**King Saud University**

**College of Business Administration**

**Management Information Systems Department**

**MGT411**

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| --- | --- | --- | --- |
| **ID** | **NAME** | **SN** | **Section #** |
| *435202056* | *Fay alshuail* |  |  |
| *435201285* | *Hanen alyousef* |  |  |
| *435925182* | *Ghadah almazrou* |  |  |
| *435201392* | *Somaiya Alshehri* |  |  |
| *435202528* | *Bassma Alyahya* |  |  |

**Supervised By:** Samiha Mjahed

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# Vision Statement

To be the largest mass online merchandiser on earth.

# Mission Statement

It’s our goal to be Earth’s most customer-centric company for four primary customer sets: consumers, sellers, enterprises, and content creators, where customers can find and discover anything they might want to buy online

# MISSION STATMENT COMPOMNETS

-customer : for four primary customer sets: consumers, sellers, enterprises, and content creators .

- product and serves : online

- market : buy online

- Technology : buy online

- philosophy : be Earth’s most customer-centric company

-self concept : where customers can find and discover anything they might want to buy online.

- concern for public image : content creators

-concern for employees : not include

# Scanning for early signals of potential changes and trends in the general environment:

More online companies will tend to diversification in products which will hinder our competitive advantage.

**Opportunities:**

1. Pressure to permanently ban the Internet Tax.

2. State of the economy is improving.

3. Customer spending increased.

4. Currency fluctuation (weak dollar).

5. Increased number of Internet users in the US.

6. Broadband access technology.

7. Increased number of Internet users worldwide.

8. Online sales predicted to increase.

9. Low interest rate.

10. One European currency – Euro.

11. Backward integration.

12. Global expansion.

**Threats:**

1. Taxes imposed for EU customers.

2. Unemployment level highest since 1994.

3. Currency fluctuation.

4. Failure to permanently ban Internet taxes.

5. Aggressive competition.

6. Identity theft.

7. Terrorist attack, war.

8. State of the economy, high inflation.

9. Volatile stock market.

10. High interest rate.

11. Ease of entry into market.

12. Low entry barriers of the industry.

13. Government regulations.

# External forces:

|  |  |  |
| --- | --- | --- |
| External forces | opportunities | threats |
| Social and demographic forces | 3 ,11 | 1 |
| Technological forces | 5,6,7,8 |  |
| Government, political, and legal forces | 1,13 | 6,4 |
| Competitor forces | 12 | 5,11 |
| Economic forces | 2,4,9,10,12 | 2,3,7,8,9,10 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Key External Factors** | **Weight** | **Rating** | **Weighted Score** |
| **Opportunities** | | | |
| **1. Pressure to permanently ban the Internet Tax** | **0.05** | **2** | **0.14** |
| **2. State of the economy is improving** | **0.04** | **3** | **0.24** |
| **3. Customer spending increased** | **0.05** | **3** | **0.15** |
| **4. Currency fluctuation (weak dollar)** | **0.04** | **3** | **0.15** |
| **5. Increased number of Internet users in the US** | **0.03** | **3** | **0.09** |
| **6. Broadband access technology** | **0.03** | **4** | **0.12** |
| **7. Increased number of Internet users worldwide** | **0.03** | **3** | **0.09** |
| **8. Online sales predicted to increase** | **0.05** | **4** | **0.20** |
| **9. Low interest rate** | **0.03** | **3** | **0.09** |
| **10. One European currency – Euro** | **0.03** | **3** | **0.09** |
| **11. Backward integration.** | **0.04** | **3** | **0.15** |

|  |  |  |  |
| --- | --- | --- | --- |
| **Threats** |  |  |  |
| **1. Taxes imposed for EU customers** | **0.05** | **3** | **0.15** |
| **2. Unemployment level highest since 1994** | **0.04** | **3** | **0.12** |
| **3. Currency fluctuation** | **0.04** | **3** | **0.12** |
| **4. Failure to permanently ban Internet taxes** | **0.05** | **2** | **0.12** |
| **5. Aggressive competition** | **0.05** | **4** | **0.28** |
| **6. Identity theft** | **0.05** | **4** | **0.20** |
| **7. Terrorist attack, war** | **0.03** | **2** | **0.04** |
| **8. State of the economy, high inflation** | **0.03** | **2** | **0.14** |
| **9. Volatile stock market** | **0.04** | **2** | **0.08** |
| **10. High interest rate** | **0.04** | **2** | **0.08** |
| **11. Ease of entry into market** | **0.03** | **2** | **0.02** |
| **12. Low entry barriers of the industry.** | **0.04** | **3** | **0.08** |
| **13. Government regulations.** | **0.03** | **2** | **0.07** |
| **Total** | **1.00** |  | **3.26** |

# EFE MATRIX:

# Strength and weaknesses of Amazon company:

**Strengths:**

Strong management team. 1-

Strong customer service support. 2-

Up-to-date technology and software. 3-

High brand name recognition. 4-

Corporate culture. 5-

Distribution centers. 6-

Strategic alliances. 7-

Increased revenue from international segment. 8-

9- High inventory turnover.

10- Strong background and deep pockets.

11-Customer centric.

12- cost leadership.

**Weaknesses:**

Accumulated deficit of $3 billion. 1-

Operating losses. 2-

Interest payments on debt issued. 3-

High inventory risk – seasonality. 4-

Small number of vendors (suppliers). 5-

Breach of customer confidential information. 6-

7- Shrinking margins.

8-Product flops.

# Internal Environment:

|  |  |  |
| --- | --- | --- |
| **WEAKNESSES** | **STRENGTH** | **INTERNAL FORCES** |
|  | 1-Strong management team.  5- Corporate culture.  7- Strategic alliances.  10- Strong background and deep pockets. | Management |
|  | 2-Strong customer service support.  4-High brand name recognition.  11-Customer centric. | Marketing |
| 1- Accumulated deficit of $3 billion.  3-Interest payments on debt issued.  4-High inventory risk – seasonality.  7- Shrinking margins. | 8- Increased revenue from international segment.  9- High inventory turnover.  12- cost leadership. | Finance/Accounting |
| 2- Operating losses.  5-Small number of vendors (suppliers).  8-Product flops. |  | Production/operations |
|  | 6- Distribution centers. | Research & development |
| 6-Breach of customer confidential information. | 3-Up-to-date technology and software. | MIS |

# .IFE MATRIX:

|  |  |  |  |
| --- | --- | --- | --- |
| Key Internal Factors | Weight | Rating | Weighted  Score |
| Strengths |  |  |  |
| 1. Strong management team | 0.09 | 4 | 0.36 |
| 2. Strong customer service support | 0.06 | 4 | 0.24 |
| 3. Up-to-date technology and software | 0.06 | 4 | 0.24 |
| 4. High brand name recognition | 0.10 | 4 | 0.4 |
| 5. Corporate culture | 0.07 | 3 | 0.21 |
| 6. Distribution centers | 0.05 | 3 | 0.15 |
| 7. Strategic alliances | 0.05 | 3 | 0.15 |
| 8. Increased revenue from international segment | 0.03 | 3 | 0.09 |
| 9. High inventory turnover | 0.03 | 3 | 0.09 |
| 10- Strong background and deep pockets. | 0.03 | 2 | 0.06 |
| 11-Customer centric. | 0.02 | 2 | 0.04 |
| 12- cost leadership. | 0.03 | 2 | 0.06 |
| Weaknesses |  |  |  |
| 1. Accumulated deficit of $3 billion | 0.09 | 1 | 0.09 |
| 2. Operating losses | 0.04 | 1 | 0.04 |
| 3. Interest payments on debt issued | 0.04 | 2 | 0.08 |
| 4. High inventory risk - seasonality | 0.04 | 2 | 0.08 |
| 5. Small number of vendors (suppliers) | 0.04 | 2 | 0.08 |
| 6. Breach of customer confidential information | 0.09 | 2 | 0.18 |
| 7- Shrinking margins. | 0.02 | 2 | 0.04 |
| 8-Product flops. | 0.02 | 2 | 0.04 |
| TOTAL | **1.00** |  | **2.72** |

# Internal-External (IE) Matrix

1.0 to 1.99

IX

VIII

VII

Low

2.0 to 2.99

**The EFE**

**Total Weighted Score**

VI

V

IV

Medium

Domestic

International

3.0 to 3.99

III

II

I

High

1.0 to 1.99

2.0 to 2.99

3.0 to 4.0

Weak

Average

Strong

**The IFE Total Weighted Score**

**The EFE** **Total Weighted Score** : 3.26

**The IFE** **Total Weighted Score** : 2.72

# SWOT analysis

# 

**S-O Strategies**

Market penetration – increase marketing expenditures to 5% of net sales (O3, O5, O9, S4, S2, S9)Lobby to permanently ban Internet Tax (O1, O7, S1, S4)

**S-T Strategies**

Lobby to permanently ban Internet Tax ( T4, S1)Horizontal Diversification – create a Web search engine (T5, T11, S1, S2, S4).

**W-O Strategies**

Concentric Diversification – add new services/products to level seasonality- food & beverage (O1, O2, O5, O9, W4, W5)

**W-T Strategies**

Lower prices (T4, T5, T11, W4)

# Space matrix

|  |  |  |  |
| --- | --- | --- | --- |
| Rating | Industry strength (IS) | Rating | Competitive advantage (CA) |
| +6 | Resource availability | -1 | High brand name recognition |
| +5 | 6. Distribution centers | -2 | Strong customer service support |
| +3 | Profit potential | -1 | Up-to-date technology and software |
| +2 | Financial stability | -3 | Quality |
| +4 | Growth potential | -2 | Market share |
|  |  | -2 | Product life cycle |
|  | Average: 4.00 |  | Average: -1.66 |
| Total csore:2.34 | | | |
| Rating | Environmental stability (ES) | Rating | Financial strength (FS) |
| -1 | Demand elasticity | +5 | . Increased revenue from international segment |
| -3 | Competitive pressure | +6 | High inventory turnover |
| -3 | Competitor’s price ranges | +4 | Cash flows |
| -1 | Technological changes | +4 | Liquidity |
|  |  | +3 | Return of investment |
|  |  | +3 | Leverage |
|  | Average: -2.00 |  | Average: 4.16 |
| Total csore:2.16 | | | |

FS

Conservative Aggressive

CA

IS

Defensive Competitive

ES

# Competitive Profile Matrix

Amazon Ebay

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Critical Success Factors** | **Weight** | **Rating** | **Weighted**  **Score** | **Rating** | **Weighted**  **Score** |
| e-commerce expertise  Software technology  Consumer Loyalty  Advertising  Price  Management  Product Quality  Market share  Global expansion  Financial Position | 0.05  0.05  0.10  0.15  0.10  0.10  0.10  0.05  0.15  0.15 | 4  4  4  3  3  4  4  3  4  4 | 0.20  0.20  0.40  0.45  0.30  0.40  0.40  0.15  0.60  0.60 | 4  4  3  3  3  4  4  4  3  4 | 0.20  0.20  0.30  0.45  0.30  0.40  0.40  0.20  0.45  0.60 |
| **Total** | **1.00** | 3.70 | | 3.50 | |

# Grand Strategy Matrix

**Rapid Market Growth**

Quadrant I

Quadrant II

**Weak Competitive**

**Position**

**Strong Competitive Position**

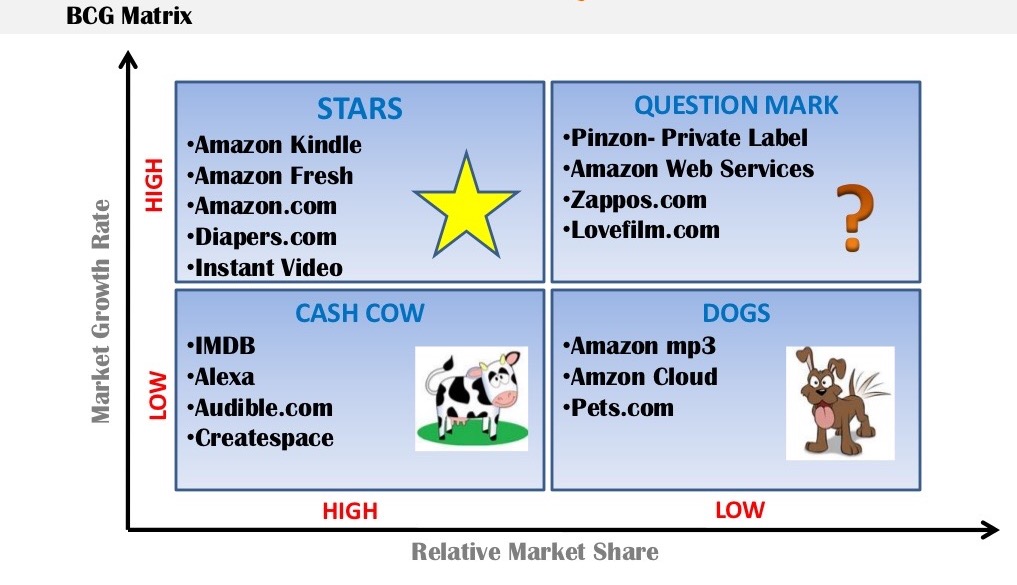
[logo-no-border(1)](http://www.amazon.com/exec/obidos/subst/home/redirect.html/ref=nh_gateway/102-8630223-0004930)

Quadrant II

1. **Market Development**
2. **Market Penetration**
3. **Product Development**
4. **Forward/Backward/Horizontal Integration**
5. **Concentric Diversification**

Quadrant IV

**Slow Market Growth**

BCG Matrix 

In BCG Matrix Amazon Kindle , Amazon Fresh , Amazon.com , Diapers.com and Instant Video are star with high share and high growth.

-Need many investment to funding its rapid growth.

IMDB , Alexa , Audible.com and Createspace are at cash cow with high growth and low share.

-Need less investment , and the money produced can be uses in other USBs.

Pinzon-Private Label , Amazon Web Services , Zappos.com and Lovefilm.com at question mark with high share and low growth.

-Need a lot of money to hold its share and increase it.

Amazone mp3 , Amazone cloud and pets.com at dogs with low share and low growth.

-generate sufficient cash , but do not promise to be a huge sources of money.

# QSPM matrix

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Key External Factors Weight** | | **Create a** **web**  **Search** **engine** | | **Start Gourmet**  **Food wholesaler** | |
| **Opportunities** | | **AS** | **TAS** | **AS** | **TAS** |
| 1. Pressure to permanently ban the Internet Tax | 0.05 | 1 | 0.05 | 1 | 0.05 |
| 2. State of the economy is improving | 0.04 | 1 | 0.04 | 3 | 0.12 |
| 3. Customer spending increased | 0.05 | 1 | 0.05 | 3 | 0.15 |
| 4. Currency fluctuation (weak dollar) | 0.04 | 3 | 0.12 | 2 | 0.08 |
| 5. Increased number of Internet users in the US | 0.03 | 3 | 0.09 | 4 | 0.12 |
| 6. Broadband access technology | 0.03 | 4 | 0.12 | 3 | 0.09 |
| 7. Increased number of Internet users worldwide | 0.03 | 3 | 0.09 | 4 | 0.12 |
| 8. Online sales predicted to increase | 0.05 | 1 | 0.05 | 3 | 0.15 |
| 9. Low interest rate | 0.03 | 1 | 0.03 | 2 | 0.06 |
| 10. One European currency - Euro | 0.03 | 3 | 0.09 | 2 | 0.06 |
| 11. Backward integration. | 0.04 | 3 | 0.12 | 1 | 0.04 |
| 12. Global expansion. | 0.06 | 2 | 0.12 | 3 | 0.18 |
| **Threats** |  |  |  |  |  |
| 1. Taxes imposed for EU customers | 0.05 | 3 | 0.15 | 1 | 0.05 |
| 2. Unemployment level highest since 1994 | 0.04 | 1 | 0.04 | 2 | 0.08 |
| 3. Currency fluctuation | 0.04 | 3 | 0.12 | 2 | 0.08 |
| 4. Failure to permanently ban Internet taxes | 0.05 | 1 | 0.05 | 1 | 0.05 |
| 5. Aggressive competition | 0.05 | 4 | 0.20 | 3 | 0.15 |
| 6. Identity theft | 0.05 | 1 | 0.05 | 1 | 0.05 |
| 7. Terrorist attack, war | 0.03 | 2 | 0.06 | 1 | 0.03 |
| 8. State of the economy, high inflation | 0.03 | 1 | 0.03 | 2 | 0.14 |
| 9. Low interest rate | 0.04 | 3 | 0.12 | 2 | 0.08 |
| 10. One European currency - Euro | 0.04 | 3 | 0.12 | 3 | 0.12 |
| 11. Ease of entry into market | 0.03 | 3 | 0.09 | 4 | 0.12 |
| 12. Low entry barriers of the industry. | 0.04 | 3 | 0.12 | 4 | 0.16 |
| 13. Government regulations. | 0.03 | 2 | 0.06 | 3 | 0.09 |
| Total | 1.00 |  |  |  | 2.42 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Key Internal Factors Weight** | | **Create a**  **web search**  **engine** | | **Start gourmet**  **food wholesaler** | |
| **Strengths** | | **AS** | **TAS** | **AS** | **TAS** |
| 1. Strong management team | 0.09 | 2 | 0.18 | 4 | 0.36 |
| 2. Strong customer service support | 0.06 | 1 | 0.06 | 4 | 0.24 |
| 3. Up-to-date technology and software | 0.06 | 3 | 0.18 | 4 | 0.24 |
| 4. High brand name recognition | 0.10 | 1 | 0.1 | 4 | 0.4 |
| 5. Corporate culture | 0.07 | 1 | 0.07 | 3 | 0.21 |
| 6. Distribution centers | 0.05 | 2 | 0.1 | 3 | 0.15 |
| 7. Strategic alliances | 0.05 | 1 | 0.05 | 3 | 0.15 |
| 8. Increased revenue from international segment | 0.03 | 2 | 0.06 | 3 | 0.09 |
| 9. High inventory turnover | 0.03 | 3 | 0.09 | 3 | 0.09 |
| 10- Strong background and deep pockets. | 0.03 | 3 | 0.09 | 2 | 0.06 |
| 11-Customer centric. | 0.02 | 1 | 0.02 | 2 | 0.04 |
| 12- cost leadership. | 0.03 | 2 | 0.06 | 2 | 0.06 |
| **Weaknesses** |  |  |  |  |  |
| 1. Accumulated deficit of $3 billion | 0.09 | 2 | 0.18 | 1 | 0.09 |
| 2. Operating losses | 0.04 | 1 | 0.04 | 1 | 0.04 |
| 3. Interest payments on debt issued | 0.04 | 3 | 0.12 | 2 | 0.08 |
| 4. High inventory risk - seasonality | 0.04 | 2 | 0.08 | 2 | 0.08 |
| 5. Small number of vendors (suppliers) | 0.04 | 3 | 0.12 | 2 | 0.08 |
| 6. Breach of customer confidential information | 0.09 | 2 | 0.18 | 2 | 0.18 |
| 7- Shrinking margins. | 0.02 | 2 | 0.04 | 2 | 0.04 |
| 8-Product flops. | 0.02 | 1 | 0.02 | 2 | 0.04 |
| **Total** | 1 |  |  |  | 2.72 |

# Amazon's strategies:

|  |  |  |
| --- | --- | --- |
| **Explain** | **Strategy** | **Statement** |
| Improving the current product and develop new product . | Product devolepment | Amazon began offering its own line of baby diapers and wipes .  Amazon started as bookstore then introduced various types of products . |
| Distribution | Forward integation  intensive | Began rapid delivery service in some united state countries. |
| crease market share for present products in present markets through greater marketing efforts. | Market penetration | amazon has a website (amazon wherehouse deals ) provides products but in competitive prices because it returned or not packaged well and Non-compliance with the strict specifications of the Amazon in the classification of products in their official website. |
| New but related product | Related Diversification  intensive | Amazon started as an online bookstore, but soon expanded its business lines for the production of VHS, DVD, music CDs the (MP3), computer software. |
| Product and services is rapidly becoming global in scope. | Market development | Amazon website is available in france , china , japan , Germany , U.S and canada its product deliver and has many warehouses around the world |
| increase market share for present products in present markets through greater marketing efforts. | Market penetration | Increase marketing expenses to 3% of net sales for the next three years compared to 2% in 2002. |
| New not related products | Unelated diversification | Amazon adding new category Groceries & Gourmet Food)) |

# Financial ratios

Valuation​

|  |  |  |  |
| --- | --- | --- | --- |
| AMZON | | Industry Avg | S&P 500 |
| Price/Earnings    ​ | 174.0 | 45.7 | 19.9 |
| Price/Book​ | 20.3 | 7.8 | 2.7 |
| Price/Sales​ | 2.9 | 1.9 | 1.9 |
| Price/Cash Flow | 25.1 | 8.2 | 12.2 |

|  |  |  |
| --- | --- | --- |
| Dividend Yield | - | 17.2% |
| Dividend Yield 5 Year Avg. | - | 0.02% |
| Dividend Growth Rate | - | - |
| Payout Ratio |  |  |

growth rates

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| |  |  |  | | --- | --- | --- | | EPS(MRQ) vs Qtr. 1 Yr. Ago | 214.39% | 622.06% | | EPS(TTM) vs TTM 1 Yr. Ago | 533.14% | 282.68% | | 5 Year EPS Growth | -13.13% | 23.51% | | Sales (MRQ) vs Qtr. 1 Yr. Ago | 29.01% | 27.72% | | Sales (TTM) vs TTM 1 Yr. Ago | 27.24% | 26.62% | | 5 Year Sales Growth | 25.62% | 33.61% | | 5 Year Capital Spending Growth | 36.2% | 32.73% | |

financial strength

|  |  |  |
| --- | --- | --- |
| Quick Ratio MRQ | 0.74 | 0.83 |
| Current Ratio MRQ | 1.06 | 1.62 |
| LT Debt to Equity MRQ | 46.14% | 53.8% |
| Total Debt to Equity MRQ | 46.14% | 56.46% |

Profitability Ratios​

|  |  |  |
| --- | --- | --- |
| ​Gross margin TTM | 34.65% | 42.51% |
| Gross Margin 5YA | 28.39% | 40.14% |
| Operating margin TTM | 3.16% | 9.37% |
| Operating margin 5YA | 1.24% | 9.41% |
| Pretax margin TTM | 2.86% | 22.33% |
| Pretax margin 5YA | 0.91% | 15.18% |
| Net Profit margin TTM | 1.72% | 19.18% |
| Net Profit margin 5YA | 0.38% | 13.15% |

​

Management Effectiveness

|  |  |  |
| --- | --- | --- |
| Return on Equity TTM | 13.93% | 15.72% |
| Return on Equity 5YA | 2.62% | 2.45% |
| Return on Assets TTM | 3.46% | 7.16% |
| Return on Assets 5YA | 0.74% | 0.98% |
| Return on Investment TTM | 6.57% | 9.71% |
| Return on Investment 5YA | 1.66% | 1.97% |

Efficiency

|  |  |  |
| --- | --- | --- |
| Asset Turnover TTM | 2.01 | 1.49 |
| Inventory Turnover TTM | 8.5 | 9.12 |
| Revenue/Employee TTM | 554.56K | 475.72K |
| Net Income/Employee TTM | 9.54K | 83.17K |
| Receivable Turnover TTM | 21.32 | 23.22 |