

Example of research paper on amazon.com inc

[Business](#), [Company](#)



History and background of the Retailer

Amazon. com was set up in 1994. Jeff Bezos takes the credit for the establishment of the company with its base in Seattle. The company began as a bookseller over the internet. As time went by, Amazon grew in size and eventual market share making it one of the largest e-commerce business enterprises. The company eliminated the need for its clients to travel to actual bookstores and purchase reading material. They could do this over the internet. After establishment in 1994, the company made its first online sale in May 1995.

Corporate Mission Statement

The corporate mission of the company is to be the most customer centered company in the whole world. It relates to the most important aspect of the company, its customers. The employees are expected to act ethically and lawfully in the course and scope of their duty to the company and its clientele. In addition, they are not supposed to allow the conflict of interest to set in. The employees have a duty to act in the best interest of the company. There is a code of ethics within the company that all employees have to obey.

Other fundamental duties of the employees also apply to the employees at Amazon. Apart from those set within the code of ethics and standards, there are certain morals that employees need to portray by virtue of them being human beings. These include the safety and health of other employees. Discrimination of fellow employees and harassment is also discouraged.

Financial Information

The first aspect of the financial information is the annual sales report. The table below shows the gross income of Amazon. com for the last four years.

Annual Sales Reports for the Last 4 Years in Dollars

The company's profits have increased in the last four years from a gross profit figure of 5. 3 billion in 2010 to 20. 1 billion dollars in 2013. The rise in the profits results from the increased sales realized by the company. The improved profits imply that the company implements the right advertising strategy. In addition, the company has optimized its sales opportunities at the lowest cost of sales outlay. The sales and profits have an upward trend over the last four years.

Another key element of the company is the statement of its financial position. The liquidity of the company relies on its ability to pay its financial and debt obligations as and when they fall due. The periodic balance sheet indicates that the firm has maintained its total assets above the value of the total liabilities at all times. The company has a good current ratio throughout the financial year. The following is a balance sheet extract of the company:

Periodic Balance Sheet between June 2013 and March 2014

Period Ending 31/03/2014 31/122013 30/9/2013 30/062013

Assets

Current Assets

Cash and Cash Equivalents 5, 074, 000 8, 658, 000 3, 872, 000 3, 704, 000

Short Term Investments 3, 592, 000 3, 789, 000 3, 817, 000 3, 759, 000

Net Receivables	3, 945, 000	4, 767, 000	3, 577, 000	3, 402, 000
Inventory	6, 716, 000	7, 411, 000	6, 068, 000	5, 420, 000
Other Current Assets	- - - -			
Total Current Assets	19, 327, 000	24, 625, 000	17, 334, 000	16, 285, 000
Long Term Investments	- - - -			
Property Plant and Equipment	12, 267, 000	10, 949, 000	9, 991, 000	8, 789, 000
Goodwill	2, 653, 000	2, 655, 000	2, 635, 000	2, 614, 000
Intangible Assets	- - - -			
Accumulated Amortization	- - - -			
Other Assets	2, 117, 000	1, 930, 000	1, 773, 000	1, 807, 000
Deferred Long Term Asset Charges	- -	128, 000	128, 000	
Total Assets	36, 364, 000	40, 159, 000	31, 861, 000	29, 623, 000
Liabilities				
Current Liabilities				
Accounts Payable	16, 841, 000	21, 821, 000	16, 135, 000	14, 735, 000
Short/Current Long Term Debt	- - - -			
Other Current Liabilities	1, 516, 000	1, 159, 000	- -	
Total Current Liabilities	18, 357, 000	22, 980, 000	16, 135, 000	14, 735, 000
Long Term Debt	3, 147, 000	3, 191, 000	3, 043, 000	3, 042, 000
Other Liabilities	4, 532, 000	4, 242, 000	3, 596, 000	3, 113, 000
Deferred Long Term Liability Charges	- - - -			
Minority Interest	- - - -			
Negative Goodwill	- - - -			

Total Liabilities	26, 036, 000	30, 413, 000	22, 774, 000	20, 890, 000
Stockholders' Equity				
Misc Stocks Options Warrants	-	-	-	-
Redeemable Preferred Stock	-	-	-	-
Preferred Stock	-	-	-	-
Common Stock	5, 000	5, 000	5, 000	5, 000
Retained Earnings	2, 298, 000	2, 190, 000	1, 950, 000	1, 991, 000
Treasury Stock	(1, 837, 000)	(1, 837, 000)	(1, 837, 000)	(1, 837, 000)
Capital Surplus	10, 019, 000	9, 573, 000	9, 175, 000	8, 893, 000
Other Stockholder Equity	(157, 000)	(185, 000)	(206, 000)	(319, 000)
Total Stockholder Equity	10, 328, 000	9, 746, 000	9, 087, 000	8, 733, 000

Net Tangible Assets 7, 675, 000 7, 091, 000 6, 452, 000 6, 119, 000

Advertising and Promotional Examples

Amazon. com runs a series of advertisement and promotions to maintain the loyalty of its customers. One promotional ad run by the company is the FBA export service. If a customer has products eligible for export, Amazon identifies the products and enables customers to purchase. The service enables clients to reach customers in more than 60 different countries. Following the establishment of the website as an official bookseller, the sale of other products meant for entertainment was also promoted. These products include music, hardware and films. The company added digital material to its sales services in 1997. Amazon is among the pioneer companies that introduced the use of software meant to monitor the personal preferences of each customer. The software enables Amazon to

target those customers who are registered to the services of the bookshop by sending those messages (Pavlou and Gefen 1). The messages enable the customers that there are available books and other materials which suit their preferences. An example of such messages includes “ Recommended for you”.

SWOT Analysis- Internal Strengths and Weaknesses versus Opportunities and Threats

Strengths

Amazon has successfully emerged as a profitable organization. In terms of growth, the company has moved from a gross income of 5.3 billion in 2010 to 20.1 billion in 2013. In addition to growth and profitability, Amazon’s strength is depicted in its ability to utilize information technology and the Customer Relationship Management (CRM). These tools are used to record the buying habits of the customers. The company has invested many resources to ensure the success of these tools that have so far worked in its favor (Goldfarb 5).

Secondly, the company has a renowned global brand. Amazon is listed among the top 500 by the Fortune, and it ranks at 130. It was among the first companies to venture into e-commerce. The early venture has enabled the company to enjoy a large section of the market share. Recently, Amazon acquired JOYO, which is the largest online retailer in China. The acquisition implies that the market share has improved in China, which has a large population.

Amazon has an impressive rate of inventory turnover. The company has effectively maintained an inventory of 34 days that imply that they turn over

more than 10 times during the year. An impressive turnover indicates that the company has a good rate of turning inventory into cash.

Weaknesses

The company has continuously introduced many products into the market. Amazon has a good reputation in terms of service delivery to its customers. However, the company should consider the fact that the new products and services may lead to the loss of its identity by damaging the recognized Amazon brand. Instead of bringing wholly new products into the market, it is best for Amazon to make the range of its products much broader (Mambula 6).

The second weakness refers to the slim margins within which the company operates. The margins often reduce the earnings of the company. For instance, Amazon trades at an estimated Price per earning ratio of 2765. The P/E ratio is too small for the multi-national entity considering the magnitude of its financial operations. The P/E ratio results from the company's tendency to enter into very competitive markets.

Opportunities

The company has many opportunities. Since Amazon is one of the first companies in e-commerce, the company has goodwill valued differently in the world's diverse markets. Amazon has many unexploited markets especially in Africa and marginalized areas in the Asian continent. The purchase of JOYO was a good initial step to exploit the huge market in China. In Africa, there are many online companies which Amazon can partner with, when it comes to business. Examples include Africandy, Blogbytes and

Collerette. The partnership will enable the company broaden its market jurisdiction thus improving the sales volume.

Threats

On the other hand, Amazon faces stiff threats as a result of competition. The competition results from the competitive nature of the e-commerce industry. With the advancement of technology, it has been easy and cost-friendly to conduct business online. The second threat is a huge market share that the company enjoys. Compared to the small operating financial margins addressed earlier, the threat exists, as a result of the company's inability to monetize the huge market share that exists.

Another threat facing Amazon. com is the willingness of its competitors to cut the prices of its products. Most consumers prefer online purchases to avoid paying taxes. Consequently, the company's competitors prefer to incur a tax burden and lower the prices for consumers. In the end, this may reduce its profitability.

Major Competitor-Netflix (NASDAQ)

As earlier mentioned, Amazon has a tendency to venture into competitive markets. A good example of such competitive markets includes the tablet and streaming markets. Amazon faces stiff competition from Netflix in the streaming market. On the other hand, the tablet market is equally competitive with major industry players like the Nexus 7 tablet.

The streaming business given that it involves many costs, and it is commodity-based. for instance, Netflix has to pay a lot of fees for licenses. The competition arises for Amazon since there is no way that the company

can vary the commodity to distinguish it greatly from the product offered by Netflix. For instance, there is little difference between watching an episode on either Amazon or Netflix.

The customers' ability to differentiate results from the ability of Amazon to package its products in a unique manner compared to those products offered by Netflix. Apparently, Netflix is doing better in the online streaming business compared to Amazon. com.

Comparison of the Company Strategies

Similarities

Netflix and Amazon have the similar strategies. Both companies have devised mechanisms to get their products to millions of consumers all over the world. The consumers will then use the products from the two competitors to generate revenue. The two companies have particularly different models when it comes to business. The models are in spite of the two companies competing in the online streaming business. However, their income generation strategies are similar. The two companies share a similar means to an end.

In addition, the companies have similar pricing strategy models. A customer pays 8 dollars per month for the streaming membership to Netflix. The result is a total of 96 dollars a year for the membership. Amazon charges a total of 99 dollars for annual membership. The prices are reasonably comparable. Amazon and Netflix have similar trials and plans strategies. The strategies aim at ensuring that the consumer does not feel compelled to commit to a single product or choice offered by the company. The companies offer grace periods to their customers. The trial periods are meant to make their

customers familiarize with the products that they want to purchase.

Consequently, the clients can make decisions whether they want to use the products for a long time. The customers may also decide to switch to another product (Wang 8).

The companies also have similar selection strategies for their clients. After the customers have committed to the membership fee every month, the customers need a guarantee that they are getting the best value for what they are paying. Netflix has the highest number of selection with more than a thousand titles available to the clients to choose. Some organizations like Sony, DreamWorks and BBC, contribute to the titles offered within the Netflix market. On the hand, Amazon has similar titles offered by Netflix and another company called Hulu Plus. Since Amazon's library is still new, it is not very extensive compared to the variety offered by Netflix.

Differences

Netflix and Amazon is the trending technology conflict that tends to inspire the e-commerce industry. Netflix has been in the streaming business for a longer period than Amazon. As a result, Netflix tends to enjoy a larger market share compared to Amazon due to the accrued effect of market monopoly.

Netflix has taken to the production of original content. The content is then aired online where the subscribers can access and watch the productions. As at February 2012, the company had 33 million subscribers.

On the other hand, Amazon relies heavily on television shows and episodes. The company is not particularly open about their customer numbers.

However, it is estimated that the customer numbers range between 2 to 3

million as at February 2012. Netflix has an algorithm that enables it consistently understand the needs of all its clientele. However, Amazon lacks this algorithmic strategy because it is new in the streaming market. The strategy works in favor of Netflix because it has been able to maintain the market share as more customers subscribe to its services. The effect may not be good for Amazon as they may not be in a good position to increase the number of customers that they have. They may have to introduce a wholly new and impressive product.

RECOMMENDATIONS: Making Amazon Bigger and More Competitive in the Market

Amazon.com can become bigger and more competitive in the market. The objectives can be achieved using short-term inter-mediate term and long-term strategies. Short-term strategies refer to strategies that are meant to work for the company within a short period. Strategies are implemented to improve the state of the company in various departments. They aim at enabling the growth of the company by improving the rate of production, the sales volume and eventual income generated by the company.

Short-term strategies are tertiary strategies meant to work within a period of days or a few weeks. A company usually implements such strategies whenever there is an opportunity that needs to be utilized before other industry players take advantage. One of the short-term strategies that Amazon Company can use is financing long term projects using short-term sources of finance.

The strategy is an aggressive policy of managing the working capital of the company. For example, the company can finance a 5 year project or

investment using a loan payable within 2 years. An example of an investment is the purchase or merger with another online bookseller company. Amazon Company will retain the investment up to the foreseeable future yet the debenture may be paid within a period of 3 years. Short-term strategies are meant to increase the profitability of the company although they reduce the level of liquidity of the company. A short term strategy may make the company unable to meet its debt obligations as and when they fall due in cases where the strategy is not well implemented.

Intermediate-term strategies are strategies implemented to deal with emergency situations within the organization. They are used as a contingency plan to help in preventing the company from incurring significant financial loss, loss of goodwill or section of the market share dominated by the company. Intermediate term strategies are often costly to implement since they result from unexpected situations that arise from the dynamic business environment.

There are certain costs associated with the institution of intermediate term strategies. For instance, if Amazon decides to keep safety stock, there are holding costs associated with maintenance of such stock. Safety stock results from the need by a company to avoid shortage of stock.

Long term strategies refer to strategies that are meant to work for the good of the company in the long run. The strategies are aimed at improving the financial position and goodwill of the company for as long as the business is running. Long term strategies are associated with conservative working capital management policies since the company uses long term debentures to finance short term projects (Dobers and Wolff 8)

In addition, long term strategies are associated with huge capital outlay as they bare major investments meant to ensure consistent cash flow for the company until the company comes with up with a better decision following a close examination of the available replacement decisions.

A good example of a long term strategy that implemented for Amazon is the adoption of the principle of social responsibility. Up to date, the company has never given back to the society through charity. In fact, there were claims that the company does not deserve the support it receives from its clientele because it does not give back to a charity. Social responsibility ensures that the company receives support from all the quarters of the market without any negative claims. Social responsibility is the secret behind maintain goodwill (Pranato, Mckay and Marshall 11).

Intermediate term strategies are the most expensive to implement depending on the magnitude of the contingency that the company has to salvage. Short term strategies are also equally expensive since they must be implemented within a short period. Long term strategies are the least expensive since there is adequate time to service the debentures.

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