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## Introduction to the E-Commerce Industry

Electronic commerce is a process that has completely changed human lives in the 21<sup>st</sup> century. E-commerce has brought a revolution in the world of Information Technology and communication. This form of trading has attained enormous success because of the benefits that it accrues. The introduction of e-commerce has certainly curtailed many limitations of the traditional business structure. The presence of virtual markets alternative to passages and stores do not occupy physical space which allows for circulation in these markets from anywhere in the world without leaving the house is possible.

**Definition:** E-Commerce is an emerging concept that facilitates interaction between communication systems and security that describes the process of buying, selling or exchange of products, services and information. So the main components of E-Commerce are communication systems, data management systems and security. (Nanehkaran, 2013)

Advantages of E-Commerce:

- 1 Allows exposure and opportunity to new markets and extended service to customers.
- 2 Increases the scope of geographical framework to operate on a global scale.
- 3 Reduces the cost of marketing and associated activities considerably.
- 4 Escalate the relationship between customers and suppliers.
- 5 Integrate business processes and administrative functions.

**Types of E-Commerce:**

**B2B:** pertains to a type of commerce transaction that holds transactions between businesses that entails transfer of services and products.

Example: Grainger

**B2C:** refers to transactions taking place between a business and its end consumer which consists of five main steps of:

- i) Information sharing
- ii) Ordering
- iii) Payment
- iv) Fulfilment
- v) Service and Support

Example: Zappos.com

**C2B:** refers to transfer of services and information which has individuals selling to businesses that a consumer is willing to sell.

Example: Elance

**C2C:** this involves transactions of products or services between customers where the customers deal with each other directly.

Example: Tokopedia

## **Rules and Regulations in the industry**

1) **Anti-Spam Law:** It is easy for a business to abuse its power of consumer information; this law keeps a check on the business where it cannot legally spam people without their consent. Business must include the following:

- A procedure to unsubscribe
- To mark the message as an advertisement
- Subject should be such that it does not mislead the recipient.

2) **Privacy Policy:** Brand trust is installed through transparency which is the key to success for any e-commerce company. Online businesses have access to personal information of its customers. A business collects this information to serve the customer to offer personalised products; also the data is not only valuable for the business but also for a third party such as marketers.

3) **PCI Compliance:** Any e-commerce business that collects information about customers credit cards must comply with PCI standards, which ensures that businesses are operating in a secure manner by averting sensitive payment data from being misused.

4) **Collecting Taxes:** It is quite difficult and confusing to collect taxes for an online business. The question at times lies that if tax should be included in the overall price of the product or to file it afterward.

5) **Shipping:** Before a business can even start selling, the business must recognize the regulations set for certain items such as aerosols, food, beverages etc.

6) **Terms and Conditions:** Online businesses do not have protection against to insure themselves for lost and damages. Having solid terms reduces personal liability for the business if it faces any

problems. A business in its terms and conditions clearly defines what the company is offering, guarantying etc. (Chan, 2018)

## **Key Players**

E-commerce has grown to become one of the most profitable industry in the world today, serving customers anywhere and everywhere. The top players in the industry include Amazon, Walmart, JD.com, Otto, Alibaba, The Home Depot, Lowe's, Dollar Tree and many others.

- JD.com:** established in beijing in 1998, the Jingdong Mall went online in 2004 to sell CDs, DVDs and eBooks. In terms of revenue, JD is the largest company in China and also a part of the Fortune 500. Their user friendly interface and wide array of items seeks to provide their customers with the best shopping experience.

- Otto:** Established in Frankfurt, Germany Otto primarily sells sports products, fashion and furnishing. With 50 offices and 25 subsidiaries, the company oprates in central and western Europe.

- Walmart:** Established and run by the Walton family, these retail stores operate primarily in America and Canada, but have a presence in more than 28 countries. Walmart is a chain of discounted stores, hyper markets and grocery stores.

- Alibaba:** Jack Ma founded the company in 1999, and owns more than 60% of online commercial trade in China. It provides services like a search engine for hopping, data centric cloud computing servies and also electronic payment services. It also encouraged the uppliers from various other countries but mainly concentrated in the suppliers from China. In order to achieve sustainability in long run, Business models and systems are built which lasts.

	<b>retail sales</b>	<b>prior year</b>
1. Amazon	£23.5	27%
2. JD.com	£8.0	41%
3. The Home Depot	£4.9	7%
4. Schwarz/Lidl	£4.8	7%
5. Lowe's	£4.8	10%
6. The Kroger Co.	£4.5	5%
7. Dollar Tree	£4.2	34%
8. Aldi	£3.8	6%
9. Walmart	£3.0	1%
10. Alibaba	£2.9	33%

Figure 1: Top 10 Retailers Worldwide, ranked by increase in retail sales, 2016 (in billion pounds)

Data source: OC&C Strategy Consultants

## Concentration Ratios and Herfindahl-Hirschman Index

### Concentration ratio

Media sector

Company Market Share Amazon 29.76% Ebay 9.35% Apple 12.93% Netflix 9.79% **Concentration ratio 61.83** Data source: csimarket.com

Interpretation: 61.83 represents a medium level of concentration in the industry, indicating that the industry is in the form of an oligopoly.

Electronics and other merchandise sector

Company Market Share Amazon 4.93% Walmart 33.18% Target Corp 4.85% Best Buy Co Inc 2.37% **Concentration ratio 45.33** Data source: csimarket.com

Interpretation: 45.33 is a comparatively lower level of concentration level in the industry and indicates perfect competition in the sector.

### Herfindahl-Hirschman Index (HHI)

This index measures the concentration ratios in an industry.

Based on Media

Company Market Share Square of Market Share Amazon 29.76 885.6576 Ebay 9.35 87.4225 Apple 12.93 167.1849 Netflix 9.79 95.8441 Data source: csimarket.com

$$\begin{aligned}
\text{HHI} &= \text{Sum of squares of market shares} \\
&= 885.6576 + 87.4225 + 167.1849 + 95.8441 \\
&= 1236.1091
\end{aligned}$$

Interpretation: A HH Index between 1,000 to 1,800 indicates a moderate market concentration, and as the index for media based companies is at 1236.1092, the market for this sector experiences medium level of concentration.

Bases on Electronics and other merchandise

Company	Market Share	Sqaure of Market Share
Amazon	4.9324	24.3049
Walmart	33.1811	1100.9124
Target Corp	4.8523	23.5225
Best Buy Co Inc	2.3756	5.6169

*Data source: csimarket.com*

$$\begin{aligned}
\text{HHI} &= \text{Sum of squares of market shares} \\
&= 24.3049 + 1100.9124 + 23.5225 + 5.6169 \\
&= 1154.3567
\end{aligned}$$

Interpretation: A HH Index between 1,000 to 1,800 indicates a moderate market concentration, and as the index for the electronics and other merchandise is at 1154.3567, the market also experiences medium level of concentration.

# **Amazon.com**

## **Introduction**

Stationed in Seattle, Washington, Amazon.com, Inc. was founded by Jeff Bezos on July 5, 1995, and today it stands as the largest online retailer in the world regarding market capitalization and sales. It is the fourth most valuable public company in the world along with being the eighth largest employer in the United States. Amazon records for every second dollar spent online in the USA and had become a behemoth of a company.

Amazon is like a giant tree with its branches spread out in all directions - it supplies home goods, clothing, shoes and all kinds of consumer products, wherein it competes with various companies like Walmart, Macy's, Target, Gap and DSW. It stands as a fierce competitor of Netflix and HBO as a distributor of television and music. It has purchased the biggest independent online diaper



store along with the largest independent shoe store in the past decade. It has successfully crushed its competitors in all fronts and earned 30 per cent of all the retail sales in the country, both online and offline. Apart from all this, Amazon also extends credit facilities, designs clothes and publishes books. One of its most profitable businesses is the Amazon Web Services, which is used by its competitors like Netflix, and also by Tumblr, Pinterest, Dropbox along with the Federal government. Essentially, it is a store that sells everything; it acts like manufacturer as well as a distributor, and that is why it's referred to as the "Everything Store."

Amazon was one of the few new companies to survive the storms of the dot com bubble and the recession, which is mainly attributed to the strong stance and determination of its owner and CEO, Jeff Bezos. He has always kept a positive outlook and has successfully inclined all the investors to believe in the ideology of the company over the years. It has been one of the most acknowledging achievements of the man, since the company did not return any profits during the initial years of operation, but the investors never gave up on it.

In its 22 years of operation, Amazon has expanded continuously and rapidly beyond reason and now has its footprints in leading sectors of the economy. In fact, every sector that it has entered into, it has transformed the way it works and brought about technological innovations even if it meant tearing down every structure it has been working on before.

## **History**

Amazon today is one of the biggest internet based enterprise that sells a variety of products, ranging from books to house wares, either directly or as a middleman between retailers and millions of customers.

It all started back in 1994 by a former Wall Street hedge fund executive named as Jeff Bezos. Amazon was launched under the name of "Cadabra Inc." On 5<sup>th</sup> July 1994, the company was given the name "Amazon" later in 1995. The company initially started its business as an online bookstore. The first couple of months into the business and the brand's sales were up to \$20,000 per week. Being a virtual platform it could practically carry several times more books than and

brick and mortar bookstores. The company went for an IPO on 15<sup>th</sup> May 1997, where it was traded under the NASDAQ stock exchange with a price of USD 18 per share through which it raised \$54 million.

The business plan with which Amazon entered into the market was unusual, the dot com bubble at the start of 21<sup>st</sup> century had destroyed many e-companies but, Amazon safeguarded itself from this and scaled upwards and forward to become a success in online sales. The first profit of the company in the fourth quarter of 2001 was \$5 million, on revenues more than \$1 billion. This profit figures showed how Bezo's unconventional business model was a success. Bezos was named as the "Person of the Year" by Time magazine. ("The everything store: Jeff Bezos and the age of Amazon", 2014)

Amazon grew fast and reached 180,000 customer accounts by end of December 1996, and just within a year the brand had 1,000,000 customer accounts. The revenues generated inflated with pace from \$15.7 million in 1996 to \$148 million in 1997 followed by \$610 million in 1998. Amazon is an employer to over 300,000 people worldwide- Amazon had 30,000 full time employees in USA in 2011 which rose up to 180,000 by the end of 2016.

The company spread its business in other areas through its associates program, where other websites could also offer their products for sale on Amazon, for which the brand would pay out a commission.

## **Business Model**

Suppliers and Customers: Amazon works with a business model, which has many moving parts. The primary thing that needs to be kept in mind is that the company sells goods directly. The brand offers a wide range of products through its online storefront with a small mark-up and the remaining inventory is kept in its large network of warehouses. People enter this web storefront with an assumption that the products are less expensive and easily available.

With respect to direct sales Amazon has emerged as a platform for retailers across the globe to sell their products to requisite buyers. The products that Amazon supplies are usually less common items or the ones with higher price, and this nature of the products allows Amazon to refrain from holding slow-moving inventory that could dissolve the profits for the company. The company does not charge a fee to the retailers for listing their items for sale, but the brand has a share in the portion of selling price as a commission.

The brand also functions on subscription based business model through its new service – “Amazon Prime” along with a small line of electronics available on the portal’s products line. Amazon also originates profits through its e-reader – “Kindle” along with its mobile application. Amazon then earns a fee called as “referral fee” when any consumer purchases any item from Amazon by clicking on the affiliated advertisement link. (Zhu & Liu, 2015)

The company entered into publishing business in 2011 where it released its self publishing website. Amazon gains its earnings through a small portion of the shipping fees and royalty payments. The release of “Amazon Lending Program” which helps the sellers grow and since its release the brand has provided aggregate funding of over \$1.5 billion to businesses throughout the globe to countries like U.K., U.S. and Japan with the help of its short term loans which amounted to a total of \$400 million.

### **Strategic issue**

For the past several years, Amazon has been expanding its network of warehouses and building its consumer base by using low pricing strategy, thus earning revenues as close as \$70 billion. However, it has maintained razor thin margins while doing so, with operating profits as low as 1%. Its peers, however, have a low market share comparatively but they have maintained a higher operating profit throughout. Comparing, it with Walmart stores, we can observe a striking difference in their financial figures.

Company	Amazon	Walmart	Forward	PE	8313.54	Profit	Margin	0.37%	3.62%	Operating
Margin	1.00%	5.93%	Return on Assets (ttm)							

1.28%8.47%Total Debt/Equity62.9677.27Revenue (ttm)74.45B474.88BWhile Amazon has been religiously following its aggressive pricing policy, it is true that its competitors are also formulating some strategies to combat and control Amazon’s growth. Now, some of the strategies might fail like the one adopted by Best Buy's, but others in the future might be successful. Walmart has started to develop and test same day delivery option for groceries and other goods, services. Other grocery stores and pharmacies like Target are also focussing on initiating same day delivery and online order pick up at shops.

If and when one of the competitors attain Amazon’s efficiency on these forefronts, the next most obvious step for them to take is to initiate a price war in the industry and given Amazon’s low profit margins in the past years, with the aim of capturing the market, it will be difficult for Amazon to withstand its peers and it will experience a dent in its success and business.

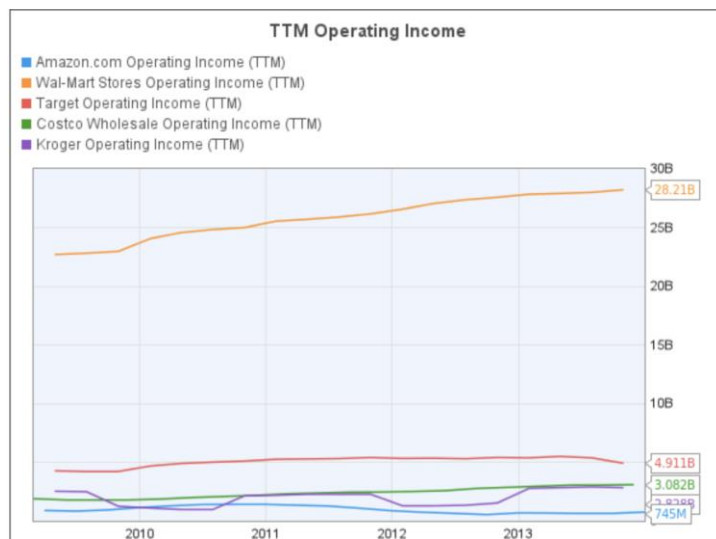


Figure 2: TTM Operating Income of Amazon and its peers

Data source: Y-charts

With a higher operating income than Amazon, its peers can easily give a fight to Amazon's growth and success by adopting aggressive pricing themselves, especially Walmart which has 5% margin for operating incomes.

On the other hand, a survey conducted on Amazon prime members shows how people are not willing to be accommodating towards increase in prices by Amazon for its products and services.

## **Recommendations**

**Share Building:** The strategies aimed towards share-building should be designed to meet the following considerations of

- 1) If the primary market is growing, static or declining.
- 2) Product differentiation.
- 3) The strength of the resources owned by the company with respect to its competitors,
- 4) The effectiveness of the competitors.

**Share Maintenance:** While evaluating their market positions companies find that at times they are functioning at an optimal share level. The risk of inflating share will cancel any gains that the company accrues. To maintain the market share the dominant company should aim at developing new products, improving customer services, widening distribution channels and decreasing the costs. The dominant firm can also resort to market fortification where the leading firm of the sector plugs market holes to abstain the competitors from coming in by tying up the scarce distribution space. The firm can also resort a less effective strategy of confrontation where the dominant company protects itself from competition by starting an expensive promotional price-cutting to subdue its competitors.

**Share Reduction:** Companies at times tend to overextend themselves in the overall market share or in certain sections of the market. Share reduction calls for selective demarketing principles. It turns over the normal direction of marketing strategies by either raising prices or cutting on advertising and reducing service.

## **SWOT Analysis**

### **Strengths**

1) A steady base of their earlier success that was with the books, Amazon now in recent times has product categories which includes varieties of products like electronics, games, home and kitchen, toys, white goods, brown goods and much more. Amazon in the light of these has emerged itself as the global E-commerce giant in the two decades.

2) The company has created a robust CRM, i.e. Customer relation manager. The CRM helps in to observe the buying patterns and behaviors of the customers; it monitors the most visited products, the last orders placed by the customers, over time and archive those details to create a complete dataset of the customers for the company. This helps the firm to offer deals or bundles to each customer differently with the help of the preferences recorded through purchases or items they have visited.

3) Amazon has ensured an efficient delivery network with the help of their strategic partners and various fulfillment centers that Amazon has set up. Amazon has built a very steady and a well-knit distribution network, which helps them to make the products available at very far-flung areas.

This also helps them to provide free shipping services to their customers in many areas.

4) Amazon has been following a glocal policy .i.e "go global and act local" that helps Amazon to compete with their local E-commerce rivals by absorbing them or to form a partnership with the supply chain companies. Amazon also pays enough emphasis on branding as well; as per the policies it should also be done in accordance with the local taste.

### **Weaknesses**

1) in the recent times Amazon has moulded their diversification strategy as " Spreading too thin" this means that Amazon has allowed their focus to turn from their core competence of retailing books to other new ventures with different focus areas. However, this could be a good strategy with the perspective of risk diversification, Amazon also has to be aware of the fact that they are at risk of losing their strategic advantage as they keep on moving away from their core competence.

2) As Amazon policies include free shipping of their products, they are in the grievous danger of missing out on their margins and thus not being able to optimise their cost levels.

3) There has also been a core weakness of Amazon which has been time and again commented upon by different known, market analysts and the industry experts, that Amazon is operating under the business model of zero margins. This model has severely affected the profitability of the company, even though the company has high sales volumes and enormous revenues, they have been by far unsuccessful in converting these sales volumes and revenues into meaningful profits of the company's stakeholders.

4) Amazon is still struggling in many developed nations to make their business profitable in those respective areas thus an overall decrease in the profitability of the firm which is leading to high debts.

### **Opportunities**



1) Amazon can adopt backward integration as they can innovate their own brands in different product categories. This enables to generate more profits in the extremely competitive E-commerce industry.

2) Amazon should globally expand their selves, especially in the developing countries because they have markets with very low competitions and Amazon can quickly capture market shares.

3) Amazon could acquire other E-commerce companies which can help the firm to decrease their market competition in the industry. This can also help them to use the specialisation of the different firms that they acquire.

4) The opening of physical stores that are outside the United States, this would enable Amazon to engage their customers worldwide and will expand the base of their loyal customers.

### **Threats**

1) The E-commerce company has a shallow level of entry barriers to the industry, which means more and more firms can enter the market easily, which would increase the market competition and would make it less profitable for the Amazon.

2) Amazon is facing severe local competition with other E-commerce companies throughout the world. in India there is Flipkart and snapdeal which are on a course to acquire significant market shares.

3) Hacking and identity thefts have become common in the online retail markets, and this poses an imminent threat to Amazon. It has to take steps to ensure customers that their privacy is secured.

4) Amazon faces many rivals in the retail industry and their competitors and also, publishers have filed many lawsuits against them.

**Conclusion:** The SWOT analysis is a guideline or the roadmap for the company on how to act or what should be their plan of action for the coming future to go forward and to expand the firm. The main point that should be noted from this SWOT analysis is that Amazon should focus more on their profitability than their sale volumes as in the future volumes and market leadership alone are not going to add up to the company's stock.

## **PESTEL Analysis**

There has been significant growth in the retail industry over the last few years. The E-retail sector has taken a rise over all the sectors and Amazon is the leading the retail saga. Jeff Bezos, the founder of Amazon, has done everything to make Amazon the most successful E-retailer. Following is PESTEL analysis of the firm amazon, which reflects the factor in its macroeconomics environment that affect the growth, and the profits of the company.

### **Political**

There are several issues that firm has to face politically. Although the problems that are encountered by the E-business are different than the traditional business, still there are some risk factors which affects the working of the E-sector firms. Although Amazon can be considered as the leading player of the E-sector, it still has to face many political factors. Red tape could be considered as the primary issue for companies like Amazon or E-bay to enter into Asian markets. According to a report in Hindustan times, Companies entering in India to do business could face significant headaches regarding red tape and regulatory issues set up by the Indian government. The political factors could be very subjective at times because there are many issues which are not

covered under political factors but have been originated by some political reasons, henceforth, the political elements cannot be limited. Furthermore, political disruption can also cause a severe hindrances in the supply chain and could lead to reduced sales.

### **Economic**

Economic factors are considered to be utmost importance in the market and market conditions. The market sales and profits of the company would be directly related to the economic conditions of the industry; if the market is in good condition, there will be higher sales for the company and that will eventually lead to higher profits. The whole world recently came out of the recession, but the retailing sector was still performing well as people will keep on buying the regular items no matter what the economy does. However, if the economic conditions are good, it will eventually go to add to the existing competition in the market. This reflects that Amazon shortly could see increased profits and growth but also with increased competition in the industry as well.

### **Social**

The social and cultural trends serve as a vital factor behind the growth of the E-retail sectors. There has been a lot of changes within the use of mobile phone within recent years, the increased use of mobile phones and the growth in digital technology has given a massive boost to the online shopping and helped the firms to raise the sales. A major number of the population now have the smartphone with internet connections and does online shopping through it. So, Amazon has to benefit a lot from the changing consumer demographics and shopping trends. In those regions of the globe, where it has not still profoundly penetrated the market, the brand must focus on cultural factors to market itself better and to strike a deeper connection with the customers.

### **Technological**

Technological factors have always been of utmost importance in the growth of businesses whether it is a traditional business or the modern day online business. Every business nowadays heavily depends on the It, and other forms of technology to deliver better services. Technological

innovation has become the key to success in the modern era. Now, apart from the internet, Artificial intelligence and cognitive intelligence have also become essential to serve the customers better. Customer service is particularly necessary to keep the customers engaged, and better use of technology in this area is even important.

## **Environment**

E-commerce businesses also have to be cautious about environment and sustainability during the course of their active cities, especially ones involving packaging, transportation and energy consumption. Amazon has also invested in CSR to improve upon the sustainability of its operations. Also, it has invested in holding community programs and development and usage of renewable energy resources.

## **Legal**

Amazon, being the behemoth of the company that it is, has to remain in the compliance of law and regulations. It has a separate legal team to look after its legal issues to look into labor laws. Any tussle with law can be very costly for big companies like Amazon. Any mistake can result in big fines and a loss of image. As a result from labor to sustainability, there are several areas where Amazon has to deal with significant legal challenges.

## **Mergers and acquisitions**

On June 16, 2017, when Amazon announced the acquisition of Whole Foods Market for \$13 billion, the world market was appalled. But this is not something new on part of the tech-giant as it has been actively acquiring various big and small companies since the late 1990s, diversifying its market into different sectors. The ever energetic and active Jeff Bezos has adopted multiple growth-oriented strategies for the company and mergers and acquisitions are an integral part of the same. Whole Foods only became one of the many giant companies under Amazon's umbrella of essential companies, along with many other start-ups that it has acquired along the years.

Some of the landmark acquisitions of the ever-growing company are as follows:

**1IMDB:** The Internet Movie Database (IMDB) has still remained one of the most vital subsidiaries of Amazon, being very popular amongst the people as the go-to website for movie reviews and recommendations, attracting around 200 million users on a monthly basis. It was the very first acquisition back in 1998 for \$55 million and it has been given Amazon successful return on investment (ROI) as IMDB also owns Box Office Mojo, which is the biggest data base for current box office collection of movies and historical collection of old

movies.

**2Audible:** Jeff Bezos spent a whopping \$300 million to acquire Audible shortly after the release of Kindle. Annually, it produces more than 300,000 new audiobooks every year and it is the world's biggest and most popular destination for spoken word content and downloadable audiobooks.

**3Zappos:** This Company started in the 2000s, had an extraordinary jumpstart, increasing its revenue from \$1.6 million to \$1 billion in a time span of eight years. As soon as the online shoe shopping company earned these record high profits, Amazon bought it for \$1.2 billion in 2009 and it has remained to be a fruitful addition in Bezos umbrella of acquisition companies. (Robischnon, 2017)

**4Goodreads:** Amazon started as a book selling website, and over the years it has made a point to become and maintain itself as the biggest player in the industry. Goodreads started with a small consumer base of 650,000 but grew very quickly as a database for books with almost 20 million users in 2013. It was during the same year, that Amazon shelved the company for an undisclosed sum. Amazon admitted the website to have as high as 50 million users in 2016. Before Goodreads, Amazon had acquired another cataloging website for books named Shelfari in 2008.

**5ComiXology:** Referred to as the "the iTunes of comic books," this company was acquired by Jeff Bezos back in 2014 and as of now it releases 100,000 digital comics annually.

**6Twitch:** It was a surprise that Amazon paid \$970 million in cash to acquire Twitch back in 2014, but it had to be acquired as the company was the biggest live video streaming website in the United States itself. Twitch has only leading forward on the growth path ever since the acquisition, with a participation of 20,000 video game players in the first TwitchCon in 2015, and this number doubled in the following year.

**7Souq.com:** 2017, by far has proved to be the most successful year of acquisition for Amazon.

Souq.com is a Middle Eastern online shopping website selling almost 450,000 products. Acquiring this company helped Amazon spread its global dominance with an inheritance of more than 20 million online visits per month. The amount shredded out for this acquisition has not been disclosed but it more than \$800 million, which was bid, offered by their rival Emaar Malls.

**Whole Foods Market:** Amazon announced the acquisition of the Whole Foods Market for \$13.7 billion in 2017, by far the largest amount shredded out by Jeff Bezos for an acquisition, but totally worth it as this new addition to the set of companies will give Amazon a data base for the buying habits and patterns of consumers, their preferences and the correlation between the preferences and available goods, along with the large number of warehouses of Whole Foods.

## Post Acquisition

Post the acquisitions; Amazon has restructured almost all of the companies for betterment. Some of the most important changes are brought about in the internal structuring and technological usage in the companies, along with reduction in costs.

The changes brought about in Whole Foods are a quintessential example of the steps taken by amazon to up the performance of all its companies. Some of changes brought about in the organic food chain market are as follows:

- Integration of brands:** The brands available on Amazon will now be available in the physical outlets of Whole Foods market and vice versa, giving the consumer even more options in both the modes of shopping.
- Expansion:** Contrary to the popular steps taken post mergers and acquisitions, Amazon has plans focused on taking in more employees to help facilitate its expansion plans for Whole Foods market.
- Addition of Amazon lockers:** The facility of keep-saying the online deliveries of customers in lockers has been added to the stores. The same lockers are also used for returning items.
- Banning representatives of brands:** Amazon has strictly banned the visitation of brands

representatives in stores for the promotion of their brands and to check as to how their products are displayed.

- Promotion of Amazon Prime:** Prime members of Amazon will get special discounts even at the stores of Whole Foods stores, thus further ascertaining the importance of being a member of the Amazon community.
- Price cuts:** The price of consumer and grocery products was cut by almost 40% on the very next day of the acquisition. For example, an identical basket of items from a Whole Foods outlet went from \$97.76 pre-acquisition to \$75.85 post-acquisition.

## **Competitive Evolution**

### **How technology is helping Amazon grow?**

“Our job is to invent new options that nobody’s ever thought of before and see if customers like them.” - Jeff Bezos

This dedication that Bezos entails, has helped Amazon to reach great heights and the company which was incepted as a book-seller, now lets people start and run their own shops and sell near about anything they want.

Amazon has been achieving technological breakthroughs with each of its new launch into the market. It has, beyond doubt changed the perception of every common man about the way he shops, reads and now it is changing the way he uses technology in his life, be it the personal assistant in the form of Alexa, or the space oriented program, Blue Origin. Looking at how fast the company is changing, or more accurately shaping the future of the world, people wonder, “Is there any limit to Amazon’s growth?” (Boitnott, 2017)

Some of the most recent strikeworthy concepts of Amazon are as follows:



•**Blue Origin:** It was launched by Amazon in 2000 as a manufacturing company for aerospace products in Washington. “New Shepherd” launched by the same is a reusable rocket, which can be launched into the orbital space and then brought back for reuse. The backidea for this is to make space travel available to tourists. The company has also received a three year contract from NASA.

•**Amazon Go:** The concept of this food hub, which opened recently in Seattle, is that a person does not pay for the food in person while buying it but a series of sensors and cameras installed in the shops pair each Amazon customer’s selection to his account. (Thompson, 2018)

•**Amazon Prime:** As much as 60% of its customers have signed up for the prime membership, which amounts to amounts to somewhere between 40-50 million users. And the prime members are estimated to spend around \$2500 on Amazon annually, more than four times the non-prime members.

## **The Road Ahead**

### **A Multi-Trillion-Monopoly Hiding in Plain Sight**

Amazon, today stands as the largest online retailer in the world regarding market capitalization and sales. It is the fourth most valuable public company in the world along with being the eighth largest employer in the United States. Amazon records for every second dollar spent online in the USA and had become a behemoth of a company. On June 16, 2017, when Amazon announced the acquisition of Whole Foods Market for \$13 billion, the world market was appalled. Questions about its power began to rise, and many are now wondering, "When does Amazon become a monopoly?"

The fact that Amazon's stock had increased by 3 percent with the acquisition news instead of falling as it ideally should is ominous; it showcases the blind faith investors put in the company and the incredible amount of economic power the company beholds. The rise in shares earned Amazon \$14 billion, and it basically brought the sixth largest grocery store of the United States for free. Controlling the entire online retail, Amazon is just too big of a company, and now it has entered the physical retail acquiring more than 400 stores and a new source of consumer data and

has started to exert its dominance into the supply chain. In 2016, Amazon recorded sales of \$63 billion from online retail, more than the sales of the next top ten online retailers combined. Acquiring Whole Foods will help it to make a bigger part of the commerce for its fief and magnify the power it already enjoys. (Zhu & Liu, 2015)

Amazon is like a giant tree with its branches spread out in all directions - it supplies home goods, clothing, shoes and all kinds of consumer products, wherein it competes with various companies like Walmart, Macy's, Target, Gap and DSW. It stands as a fierce competitor of Netflix and HBO as a distributor of television and music. It has purchased the biggest independent online diaper store along with the largest independent shoe store in the past decade. It has successfully crushed its competitors in all fronts and earned 30 per cent of all the retail sales in the country, both online and offline. Apart from all this, Amazon also extends credit facilities, designs clothes and publishes books. One of its most profitable businesses is the Amazon Web Services, which is used by its competitors like Netflix, and also by Tumblr, Pinterest, Dropbox along with the Federal government. Essentially, it is a store that sells everything; it acts like manufacturer as well as a distributor, and that is why it's referred to as the "Everything Store."

The tech giant barely returned any profit during the first decade of its operation, and even today it returns only a meager profit, but the stock worth of the company stands 200 times as much as it earns. The problem lies in the current understanding of a monopoly power; prices may continue to fall, but the impact of Amazon's retail capture will have serious repercussions both on the consumers and the producers. Jeff Bezos introduced the company as a middleman for books, but over the years, it has grown into an intermediary for all kind of things and even more than that. Venture capitalist, Chamath Palihapitiya was noted saying, "We believe there is a multitrillion-dollar monopoly hiding in plain sight." The need at this hour is a hard and close check on the company's structure by the political authorities. (Mudambi & Schuff, 2010)

## **Future of Amazon**

With the underlying mission of selling everything to everyone, Amazon has transformed the way the world shops and reads. It serves more than 225 million customers and has a global dominance.

Jeff Bezos has time and again followed the strategy of innovation and re-investing and thus, the company which was conceived as a mere online book seller, today stands to be the biggest online retailer of the world.

Amazon has grown so much and spread its operations in so many areas that the future growth prospects of the company are extremely broad. However, the main aspiration of the creative, Jeff Bezos is to expand Amazon and extend its services all over the globe and beyond. He has successfully made an impact in USA, UK, India, Netherlands, Germany, Brazil, China, France, Mexico, Spain, Japan, Italy with distribution centres, corporate offices and international shipping available in all of them. With the acquisition of Souq.com, he has captured the middle eastern markets as well. Amazon has also announced its plans to open another headquarter based in the States, the net worth of which is estimated to be \$5 billion. (Flamer, 2017)

The one biggest hurdle in the path of Amazon's global dominance is Alibaba. The latter is also a retail company based out of China but it enjoys a sort of monopoly in one of the biggest market centres of the world. China has the largest population in the world, providing any company with a huge consumer base and Alibaba has worked its way into the lives of the Chinese people, making it extremely difficult for Amazon to enter the market. Alibaba has also started to expand and also pursues an international presence, with business in countries like UK, USA, Spain, Denmark and Italy.

## **Recommendations**

- To fulfill its goal of global dominance, Amazon must focus on expanding more into developing countries because they present massive growth opportunities owing to their rapid economic development.
- To counteract the problem of cyber crimes and identity thefts, Amazon must make use of intensified information technology measures for organizational and consumer security and protection.

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