as well. It is estimated Amazon has over 300 million credit cards on file, that's a lot of accounts and data to cultivate for healthcare-related customer needs.

With B2B/healthcare providers, they can pick and choose specific sectors to engage based on existing, standard setups or perhaps specialized buying arrangements. With highly fragmented but rapidly consolidating healthcare channels such as behavioral health, assisted living, long term care and surgical center chains, they can encapsulate multiple existing buyers into one. This is great for Amazon and for healthcare provider entities looking to maximize economic efficiency via mergers and acquisitions.

Hospitals/healthcare systems are a larger, consolidating sector Amazon may choose to merely funnel more products into via conventional business arrangements or develop more innovative ones. If manufacturers and/or customers determine Amazon's business arrangements are more convenient and economical, the conventional healthcare trade entities and GPOs will feel the pressure to compete.

Incumbent healthcare trade entities, including wholesalers, distributors and medical suppliers, coupled with GPOs, can definitely leverage their existing positions against Amazon based on rebate deals and chargeback contracts with customers and suppliers –especially those with pharma. For some healthcare product manufacturers seeking market access and leverage against trade partners and GPOs, Amazon's ventures into healthcare offer great opportunity for them. Amazon competing against AmerisourceBergen, Cardinal, Henry Schein, McKesson and Owens & Minor seems far-fetched --but so does a large scale bookseller successfully getting into cloud-based web services, global enterprise, air freight logistics, groceries and consumer electronics (to name a few!).

The appeal of Amazon and the lure of Healthcare...

The healthcare industry has always been continually evolving based on consumer/patient needs, clinician capabilities, new technology, reimbursement and other driving forces. Its growth and the money spent within the market attract an array of businesses seeking to expand revenue streams. There are more options to care for a wider variety of challenging patient types plus venues to accomplish this than ever before.

Amazon shares many of the healthcare industry's characteristics of growth and change plus key attributes such as being customer-driven, innovative and quality-focused. These are core prerequisites for success in the healthcare marketplace. There's a great possibility consumers, clinicians and healthcare provider organizations can look forward to, and competitors will dread, another Amazon business unit yet to be named...Amazon Prime Care... Amazon Prime Health...Amazon Prime Medical.....

Thank you for reading this article. I am a Healthcare Marketer seeking a new opportunity. My experience covers an array of products (pharmaceuticals, devices) and services (clinical programs, healthcare benefits) in numerous medical specialties and market sectors. It includes brand management, managed care and digital marketing. Feel free to connect with me via LinkedIn or Twitter, I am more than happy to help you network as well:

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