

# Amazon swot analysis 2016: strengths and weaknesses

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



Company:	Amazon
CEO:	Jeff Bezos
Year founded:	1994
Headquarter:	Seattle, USA
Number of Employees (2018):	613, 3
Public or Private:	Public
Ticker Symbol:	AMZN
Market Cap (2018):	\$ 778. 39 Billion
Annual Revenue (2018):	\$ 220. 96 Billion
Profit   Net income (2018):	\$ 8. 9 Billion

Amazon is one of the best online retailers and it will continue its success and growth into the second half of 2016. One out of every three product searches online is done through Amazon. com and nearly half of online sales are filtered through Amazon. com.

Amazon is the fourth most valuable public company in the world, the largest internet company by revenue in the world and the ninth largest employer in the United States.

Amazon.com, Inc., incorporated on May 28, 1996, offers a range of products and services through its Websites. The Company operates through three segments: North America, International and Amazon Web Services (AWS). The Company's products include merchandise and content that it purchases for resale from vendors and those offered by third-party sellers. It also manufactures and sells electronic devices. It provides services to four primary customer sets: consumers, sellers, enterprises, and content creators. The company also provides other marketing and promotional services, such as online advertising and co-branded credit card agreements. It serves consumers through its retail websites with a focus on selection, price, and convenience. It designs its websites to enable its products to be sold by the company and by third parties across dozens of product categories. The company also serves developers and enterprises of all sizes through Amazon Web Services, which provides access to technology infrastructure that enables virtually any type of business.

And now let's talk about the strengths and weaknesses, opportunities and threats of Amazon company.

## **SWOT Analysis of Amazon**

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### **Amazon Strengths**

- Strong brand name
- Customer oriented
- Differentiation and Innovation
- Cost Leadership

- Largest Merchandise Selection
- Large number of third-party sellers
- Go Global and Act Local strategy
- Large number of acquisitions
- Involved into 3 key business
- Highest revenues in the industry
- Superior logistics and distribution systems

Amazon is one of the oldest and time-tested portal providing multi-branded quality products worldwide. Amazon has products in every possible segment, ranging from white goods, books, brown goods, electronics, toys, kitchenware and much more. The last two decades has seen a phenomenal growth for the global e-commerce giant, Amazon.

Amazon is a retail giant. It's a monopoly in its own right. It offers fast shipping, made faster when you subscribe for their Prime membership — plus video, music, photos, reading, and many discounts. These offerings make Prime membership (lower cost to students) appealing to consumers in many ways.

Additionally, Amazon has strong brand power; people know it by name and use it for discounts, low shipping rates, and product selection. Amazon also has a low-cost structure, as third parties sell through the site and Amazon sees profits.

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Amazon is extremely customer friendly when it comes to acquiring new customers and continuing with on-going customers. As per data, 55% of its customers are repeat buyers, thus this data talks a lot about the trust that the buyers have on Amazon. The added advantage being, Amazon has to spend less money in acquiring new customers. Amazon's robust CRM helps capture all the details, especially for new buyers.

### **Amazon Weaknesses**

- Easily imitable business model
- Losing Margins in Few Areas
- Product Flops and Failures
- Tax Avoidance Controversy
- Limited brick-and-mortar presence
- Vox published negative reports related

Amazon has an incredibly thin profit margin in order to sustain its cost leadership strategy, as well as, its promise of free delivery. Lack of focus on profitability in general and a low-profit margin, in particular, makes the business vulnerable to external shocks and crises and other changes in the marketplace. In other words, due to low-profit margins with negative implications on the level of liquidity and cash reserves, Amazon may find it difficult to go through the phases of low demand for its products and services caused by changes in the external environment.

Amazon.com Inc. has a business model that others can easily imitate. For example, other firms could easily establish an online retail website that sells just about anything. Also, Amazon generates most of its revenues from

developed countries, such as the United States. When other firms become fully established in developing markets, it would be difficult for Amazon to penetrate and compete in such markets.

Amazon has been running in losses especially in the developing nations, as it is yet to make a mark in the developing nation, thus a major loss in aggregate.

### **Opportunities**

- Amazon can gain the opportunity to penetrate or expand its operations in developing markets.
- By expanding physical online stores, Amazon can improve competitiveness against big retailers and engage customers with the brand.
- Amazon has the opportunity to improve technological measures and organizational policies to reduce counterfeit sales. One case of counterfeit sales came into light when Amazon sold a fake My Critter Catcher.
- The product was sold for \$1 less than the original product.
- Can do backward Integration by bringing in-house brands in distinct product categories to differentiate its offerings.
- More acquisitions of e-commerce companies can increase the company's capacity and reduce the competition level.

Expansion mainly in Asian ; developing economies will help Amazon because those are the markets with low competition in E-commerce industries ; are not saturated like developed economies. By having a physical Amazon

stores in a few locations, the company can increase its brand association and familiarity with the consumers for increasing reliability and repeat purchase.

Another opportunity, which Amazon can capitalize on, relates to it rolling out more products under its own brand instead of being a forwarding site for third party products. In other words, it can increase the number of products under its own brand instead of merely selling and stocking products made by its partners. Own branded products would offer attractive and exciting discounts and offers, thus attracting more consumers and increase stickability.

### **Threats**

- Few controversies have caused a dent in Amazon's brand image. People critically reacted and boycotted Amazon sites in 2010 when they found that it's selling the book " The Pedophile's Guide to Love ; Pleasure: a Child-lover's Code of Conduct."
- Government regulations can also threaten the business proceedings of Amazon in some critical countries. Amazon does not ship to Cuba, Iran, North Korea, Sudan, and Styria.
- Increasing cybercrime can affect the network security system of the company.
- Aggressive competition with big retail firms like Walmart and eBay can give Amazon a tough time in the future.
- Imitation is easy as many new entrants are coming up in the market usually with the same business model of Amazon.

The competition will increase due to the low barriers to entry in the market since offline companies are coming online. All successful Internet businesses attract competition. Since Amazon sells the same or similar products as high street retailers and other online businesses, it may become more and more difficult to differentiate the brand from its competitors. International competitors may also intrude upon Amazon as it expands. Those domestic (US-based) rivals unable to compete with Amazon in the US may entrench overseas and compete with them on foreign fronts. Joint ventures, strategic alliances and mergers could see Amazon losing its top position in some markets. The local brands like Alibaba and Flipkart despite being smaller pose a formidable threat.

Several countries are yet to have a structured FDA policy designed specifically for multi-branded ecommerce organization. Amazon is facing a huge issue with the current Government processes and policies.

Because of its aggressive pricing strategies, the company has had to face lawsuits from publishers and rivals in the retailing industry. The obsessive focus on cost leadership that Amazon follows has become a source of trouble for the company because of the competitors being upset with Amazon taking away the business from them.

### **Conclusion of SWOT**

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Amazon. com, with its sales model based on low prices, wide-ranging merchandise, convenience, customer satisfaction, quality recommendations,



and delivery efficiency hits a number of high demand features in the modern retail climate. Doing so consistently for years has built a loyal customer base and unparalleled brand equity for the company. Distinct strength in its home market belies its potential in developing regions such as India, where it is poised to become a major player. Focusing on the Asian markets could help it generate better sales there. Another smart way of increasing sales is the use of smart stores. It seems Amazon is already planning to do something big through its grocery stores. However, it can try diversification to increase its profits and generate new sources of revenue. Amazon is an established brand name but it can better use its potential to achieve higher profits.

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