

Business combinations and financial results of amazon.com essay sample

[Finance](#), [Investment](#)



1. Examine how at least three (3) growth strategy alternatives utilized by Amazon. com in the global and domestic retail markets influenced profitability, and indicate if the strategies were successful.

Amazon. com has a bunch of growth strategies in place. Their number one strategy is the fact that they start with the customer and work their way backwards. To them as a company they live by what all companies should live by - customer satisfaction is their number one goal. Amazon. com themselves even said that even if that makes third-party sellers angry about low-priority placements (James). Another one of their strategies is instant gratification. The way they are pursuing this strategy is by keeping up with their Kindle device that they created. Through kindles, customers can instantly buy a book, instantly download music, and instantly watch a movie on demand. With customers being able to do all this instantly, it makes them want to come back when they need more books, music, and movies.

2. Assess the financial value of the acquisitions and investments made by Amazon. com, and the influence of the acquisitions and investments on profitability during the accounting period.

2013 Acquisition Activity

In 2013, we acquired several companies in cash transactions for an aggregate purchase price of \$195 million, resulting in goodwill of \$103 million and acquired intangible assets of \$83 million. The primary reasons for these acquisitions were to expand our customer base and sales channels and to obtain certain technologies to be used in product development. We determined the estimated fair value of identifiable intangible assets acquired

primarily by using the income and cost approaches. These assets are included within “ Other assets” on our consolidated balance sheets and are being amortized to operating expenses on a straight-line or accelerated basis over their estimated useful lives. Acquisition-related costs were expensed as incurred and were not significant.

Pro forma results of operations have not been presented because the effects of these acquisitions, individually and in the aggregate, were not material to our consolidated results of operations.

2012 Acquisition Activity

In May 2012, we acquired Kiva Systems, Inc. (“ Kiva”) for a purchase price of \$678 million. The primary reason for this acquisition was to improve fulfillment center productivity. Acquisition-related costs were expensed as incurred and were not significant. 2011 Acquisition Activity

In 2011, we acquired certain companies for an aggregate purchase price of \$771 million. The primary reasons for these acquisitions, none of which was individually material to our consolidated financial statements, were to expand our customer base and sales channels, including our consumer channels and subscription entertainment services. Acquisition-related costs were expensed as incurred and were not significant. 2010 Acquisition Activity

In 2010, we acquired certain companies for an aggregate purchase price of \$228 million, resulting in goodwill of \$111 million and acquired intangible

assets of \$91 million. The primary reasons for these acquisitions were to expand our customer base and sales channels. The purchase price was allocated to the tangible assets and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date, with the remaining unallocated purchase price recorded as goodwill. The fair value assigned to identifiable intangible assets acquired was determined primarily by using the income and cost approaches. These intangible assets are being amortized on a straight-line or accelerated basis over their respective useful lives.

The acquired companies were consolidated into our financial statements starting on their respective acquisition dates. Pro forma results of operations have not been presented because the effects of these business combinations, individually and in the aggregate, were not material to our consolidated results of operations.

2009 Acquisition Activity

On November 1, 2009, we acquired 100% of the outstanding equity of Zappos. com, Inc. (" Zappos"), in exchange for shares of our common stock, to expand our presence in softline retail categories, such as shoes and apparel.

The fair value of Zappos' stock options assumed was determined using the Black-Scholes model (" View Filing Data"). 3. Analyze the effect of the equity investments and impairments resulting from the acquisitions and investments by Amazon. com on the financial statements, and indicate

whether or not the strategy was a creatable one. Provide support for your rationale.

I don't see that these investments and acquisitions have affected Amazon.com in any negative way. It seems as though that they have only benefited from the investments and acquisitions that they have made. The strategy used here I think definitely works. You can see just looking over these five years that they know what they are doing. The strategy they used is definitely phenomenal. They acquire companies for a large amount of money and about half of that amount ends up being an asset in the form of goodwill. They obviously invest and acquire companies that have excellent customer loyalty. To have a successful company, you definitely have to have return customers, especially in a business like this.

4. Create an argument that growth in the European market can have a significant impact on current earnings and profit for Amazon.com. Provide support for your rationale.

A growth in the European market, or in any international market for that matter, can definitely have a significant impact on current earnings and profit for Amazon.com. With Amazon.com being well-known all around the world, having a big economy grow, such as the European market, it is bound to help this already successful company. The European market would have to be one of the largest markets of Amazon.com shoppers since it is one of the more successful countries. As economies grow in those large companies, their sales and revenues grow too. It is said that international sales make up

47 percent of Amazon. com's revenue, and that number is one day expected to make up more than half (James). So that being said, if the European economy grows, it seems like it would be nothing but good for Amazon. com.

Works Cited

James, Andrea. " Amazon Talks Strategy, International Growth." Amazon the Online Retail Blog. Seattle Pi, 10 Dec. 2008. Web. 25 July 2014. " View Filing Data." View Filing Data. SEC, n. d. Web. 25 July 2014. Nikolai, and Bazley. Accounting Undergraduate Capstone. 2nd ed. Mason: Cengage Learning, 2013. Print.