**AMAZON.COM, INC - 2011**

**A. Case Abstract**

Amazon.com is America’s biggest online trading network, having operations in numerous countries of the world Amazon,com has three major competitors who are mostly being phased out of the business gradually, through the dominance of the market. Amazon.com has gradually developed a highly diversified strategy into other online businesses apart from selling books. Amazom.com is a brain child of Jeff Bezos who sort out to build on the idea his previous company rejected.

**B. Vision /Mission statement (from company’s website)**

To be the earth’s most customer centric company, to build a place where people can come to find and discover anything they might want to buy online.

C**. External audit**

**Opportunities**

1. There is increasing acceptance of technology both in America and the rest of the world.
2. Other countries have not exploited the internet market, which serves as a ground for Amazon to exploit.
3. Liaison with other e-commerce sited to help all their products and services.
4. Increased popularity of the internet and online shopping
5. High capital base and funding, coupled with their position as industry leader.
6. Increased rate of advertisement and awareness of firm’s product.
7. The increasing no of families accepting and connected to the internet in the united states
8. Being the number one provider of customer service and customer goods sales

**Threats**

1. The restrictions in international trade in other countries of the world.
2. The increasing rate of competitors in the industry.
3. No restrictions of entrants into the e-commerce
4. Bargaining power of the customer are higher as the e-commerce market is already getting situated.
5. The level of illiteracy and the internet usage in other under-developed parts of the world may hinder the firm’s growth in the international community.
6. A $297m increase from $593m on adverts expenses in 2009 to $890 in 2010.

**Competitive profile matrix**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  | Amazon | Books a million | B and m | Bourder groups |
| Critical success factors | Weight | Rating score | Rating score | Rating score | Rating score |
| Advertising | 0.08 | 2 0.16 | 2 0.16 | 2 0.16 | 2 0.16 |
| Global reserve | 0.1 | 4 0.4 | 1 0.1 | 1 0.1 | 1 0.1 |
| Online presence | 0.11 | 4 0.44 | 1 0.11 | 2 0.22 | 1 0.1 |
| Market share | 0.13 | 4 0.52 | 1 0.13 | 3 0.39 | 3 0.39 |
| Customer loyalty | 0.06 | 3 0.18 | 1 0.06 | 2 0.12 | 2 0.12 |
| Brand awareness | 0.8 | 3 0.24 | 2 0.16 | 2 0.16 | 2 0.16 |
| Stockholder’s equity | 0.12 | 3 0.36 | 2 0.24 | 2 0.24 | 1 0.12 |
| Price competitiveness | 0.01 | 3 0.21 | 2 0.14 | 3 0.21 | 3 0.21 |
| Diversity | 0.04 | 4 0.16 | 2 0.08 | 1 0.04 | 1 0.04 |
| Personalization | 0.05 | 3 0.15 | 1 0.05 | 2 0.1 | 2 0.1 |
| Distribution | 0.07 | 2 0.14 | 2 0.14 | 4 0.28 | 2 0.14 |
| Use of technology | 0.09 | 3 0.27 | 2 0.18 | 1 0.09 | 1 0.09 |
| **TOTALS** | **1.00** | **3.11** | **1.55** | **2.11** | **1.74** |

This shows that amazon.com 3.31 shows that they are the most powerful competitor in the market, but the. Level of advert on the international level is very low.

**EFE MATRIX**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S/N | **Opportunities** | Weight | Ratings | Weighted score |
| 1 | Increasing acceptance of technology in the world | 0.13 | 4 | 0.52 |
| 2 | Other less developed but fertile countries have not exploited e-commerce | 0.11 | 4 | 0.44 |
| 3 | Liaison with other e-commerce sites to better advertise their products | 0.08 | 3 | 0.24 |
| 4 | Increase the rate of advertisement and awareness of firms products | 0.1 | 2 | 0.2 |
| 5 | Increase popularity of the internet and online shopping | 0.15 | 4 | 0.6 |
|  | **Threats** |  |  |  |
| 1 | The high rate of competition | 0.11 | 1 | 0.11 |
| 2 | The increased bargaining power of customers | 0.15 | 2 | 0.3 |
| 3 | The restrictions on international trade by other economies | 0.13 | 3 | 0.39 |
| 4 | The level of illiteracy and internal education | 0.04 | 1 | 0.04 |
|  | **TOTALS** | **1.00** |  | **2.84** |

Amazon.com has an above average score of 2.84 which can be attributed largely to Amazon.com taking advantage of increasing number of internet users.

**D. Internal Audit**

**Strengths**

1. The continuous increase in sales from 19 billion in 2008 to 34 billion in 2010
2. Amazon.com enjoys great customer recognition and goodwill
3. Amazon.com has a wide range of products and services such as emergency preparedness store, baby store, automobile store and kindle
4. Seasoned and well experienced employees committed to the organization
5. They advertise their products over the other competitors website to increase their traffic
6. Amazon.com’s product: kindle is present in over 100 countries of the world.
7. The use of employees in relating to their customers has increased the level of personalization of services of amazon.com

**Weakness**

1. No union to represent the workers in matters relating to employment
2. The level of diversity of the firm is becoming quite excessive.
3. The use of personalization through mails has caused a customer question to be answered a little longer than if there is a store employee.
4. They also face a problem as customer doesn’t have the chance to try the products the want to purchase.
5. Slim profit margin due to high operations

**Financial ratio analysis**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Profit margin** | Amazon | B$N | B. Group | B.A.M |
| Gross margin | 4.11 | 1.26 | -3.4 | 4.26 |
| Pre-tax margin | 4.38 | n/a | n/a | n/a |
| Net profit margin | 3.37 | 0.63 | -3.9 | 2.7 |
| **Liquidity ratios** |  |  |  |  |
| Debt/equity ratio | 0.22 | 0.3 | 0.03 | 0.055 |
| Current ratio | 1.33 | n/a | n/a | n/a |
| Quick ratio | 1.02 | n/a | n/a | n/a |
| **Profitability** |  |  |  |  |
| Return on equity | 22.74 | 4.07 | -63.1 | 12.1 |
| Return on asset | 6.13 | 0.99 | -7.68 | 5.05 |
| Return on capital | 4.05 | 0.03 | -67.1 | 11.4 |
| **Efficiency ratios** |  |  |  |  |
| Income/employee | n/a | NA | NA | NA |
| Revenue/employee | NA | NA | NA | NA |
| Receivable turnover | 17.4 | NA | NA | NA |
| Inventory turnover | NA | NA | NA | NA |
| Asset turnover | 4,1 | 3.11 | 17.11 | 4.2 |

Amazon.com is a healthy company based on most of its financial ratios, and in comparison with other competitors.

**Net worth analysis**

1. Amazon = 1152 x 100 = 16.78 %

6864

1. Books a million= 13836x100= 12.1%

114708

1. Borders group= -109.4x100 = -69.1%

158.3

4. Barnes and noble = 36.64x100= 4.06%

903.37

Amazon has the highest worth over its competitors.

**IFE MATRIX**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S/N | **Strengths** | Weight | Ratings | N. s |
| 1 | Amazon has increase in its sale to 326 | 0.15 | 4 | 0.6 |
| 2 | Amazon service kindle operates in 100 different countries | 0.09 | 4 | 0.36 |
| 3 | Amazon enjoys great customer recognition and goodwill | 0.07 | 4 | 0.28 |
| 4 | Increase level of personalization with their customers | 0.07 | 4 | 0.28 |
| 5 | Having wide range of products and services making it a one stop shop for online shopping | 0.15 | 4 | 0.2 |
| 6 | Large economies of scale | 0.11 | 3 | 0..33 |
| 7 | The ease of purchase from the site | 0.12 | 3 | 0.36 |
|  | **Weakness** |  |  |  |
| 1 | Slim profit margin | 0.09 | 2 | 0.18 |
| 2 | The level of diversity of the firm is becoming quite excessive | 0.08 | 2 | 0.16 |
| 3 | Lack of speed in handling customer store complaints | 0.07 | 1 | 0.07 |
| 4 | Absence of pre-purchase trials | 0.07 | 1 | 0.07 |
| 5 | Deviation from actual reason of the state | 0.3 | 2 | 0.06 |
|  | **TOTALS** | **1.00** |  | **2.88** |

Amazon received an above average IFE score of 2.88 which can be attributed to the increase in sales. Amazon still lags behind in the profit margin

**E. SWOT**

**SO** **strategies**

1. Increase the use of technologies and mobile apps to best take advantage of sales.
2. Moving to countries in Africa that provides unexploited and fertile group for business.

**WO Strategies**

1. Give discounts for online purchases or sell at prices lower than physical purchases.

**ST Strategies**

1. Carry out a market research to determine countries that have lenient traded relations

**WT Strategies**

1. They should try to focus on SBU with more profitability.

**F.** **SPACE MATRIX**

Conservative Aggressive

Defensive Competitive

|  |  |
| --- | --- |
| Internal analysis  **Financial position(fp)**  Stockholder’s equity 3  Debt/equity 4  Current ratio 5  Cash flow 3  Net income 2  **FP average 4** | External analysis  **Stability position (sp)**  Rate of inflation -3  Competitive pressure -3  Barriers to entry into market -6  Technological inclination -2  Customers -3  **SP Average** **-3.4** |

|  |  |
| --- | --- |
| Internal analysis  **Competitive position(cp)**  Market share -1  Product quality -1  Customer loyalty -1  Technological know-how -1  Brand image -1  **CP Average -1** | External analysis  **Industry position (IP)**  Growth potential 4  Financial stability 4  Ease of entry into market 3  Profit potential 3  Access to finding 4  **IP Average 3.6** |

**G. Grand Strategy Matrix**

|  |
| --- |
| Quadrant II  **Rapid Market Growth** Quadrant I    Weak Strong  Competitive Competive  Position Position  Quadrant III Quadrant IV |

This shows that Amazon have a strong strategic position. The position they are in shows that they can employ more aggressive strategies to gain more market shares..

**H. The internal- External (IE) Matrix**

**The Total IFE weighted scores**

Strong average weak

4.0 to 3.0 2.99 to 2.0 1.99to1.0

|  |  |  |
| --- | --- | --- |
| 4.0 I | II | III |
|  | 2.88 |  |
| 3.0 IV | V | VI |
| 2.84 |  |  |
| 2.0 VII | VIII | IX |
| 1.0 |  |  |

**I. QSPM**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Expand focus more on  intentionally books | | | | | | |
| s/n | |  | Weight | AS | TAS | AS | TAS |
|  | | **Strengths** |  |  |  |  |  |
| 1 | | $34billion increase in sales | 0.15 | 4 | 0.6 | 3 | 0.45 |
| 2 | | Amazon kindle operates in over 100 countries | 0.09 | 3 | 0.27 | 1 | 0.09 |
| 3 | | Great customer recognition and goodwill | 0.07 | 3 | 0.21 | 3 | 0.21 |
| 4 | | Increased level of personality | 0.07 | 1 | 0.07 | 3 | 0.21 |
| 5 | | Having wide range of products and services | 0.05 | 3 | 0.15 | 0 | 0 |
| 6 | | Large economies of scale | 0.11 | 3 | 0.33 | 4 | 0.44 |
| 7 | | The ease of purchase | 0.12 | 4 | 0.48 | 4 | 0.48 |
|  | | **Weakness** |  |  |  |  |  |
| 1 | | Slim profit margin | 0.09 | 2 | 0.18 | 0 | 0 |
| 2 | | Level of diversity of the firm | 0.08 | 0 | 0 | 3 | 0.24 |
| 3 | | Level of customer problem handling speed | 0.07 | 0 | 0 | 3 | 0.21 |
| 4 | | Absence of pre-purchase speed | 0.07 | 1 | 0.07 | 2 | 0.14 |
| 5 | | Deviation from actual business | 0.07 | 1 | 0.07 | 2 | 0.14 |
|  | | **Opportunities** |  |  |  |  |  |
| 1 | | Increase acceptance of technology | 0.13 | 3 | 0.39 | 3 | 0.39 |
| 2 | | Less developed world has fertile but exploited e-commerce | 0.11 | 4 | 0.44 | 0 | 0 |
| 3 | | Liaison with other e-commerce sites to better advertise their product | 0.08 | 3 | 0.24 | 1 | 0.08 |
| 4 | | Increase popularity of internet and online shopping | 0.15 | 3 | 0.45 | 2 | 0.3 |
| 5 | | Increased rate of advertisement and awareness of firms products | 0.1 | 3 | 0.3 | 3 | 0.3 |
|  | | **Threats** |  |  |  |  |  |
| 1 | | The high rate of competition | 0.11 | 1 | 0.11 | 1 | 0.11 |
| 2 | | The increased bargaining power of customers | 0.15 | 2 | 0.3 | 2 | 0.3 |
| 3 | | Restrictions on international trade by other economies | 0.13 | 0 | 0 | 0 | 0 |
| 4 | | Level of illiteracy and computer education | 0.04 | 1 | 0.04 | 0 | 0 |
|  | | **TOTALS** |  |  | **4.72** |  | **3.97** |

**K. Recommendation**

1. Open approximate 50 stores in these countries with a cost of $5,000,000.
2. Increase advertisement and fund awareness programs in these countries to the tune of $10,000,000.

Total amount of funds needed = $ 15M which should be raised through equity to prevent borrowing more and consequently increasing the firm’s debts.

**I. Epilogue**

The gradual increase in the amount of debt in the accounts of amazon.com has not been impressive at all moving from $1.2 billion in 2009 to $ 1.6 billion in 2010.excessive diversification has been a major culprit of that problem. A good and improved technology to have a data base for all their customers which would aid in impulse buying and increase more sales has the customers previous products purchases or related products are displayed on the customers’ account.Amazon.com has even now decided to improve more on the delivery over long distances through the use of drones and would be a ground breaking technological advancement in the world of e- commerce.