

Pestel analysis of amazon

Business, Company



Amazon executives made it possible for small retailers and individuals to sell their products to Amazon's customers. If a seller gains the order, Amazon would get the commission from the sales. As a "Professional" you pay \$39.99 per month for the service, plus you have fees for each sold item, which depends on what you sell, whereas as "Individual", you do not have to pay a monthly fee, but instead you pay \$0.99 per sold item, plus referral fees and variable closing fees.

It was clear to Bezos that one of the biggest hurdles for online shopping was the shipping cost, because customers never paid for these charges while shopping from an offline retail store. In the early 2000s, Amazon announced free shipping for orders of a hundred dollars, which was a great success, and then later brought down the free shipping to items costing more than \$25. Amazon Prime was a service that included unlimited free express shipping at the price of \$79 for a year. This led to the sales exploding and Amazon's prime members came back to shop more through Amazon. Amazon made almost double the money from a prime member than the non-member. Now, in addition to express shipping, Amazon Prime provides services such as Prime Movies and Prime Music for members.

When it comes to competitors, Amazon possesses substantial resources to fight back if a competitor enters their market. Amazon will slash prices or make some other aggressive plan as it is committed to retaining the market share. When Apple began to disrupt Amazon's music business, Bezos was taken back, and there was little he could do. He didn't want to repeat the same mistake again and wanted Amazon from now on to disrupt their own market. Instead of competitors threatening the market, they faced the

threats themselves. He chose “ Books” as their first category, and the “ Kindle” was born. Amazon’s team is constantly working on ways to kill their own businesses and it appears that they are in a better position to disrupt their own markets.

Some of the essential political factors are that taxes and other political issues are a costly affair. Political disruption can disrupt the supply chain and result in reduced sales. Amazon is facing trade protectionism in the USA from the Trump administration that threatens the existence of foreign firms in the country, although Amazon is an American firm, considerable amount of its goods come from overseas, due to this their operations may be threatened by a possible reduction in the number of imports or tariffs to foreign imports. There are also potential trade deals between the British and American government because of Brexit. Agreements that could serve to ease Amazon’s operations in the UK as an American firm, potentially reducing import taxes and resulting in less regulations.

The economic factors have an important influence on the market and market condition. A good economic condition in a market leads to better sales and higher profits. Even in the times of recessions, the retail industry was doing well. Because of this, it’s safe to say that people will always buy regular items despite the economy. In 2015 E-retail grew with 23%, and more growth is expected. All this indicates that Amazon could see much more growth and increase in profits. Amazon has also received some criticism about reducing jobs traditionally done by human resources, reports show

that the firm is actually creating more jobs than it's cutting, creating additional jobs in the US and UK at new Amazon facilities.

Social and cultural trends are both important factors behind the growth of e-retail. There has been an increase of mobile technology and growth in digital technology which has been a part of boosting e-retail. Today “everyone” owns a smartphone with access to internet, social media and online shopping, due to the availability of 4G and digital technology sales of retailers like Amazon has increased. In addition to this, millennials like to do most of their shopping online. They get the best products, at the best price delivered to their doorstep, and this is only offered by e-retailers. To market itself better and strike a deeper connection with the customers, the brand must focus on cultural factors.

Technology is a highly important factor in the 21st century; every kind of business must depend on IT and other forms of technology to deliver better services. Technological innovation has become the key to success in the modern era. Customer service is important to keep customers engaged and is the key to build customer loyalty, as well as Social Media is areas where retail businesses have to focus to better engage their customers. Without using technology for marketing, sales and customer relationship management it is difficult to achieve growth. Amazon continues to develop high levels of technology to aid their logistics services, such as HUB, a locker system that allows Amazon deliveries to be dropped off even when the customer isn't home. Recently, Amazon announced that they will be doubling the amount of staff that they employ in their Research and

Development center in London, signifying that the company is focusing on increasing their technological proposition.

For businesses worldwide, environmental factors have become more and more important. Sustainability is an important concern and retailers have to focus on several areas like packaging, waste reduction and energy consumption. Amazon has invested a lot in CSR and sustainability, and also engaging the community in sustainability projects. Renewable energy is a key focus area at Amazon. Until 2016, Amazon had never published a sustainability report, raising concern about the environmental impact that the organization's extensive global operations place on the wider environment.

Legal compliance is also just as important for businesses globally. Any tussle with the law can be very costly for big companies; any mistake can result in big fines and a loss of image for big companies like Amazon. Amazon has separate legal teams to oversee the legal issues and challenges, and as a result from labor to sustainability, there are several areas where Amazon has to deal with significant legal challenges. Laws differ from nation to nation and companies must remain compliant regardless of where they're doing business, because of this law can be a major pressure when operating internationally, so Amazon must remain cautious.