



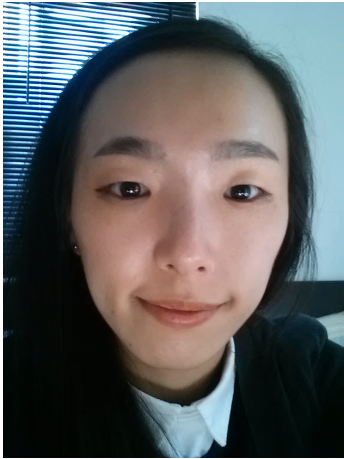
**amazon.com<sup>®</sup>**

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MINJI KIM | Omni Channeling | Professor Woods | December 12, 2018



## | Bio |



I was naturally grown up under art and fashion condition by one of my aunts who designed and made Korea traditional clothing from my youth. When I was young, I was more interested in art, particularly oil painting than fashion, but I changed my interest toward fashion in the early 20s of my age by my teacher Ms. Choi.

Around the early 20s, to make art portfolio to go to France in order to study art-fine art and oil painting- more in France, I went a professional art Academy in South Korea. There, I met the teacher Ms. Choi and she suggested me to study fashion and showed me a French designer Jean Paul Gautier's fashion show because Ms. Choi noticed I had talents like color matching, style match, drawing, painting for fashion, and I especially had an interest and a passion for fashion. After watching Gautier's fashion show, I decided to study fashion because the show was very impressive to me. From that moment, for me, fashion was not just a garment, but it was another art expressed through garments. From this time I began studying fashion.

First time I started studying fashion design, but while studying design, what I felt was studying only design for fashion was not enough to operate my own business in the future, but I need to know how to start, run, and do marketing my business later. So, I decided to study fashion business-merchandising too. Also, while studying business, what I've felt is online retailing is getting bigger now and it'll be much bigger in the market in the future than now. To learn how to operate business and forecast the market in online retailing, Amazon.com, Inc will be the best example. So, I selected Amazon.com, Inc.

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## History/Background of Amazon.com, Inc

Jeff Bezos, the founder, chairman, and chief executive officer of Amazon began his business in July 1994 in his garage in Bellevue, Washington and the company's first sale was books in 1995. By the end of July 1995, orders by retailers and customers have shipped to all fifty states in the United States and forty-five countries around the world. In 1996, the company launched its first online program and then it broadened its business to the United Kingdom and Germany in 1998 and to France and Japan in 2000.



<https://medium.com/parsa-vc/what-i-learned-from-jeff-bezos-after-reading-every-amazon-shareholder-letter-172d92f38a41>

To attract more customers, the company started the free shipping program on qualifying orders year-around for its customers in 2003 and then it introduced the free express shipping program known as Amazon Prime to satisfy its customers' needs in 2005. For better customer service and its business, the company launched wireless e-book program in 2007 and then it introduced online Amazon Video with movies and TV shows that were available to rent and purchase in 2008. Since 2008 until now, the company has launched more online stuff such as furniture, apparel, food, and more to satisfy existing consumers and attract more customers. After the company improved its programs and business for customers, its sale has been increased too.

# amazon.com<sup>®</sup>, Inc's mission |

## **Earth's most customer-centric company**

Since Amazon.com, Inc launched in 1995, it started with its mission “to be Earth’s most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible prices.” With its mission, the company has offered its customers its best service to continue this goal. However, its customers are globalized now, and millions of consumers, sellers, content creators, and developers & enterprises have grown dramatically. All the groups have different needs, and Amazon.com, Inc always tries to meet those needs by innovating new solutions to make things easier, faster, better, and more cost-effective.

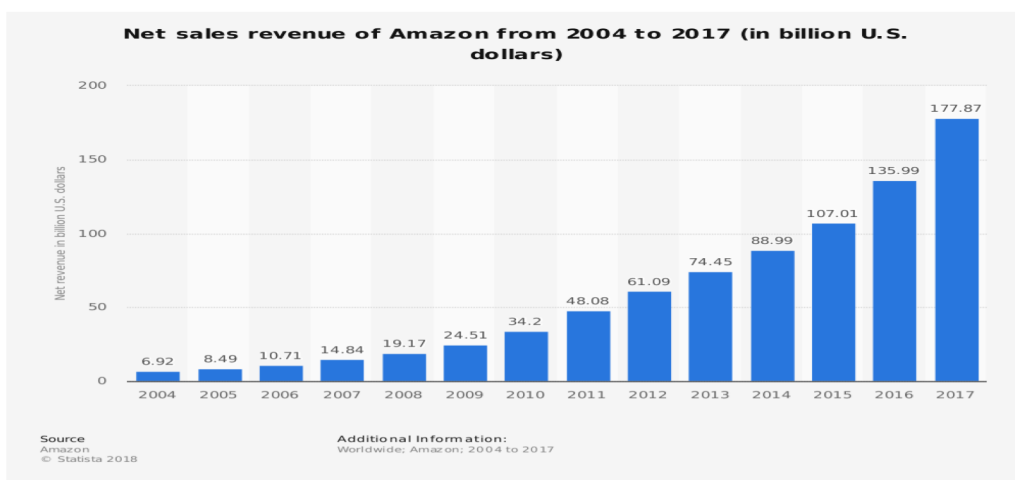
# Financial Data Analysis

## Income Statement

According to *Nasdaq.com*, Amazon.com, Inc has earned its profit 30 percent greater than other companies like Walmart in the industry in 2018. The company's total revenue was \$177,866,000, its operating income was \$4,106,000, and its net income was \$3,033,000 in 2017. Comparing total revenue, operating income, and net income in 2017 to other previous years (total revenue - \$135,987,000, operating income - \$4,186,000, net income - \$2,371,000 in 2016) showed sales in 2017 was obviously higher than in 2016 and other previous years. So, overall, Amazon.com, Inc will buy and sell stuff and stock next year more than now and its business will be stable in the market in the future than now and before.

## Balance Sheet

Based on *Nasdaq.com*, when I divided total revenue \$177,866,000 in 2017 from inventory \$16,047,000 in 2017 with inventory \$16,461,000 in 2016, inventory turnover in 2017 was almost 13 times (12.98), inventory turnover in 2016 was approximately 13 times (12.53). So, in both years stock were almost sold and bought again in same times, but 2017 year was very a little bit higher. So, based on the analysis, stock and everything will be sold and bought again in 13 times or in a little bit more times in 2019.



# | Target Market |

Amazon.com, Inc has its business in more than 100 countries, targets every customers, regardless of customers' age, gender, region, nationality, religion, ethnic, income, occupation, education level, social status, customers' personalities, lifestyles, and their loyalty to the company. However, to offer best and proper services to its all customers, the company categorizes consumers into two specific groups; multi-segment positioning and adaptive positioning.

## **Multi-segment positioning**

In this positioning, the company offers a wide range of products and services at the same time to all customers, the online retail sells more than 562 million items that satisfy a wide range of customers' needs and wants, regardless of their geographic, demographic, behavioral, and psychographic segments.

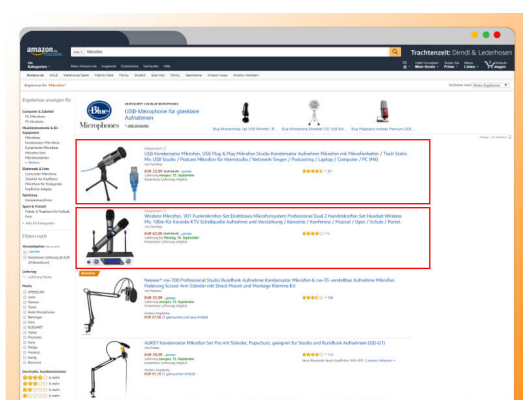
## **Adaptive positioning**

If the multi-segment positioning embraces every product, service, and customer, this adaptive positioning is different. In this positioning, the online retail monitors changes in external conditions like a change in marketplace by customers' new or other expectations very closely and carefully. After monitoring the changes, the online retail repositions products and services to adapt to the changes led by customers' new or other needs and wants. In this stage, the company offers specific products and services for a specific group, wanting the services and the items. Here, a specific group is selected; it can be 40's male customers or under 20's female customers who live in one-storey house or an apartment in Urban or in rural.

# Advertising Promotion

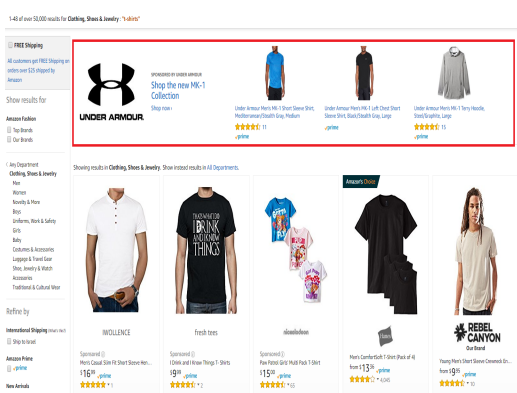
To advertise, Amazon.com, Inc use three types of advertising promotions:

Sponsored products, Sponsored brands, and Stores



## Sponsored Products

This advertising is targeted pay-per-click ads for individual product listed on Amazon. On search results pages and product detail pages, ads will appear and the pages help drive sales and product visibility.



## Sponsored Brands

This advertising is former headline search ads and is targeted pay-per-click ads showing your brand, logo, product, a custom headline as portfolio. In search results, these ads will include up to three of a brand's products.



## Stores

This advertising is for individual brands and allows a brand to show its brand story and product offerings to customers. Using Stores is completely free and no website experience is required.



## Amazon.com, Inc's events/charities

To keep and continue its success, Amazon.com, Inc has donated, participated in social events and offered a nice service to its customers and society through its two main charity programs; AmazonSmile and Amazon Events.

### amazon**smile**

The amazon smile is basically a donation program under Amazon.com, Inc. The program is a website operated by the same products, prices, and shopping features from Amazon.com. The difference is that when you go shopping and purchase items on AmazonSmile, the AmazonSmile Foundation will donate 0.5% of the purchase price of eligible products to the charitable organization of your choice.

### amazon**events**

According to Borchers, a journalist at Boston Business Journal, Amazon.com, Inc has been sued by its former six delivery drivers because the six employees are fired by the company; Amazon.com, Inc has changed its policy recently and its new policy is unfair for minor workers like delivery drivers since the new policy is based on workers' background. Although the new policy could be problems for minor workers as it dealt with racial discrimination, the company overlooked this issue. Amazon.com, Inc has not responded to this issue so far, but the company has claimed that the checks do not consider race, gender, ethnicity, religion. In other words, the company is pretending that it does not discriminate its workers based on workers' background. Because of these reasons, the six former workers have sued the company and it is a big issue for the company now.

# | S.W.O.T Analysis |

For the operating systems under Amazon.com, Inc, comparing to its competitors in the online market, it has some strengths, weaknesses, opportunities, and threats.

## **Strengths**

For strengths, Amazon.com, Inc is a leader in the global online retail market, the firm knows how to take advantages from many experiences than its competitors like ebay.com. Also, because the company offers low, but efficient strategy, it has loyal customers and has a strong relationship with its customers than other online retail stores have. With its strengths, the firm has many opportunities under a nice condition.

## **Opportunities**

Since 1990's, technology has been dramatically developed. With technology development, Information Technology business in the international markets and industries has been grown so fast, e-commerce business has been more diversificated and this market will be more diversificated and grew in the future. Since e-commerce has dramatically grown, there has been no remarkable e-commerce brands or companies in the market, except for Amazon.com, Inc. Because of this reason, customers who have been interested in purchasing items through online have mostly used Amazon.com, Inc. So, customers' interest toward its own brand products and services has been increased and it will have more increased in the future. Also, if the company will have many upcoming competitors later in this market, then Amazon.com, Inc can cooperate with other e-commerce companies as one of its strategies. However, if the firm has pros of its business, it also has cons too.

## S.W.O.T Analysis

### Weaknesses

Because Amazon.com, Inc deals with a range of products and services, the company is lack of focusing on specific products and service categories. Also, as I mentioned in opportunities part, as there is no a remarkable rival against the company in online retail market yet, the company has a weak competitive market condition. Another problem is that Amazon.com, Inc offers its VIP customers and other consumers Amazon Prime service which is free or low shipping cost when customers purchase items in the company website, so the company is on the issues and is kept in check in the U.S and the U.K for tax avoidance and free or low shipping cost. With some serious weaknesses, the company has severe threats too.

### Threats

Amazon.com,Inc is faced with patent infringement and other lawsuits very often from other brands or customers. Also, because Amazon.com, Inc has low security system, its security system is always exposed to threats by hackers. So, customers and sellers worry about their private information from time to time. The last threat is its future. The company is fine now because it has a very strong leader, Jeff Bezos. However, if Jeff Bezos retires from his position or has an issue and if the company's C.E.O is changed, then the company will lose its market share and its topmost position in online retail market.

# Key competitors & Omni – Channeling Analysis

## Backgrounds of Competitors: Alibaba, Walmart, eBay

### Alibaba

Alibaba, Walmart, and eBay are considered as key competitors of Amazon.com, Inc in the market and among public. If Walmart, eBay, and Amazon are American companies, Alibaba is the only non-American company which is a Chinese multinational online retail, has launched since 1999. Its mission is to make it easy to do business anywhere, it has more than 40 categories of products and it has its business in more than 190 countries. Its biggest advantage is that it offers products with the cheapest price and deliver almost all countries. Like Amazon.com and Alibaba, eBay is also online retail.

### eBay

eBay has launched since 1995, its mission is to be the world's favorite destination for discovering great value and unique selection. eBay has buyers in 190 markets. Unlike Alibaba and Amazon, it has very competitive advantages that it offers very safe payment systems with PayPal company and it delivers its products as many countries as possible without location limitation although it offers less products than Alibaba and Amazon. If Amazon, eBay, and Alibaba were launched as online retail first, Walmart would be the only company started its business from offline store first.

### Walmart

Walmart was opened in 1962 in Rogers, Arkansas by the owner Sam Walton. Since 1962 with the first Walmart, the company has grown over the last 50 years and it is one of the largest retailer in the world now. The company has more than 11,200 stores under 55 banners in 27

# | Key competitors & Omni – Channeling Analysis |

countries and E-commerce websites in 10 countries. To be a leader in sustainability and bring value to customers, the company keeps working today. Walmart's biggest advantage is that because it is the only company that has offline stores (retails), so customers can see and touch its products directly and physically although its delivery is slower than Amazon.com, Inc.

## **An Analysis Against Competitors**

Obviously, because Amazon.com, Inc launched its online retail earlier than other competitors, it has more loyal customers than the three competitors and it dominates the online market. Its strategies including Amazon Prime have been one of key roles to success too. However, because the company has been issued with lawsuits many times from its competitor eBay, from its employees for racial discrimination, and warnings of tax avoidance from federal government, its customers try to look for other online retails that have no ethical, social, and political issues. Not only these issues, but because the company has operated its business based on online, it has no offline stores.

This sensitive part has been always issued between customers as they cannot touch or check its physical (actual) condition although they want to check it before they purchase items. Having no offline stores, as well as its security systems have been a big trouble.

For the security system, many customers worry about filling in their information like debit/credit cards, addresses, emails, and phone numbers because the security system in Amazon.com, Inc is very weak. So, their all information can be stolen by hackers once the security system in Amazon.com, Inc is attacked. Because of these reasons, many Amazon.com, Inc users have complained and some users even have moved to other safer online retails like Walmart and eBay.

## Recommendation

Amazon.com, Inc has operated its business very well, but I suggest three solutions to improve its systems based on the analysis against Amazon.com, Inc's competitors and customers' complaints.

### **A Weak Security System**

As I mentioned in the analysis of Amazon.com, Inc, the company has a very weak security system. I had this problem too when I paid using my credit card first time in Amazon.com website. Because of this weak security system, my credit card information was stolen by someone and that person purchased stuff using my card. So, I had to have a hard time to solve this problem. This is not only for me, but most Amazon.com users have this issue at least one time. So, to improve this issue, the company needs to improve either its payment and security systems by hiring more professional technicians or cooperate with other specific, but professional security and payment service company like PayPal. Otherwise, it can be the company's one of the biggest weaknesses, making its customers leave to use its service.

### **Delivery System To All Over The World**

The company is known as a global company, has its business in forty-five countries, and the company seeks to ship items to the customers all over the world. However, the shipping system is not actually working well. In general, its delivery system is limited to the only countries where its business is. For instance, one of my friends in my country wanted to order some items from Amazon.com, she paid her items, and she was waiting for her items. But, after two days what she received from Amazon.com was an email that Amazon.com could not deliver her items to South Korea because they had no business in South Korea and because the shipping cost is too expensive, the seller did not want to sell the items to my friend. For these

## Recommendation

reasons, the company just cancelled her order. From the Amazon.com's email, she was very disappointed, she excused me to purchase the items and send to South Korea instead of her. So, if the company seeks to deliver its products and offer its services to all customers all over the world, then Amazon.com, Inc needs to improve this system – offer its services without any restriction based on locations - first to keep its topmost position in the online market.

### **Physical and Touchable Products**

When you go to Amazon.com, Inc, what you can see first is customers' complaints about products. When customers including me purchase items on online retailers, they depend on the only visual images and descriptions the sellers and the company offer. In general, most images of products in the website are very fancy and nice, but once you receive your items from sellers and the company, you realize that the products' actual image and the pictures the website offers are different. Or some delivered products are opened and already used one by someone or even broken. To prevent other customers from having same problems as you, you complain in the product review section. This issue has happened from long time ago. I understand that having offline stores is difficult because the company mostly does not sell its own products but offers services. To solve this trouble, the company offers a return service with money back to its customers. However, this is not enough because although customers return items that are already broken while delivering, the company sometimes does not accept the broken items and does not offer money back for this case even though it is not customers' faults. For this case, I have no ideas for solutions too, but the company needs to figure this problem out as well so that Amazon.com, Inc can maintain its customers and its customers' loyalties.

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