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9B18M026

AMAZON.COM: EVOLVING INTO OFFLINE RETAIL[[1]](#endnote-1)

Won-Yong Oh wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.

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In May 2017, Amazon.com, Inc. (Amazon) released its report on its fourth-quarter earnings. Although the company missed its target revenue of US$44.68 billion,[[2]](#endnote-2) it surpassed analysts’ expectations for its fourth-quarter profits. However, not all shareholders were satisfied, as Amazon’s stock dropped 4.5 per cent just hours after the report’s release. The results were in some ways disappointing because they did not reflect the company’s claims that Amazon had enjoyed a record holiday season in 2016.[[3]](#endnote-3)

Amazon had always invested heavily in expanding in the United States through new projects, from establishing Amazon Prime Now (Prime Now) to setting up brick-and-mortar (B&M) Amazon Books and Amazon Go locations.[[4]](#endnote-4) By April 2017, a rumour suggested that Amazon would acquire natural and organic foods supermarket Whole Foods Market Inc. (Whole Foods) in the near future.[[5]](#endnote-5) Entering the B&M industry was unfamiliar territory for Amazon, but also a promising opportunity, as the B&M industry accounted for approximately $4 trillion and 90 per cent of retail sales in the United States.[[6]](#endnote-6) Could Amazon be as successful in offline retail markets as it had been in e-commerce? How could Amazon differentiate itself in the B&M retail industry?

**COMPANY OVERVIEW**

Amazon was a publicly traded company started by Jeff Bezos (who also served as Amazon’s chief executive officer) in 1994, and opened as “Earth’s biggest bookstore” in July 1995. Bezos had quit his Wall Street job to start an online business that would allow customers to purchase items on the Internet and have those items delivered to their homes. He had seized the opportunity when he saw that Internet usage grew 2,300 per cent in the spring of 1994. Bezos started by selling books because they were low cost and generated universal demand. He then expanded into other industries over the subsequent two decades.[[7]](#endnote-7)

Since Amazon went public in 1998, Bezos’s consistent message had been to “build culture, take risk, and focus on the long term.”[[8]](#endnote-8) Further, Amazon was guided by four principles: an obsession with the customer rather than competitors; a passion for invention; a commitment to operational excellence; and long-term thinking.[[9]](#endnote-9)

By 2016, Amazon was a major e-commerce company that also operated in multiple other industries such as books, films, and web services with various subsidiaries. Its website was well known as the most popular destination for product searches, surpassing all other search engines and retailers. As a result, the majority of U.S. consumers perceived Amazon as the dominant player in e-commerce (see Exhibit 1). Nine out of 10 consumers checked the Amazon website even if they found a product they liked while shopping on another retailer’s site.[[10]](#endnote-10)

In 2012, Bezos had spoken about the possibility of Amazon’s expansion into B&M stores, saying, “We would love to, but only if we can have a truly differentiated idea. . . . What would we do that would be different? How would it be better? We don’t want to do things because we can do them. We . . . don’t want to be redundant.”[[11]](#endnote-11) Three years later, Amazon returned to its roots by opening its first bookstore in Seattle, Washington.[[12]](#endnote-12) It also laid the foundation for an innovative new concept of how to shop through its first Amazon Go location.

As of February 2017, the company had over 341,000 employees[[13]](#endnote-13) and reported revenues of over $135 billion (see Exhibit 2).[[14]](#endnote-14) Amazon’s future plans included further B&M expansions of Amazon Books, Amazon Go, and AmazonFresh. In addition, representatives from Amazon and from supermarket chain Whole Foods met in Seattle on April 30, 2017. Although the companies signed a non-disclosure agreement (because other companies were also interested in acquiring Whole Foods), the subject of the meeting was clearly a potential acquisition.[[15]](#endnote-15)

**Growing Segment: Amazon Web Services**

Amazon operated under three business segments created in 2006: North America, International, and Amazon Web Services (AWS), a cloud computing platform and subsidiary of Amazon (see Exhibit 3). AWS resulted from Bezos listening to customers looking for solutions to problems with expensive applications and open source products. In this way, AWS was an outcome of the company’s customer-centric principle.[[16]](#endnote-16)

In 2016, AWS produced $12.2 billion in revenue.[[17]](#endnote-17) With $926 million in operating profits, comprising 31.3 per cent of all AWS net sales (in comparison with Amazon’s operating margin of 5 per cent), AWS was Amazon’s main profit driver in the fourth quarter of 2016.[[18]](#endnote-18) AWS was still growing, and offered various services including virtual servers, storage, database, migration, networking, security, messaging services, artificial intelligence, development tools and application services.[[19]](#endnote-19) Bezos confirmed, “AWS is a $5 billion business and still growing fast.” Similarly, Dan Kurnos, an analyst with The Benchmark Company, noted that AWS was “surprisingly more profitable than forecast.”[[20]](#endnote-20)

A key benefit of AWS was that costs were largely variable, as they were scaled to a customer’s business, thereby helping that customer avoid large capital expenses. Moreover, cloud computing reduced the processing time from weeks or months to minutes through autonomic computing, which reduced labour costs and the possibility of human errors. Hence, AWS was a reliable, low-cost, agile, open, flexible, and secure platform that provided services to businesses in 190 countries.[[21]](#endnote-21)

**Enhancing the Shopping Experience: Amazon Prime and Prime Now**

Amazon Prime consisted of two features, Prime and Prime Now. Prime was a paid membership program that gave customers advantages such as free, cheaper, or faster shipping; savings on products and services; access to Amazon’s entertainment subsidiaries; and other bonuses (e.g., Amazon Elements and Membership Sharing).[[22]](#endnote-22) Prime Now members could receive free two-hour delivery of thousands of Amazon items. Another area of Prime Now was its restaurant delivery service, Amazon Restaurants (which offered food delivery within one hour to Prime members if their order met a minimum purchase amount). To offer these services, Amazon partnered with local stores, restaurants, and couriers to provide more than 25,000 items across 25 categories, from basic essentials to electronics and more. The deliveries were available seven days a week from early morning to late evening.[[23]](#endnote-23)

Bezos stated that Amazon Prime was the “best bargain in the history of shopping” and that it was part of Amazon’s long-term plan to strengthen the company’s hold on customers.[[24]](#endnote-24) In exchange for loyalty, Amazon was willing to sacrifice profits from shipping and services. Prime was one of Amazon’s initiatives to help change customers’ expectations about retail.[[25]](#endnote-25) Prime members used Amazon as their primary source for researching products, increasing overall usage of Amazon from 44 per cent in 2015 to 55 per cent in 2016, while other search engines decreased from 34 per cent to 28 per cent over the same period (see Exhibit 1).[[26]](#endnote-26)

Amazon catered to the two most important factors for customers shopping online: low prices and free shipping. Although Prime members were more likely to shop online, they still shopped as often as the average U.S. consumer.[[27]](#endnote-27) Prime members were important for the company’s revenue stream since each member spent, on average, $1,200 per year, compared with an average of $500 per year for non-members.[[28]](#endnote-28)

**ONLINE RETAILING INDUSTRY**

**Market Growth**

With the exception of 2008 and 2009 (i.e., during the global recession), the e-commerce industry had experienced steady growth since the dot-com boom of the late 1990s; by 2017, it had an estimated value of $432.4 billion, growing 13.4 per cent between 2012 and 2017.[[29]](#endnote-29) E-commerce sales were expected to reach $658.2 billion by 2023 (see Exhibit 4).[[30]](#endnote-30) Consumers shopping online had many advantages, such as access to a greater variety of products, the ability to find products more quickly, and more convenience in receiving them. The increased usage of mobile devices complemented the e-commerce trend, as retailers were increasingly tailoring their digital content for mobile viewers.

In addition, there was a race to bring the grocery retail sector online in the United States. The largest obstacle to this objective was providing fresh products and foods because customers preferred to be able to inspect the quality of such items before buying them. Another challenge was that customers did not want to pay high fees for deliveries, nor did they want to wait to receive their purchases. To address these needs, large traditional grocery stores such as Wal-Mart Stores, Inc. (Walmart) and Kroger offered “click-and-collect” services, which allowed customers to place their grocery orders online and collect them at their convenience.[[31]](#endnote-31) These grocery retailers had increased the options they offered for online food shopping, mainly in anticipation of Amazon’s potential expansion into this category.

Over the past several years, consumers’ grocery shopping behaviours had changed dramatically. Euromonitor International reported that 25 per cent of U.S. consumers shopped for groceries online at least once in 2013. In 2016, the percentage increased to 38 per cent.[[32]](#endnote-32)

**Competition**

Amazon led the e-commerce industry and competed with large retailers such as Walmart and Target Corporation (Target) using a fast-growing, dynamic channel that was essential to compete with store-based retailing.[[33]](#endnote-33) In 2016, Amazon’s revenue was $136 billion, approximately 27.9 per cent of Walmart’s $486 billion.

In terms of sales volume, Amazon had been unable to compete with Walmart; the main reason was that, in the United States, nine out of 10 dollars were spent in offline retail stores. Thus, Amazon realized it was imperative that the company enter the offline retail segment. Accordingly, Amazon launched Amazon Go and its other B&M stores as a first step in this direction.[[34]](#endnote-34)

As the competition between Amazon and Walmart increased, Walmart stores stopped selling Kindles, the e-readers designed and marketed by Amazon. Walmart also began offering same-day delivery during holiday seasons by shipping directly from its stores.[[35]](#endnote-35)

Yet Walmart was not the only competitor that Amazon faced. In 2012, eBay Inc. launched eBay Now, a courier service offering one-hour delivery for only $5. Further, in 2013, Amazon’s market share in product search was 30 per cent in comparison with Google’s 13 per cent, which resulted in the latter launching Google Shopping Express.[[36]](#endnote-36)

**STRATEGIC CHANGES: OFFLINE MARKET**

Amazon intended to deliver “the omnichannel experience”—a multichannel approach that offered customers an integrated shopping experience—by opening multiple B&M locations. The omnichannel approach was becoming increasingly popular in the retail industry. Large retailers such as Amazon and Walmart began blurring the lines between online and offline as they catered to their customers’ needs. Although the majority of retail sales occurred in the B&M market, e-commerce’s influence was growing, as demonstrated by research that found 45 per cent of U.S. customers preferred to make their holiday purchases online (compared with 52 per cent who preferred to make their purchases offline).[[37]](#endnote-37) According to the Retail Systems Research, omnichannel platforms were also growing, and 59 per cent of U.S. retailers believed that omnichannel customers were more profitable than non-omnichannel customers.[[38]](#endnote-38)

The B&M industry, where 90 per cent of all U.S. retail sales were made, was valued at $4 trillion.[[39]](#endnote-39) Amazon tried to take advantage of this opportunity. By experimenting with physical stores—such as Amazon Books, AmazonFresh, and Amazon Go—Amazon hoped to replicate its e-commerce success in the B&M market.

**Amazon Books**

Amazon successfully launched its first B&M store, Amazon Books, in a retail industry where most retailers were moving toward e-commerce. Its first location was established in Seattle on November 2, 2015, and was followed by more stores in Chicago (Illinois), Portland (Oregon), and San Diego (California).[[40]](#endnote-40) Amazon Books took features of the traditional bookstore concept, such as a relaxing environment, to attract customers and encourage browsing. Although these aspects did not differentiate Amazon Books from other bookstores, they were key to its success in adapting to the B&M industry. Unlike in traditional bookstores, books were displayed with the cover (rather than the spine) of the book facing customers, stores were limited in terms of the number of books in stock, and occasionally, reviews from the Amazon website were provided.[[41]](#endnote-41)

Amazon had taken advantage of the concept of “showrooming” (i.e., examining products in a physical store and then buying it online for a better price) and incorporated the best parts of online and offline purchasing by ensuring the lowest possible prices while giving customers the instant gratification of making an offline/physical purchase. Customers paid the same prices as listed on the Amazon website, and Prime members were still able to receive discounted prices in the stores.[[42]](#endnote-42) Customers could use in-store scanners or use their own Amazon application to confirm the price, which helped to reassure them and saved time for employees, as they did not have to change the price tags on inventory if prices changed. The B&M stores also served as locations for customers to purchase products from the Amazon line, such as the Echo devices, Fire tablets, and Kindle e-readers.[[43]](#endnote-43)

Amazon sought to ensure low friction between the online and offline shopping experience by charging in-store purchases to the credit card linked to a customer’s Amazon website account. Customers automatically received an emailed receipt and each in-store purchase was recorded in the customer’s Amazon order history. This system created an omnichannel shopping experience that allowed Amazon to blur the virtual and physical retail industries.[[44]](#endnote-44)

**AmazonFresh**

Originating in Seattle, AmazonFresh was an unlimited grocery delivery service available exclusively to all Prime members at a cost of $14.99 per month.[[45]](#endnote-45) Customers could shop online or by mobile application and schedule a delivery time. AmazonFresh boasted a selection of over 100,000 grocery items, and the shopping process was simple, easy, and potentially threatening to competitors.[[46]](#endnote-46) Although this process was logistically complex, AmazonFresh was successful in providing fast delivery; however, delivering fresh food could be a challenge, as many customers preferred to choose fresh food and vegetables in person to ensure quality.[[47]](#endnote-47)

AmazonFresh was in at the beta testing phase for its drive-up grocery store service, known as AmazonFresh Pickup, and had opened two such locations to the public on May 25, 2017.[[48]](#endnote-48) Both beta testing locations were located in Seattle and allowed Prime members to place their grocery orders online and pick them up at one of the drive-up locations. Although an AmazonFresh membership was not necessary, having one sped up the process to the point that members could collect their groceries just 15 minutes after ordering. In comparison, Prime members had to wait at least two hours before a pickup window was available. Although drive-up food collection was far from a revolutionary concept, Amazon hoped to use AmazonFresh Pickup to challenge its competitors in the grocery industry.[[49]](#endnote-49)

**Amazon Go**

Amazon Go was a store concept with a unique approach to the grocery format. Its main draw was the lack of checkout lines and cashiers, with the tagline, “No Lines! No Checkout! Just Grab and Go!”[[50]](#endnote-50) Amazon Go sold assorted food and snack options made fresh daily, and carried a variety of products, including in-house and well-known brands. The store underwent beta testing in Seattle in late 2016 and early 2017, and used motion sensors to detect what shoppers purchased as they proceeded through the store; purchases were then charged to customers’ Amazon accounts as they exited the store. If the technology was unable to identify purchase items, Amazon Go’s deep learning technology was implemented to process the customer’s past purchase history to help identify the items in question.[[51]](#endnote-51)

The concept of Amazon Go first appeared in the media December 2016.[[52]](#endnote-52) At that time, Amazon wanted to push the boundaries of technology and use these innovations to improve customers’ shopping experience in terms of convenience and wait times. The advanced shopping technologies implemented were computer vision, sensor fusion, and deep learning technology.[[53]](#endnote-53) Amazon had developed these technologies through its subsidiary, AWS, and had already used the technologies in various other aspects of its business.[[54]](#endnote-54)

Amazon Go represented a new type of shopping, in which the advantages of digital technology were combined with the offline shopping experience. Unlike most retailers, Amazon excelled in offering convenience and responsiveness to its customers. The company had 244 million active customers (and 54 million Prime customers), all of whom had accounts with their payment information on file.[[55]](#endnote-55) Amazon Go connected these customers with products through the use of new technology. The store used cameras and state-of-the-art software to identify customers through facial recognition as they stood in front of products, and weight sensors detected when products were removed from shelves and purchased.

To be effective and efficient for customers, Amazon Go required a high degree of accuracy. Because it was data-driven, the company also had the ability to apply the data to personalize each store with a product mix for specific locations. Amazon could use its $10 billion cloud computing service, AWS, to facilitate Amazon Go. Moreover, Amazon’s warehouses were located within 20 miles (32 kilometres) of 44 per cent of the U.S. population, making it logistically possible for the company to stock its grocery locations and adjust the product mixes.[[56]](#endnote-56)

**FUTURE EXPANSION PLANS**

Amazon’s experiments with B&M stores such as Amazon Go went beyond simply entering the grocery industry. Although some of these stores were only in the beta testing phase, the company’s ambition was to be the leader in the retail industry as a whole. Online retailing accounted for $360 billion, which represented just 9 per cent of sales made in the U.S. offline retail industry.[[57]](#endnote-57) Further, Amazon was better positioned than its competitors to blend its offline and online retailing channels, and the brand appealed to customers.[[58]](#endnote-58)

Amazon Go was also planning to launch stores in the United Kingdom after it completed beta testing in Seattle. The company filed trademark applications with the Intellectual Property Office of the United Kingdom in regards to Amazon Go-related trademarks, such as “No Lines. No Checkout. (No, Seriously.),” which were approved. Amazon Go presented a concern for U.K. supermarkets that were already facing competition from AmazonFresh.[[59]](#endnote-59)

Amazon’s evolution into same-day delivery services could give the company a competitive advantage due to its active transportation fleet. In addition to Amazon’s long-term relationships with United Parcel Service and FedEx Corporation, the company used Fresh trucks to deliver products faster than other retailers, which relied on third parties. Amazon was also able to offer the infrastructure it had built as a service to third parties, thereby making an additional profit.

Bezos had always focused on what the company could provide for its customers, and his goals had remained consistent over the past two decades: “Be cheap. Be fast. That’s how you win.”[[60]](#endnote-60) Amazon had three formats of grocery stores planned: Amazon Go, AmazonFresh, and a multi-format store where customers had the option of curbside pickup. Based on the results of its test locations for all three formats, the company planned on expanding to more than 2,000 other grocery stores.[[61]](#endnote-61)

**Amazon and Whole Foods Market**

In April 2017, a rumour arose that Amazon was exploring the acquisition of Whole Foods.[[62]](#endnote-62) On May 4, 2017, executives from Amazon and Whole Foods met in Austin, Texas, to sign further non-disclosure agreements and conduct additional due diligence.[[63]](#endnote-63) Four private equity firms, including Jana Partners (an activist investor that owned a 9 per cent stake in Whole Foods), also pushed the Amazon’s acquisition of Whole Foods.[[64]](#endnote-64)

Amazon’s prospective acquisition of Whole Foods might mean that customers could order Whole Foods items through AmazonFresh. Furthermore, by offering Whole Food items, the company could provide a better variety of products in its Amazon Go stores.

Analysts saw this potential acquisition as a response to Walmart’s acquisition of online retailer Jet.com in the previous year. In August 2016, the corporation finalized a $3.3 billion deal to buy Jet.com, which significantly augmented Walmart’s e-commerce operations.[[65]](#endnote-65) Walmart’s moves to strengthen its e-commerce and Amazon’s moves to strengthen its offline channels (with B&M stores) would dramatically change the supermarket and retail industries. For instance, other retailers were expected to respond to these giants’ moves by cutting their prices, offering discounted items, and sending out a barrage of mailers and coupons.[[66]](#endnote-66)

**What Next?**

Clearly, evolving into offline retail was crucial to Amazon’s next strategic phase. Could Amazon extend its success in the online marketplace in the offline retail industry? What strategic actions should Amazon employ to successfully expand into the offline retail industry? What should Bezos do to lead the company in this new business environment?

**EXHIBIT 1: CONSUMERS’ SEARCH PATTERNS FOR RETAIL SHOPPING**

**Where Consumers Begin Their Product Search**

**Where Consumers Begin Their Product Searches on Mobile Devices**

Source: BloomReach, “State of Amazon 2016,” accessed August 26, 2017, http://go.bloomreach.com/rs/243-XLW-551/images/state-of-amazon-2016-report.pdf.

**EXHIBIT 2: AMAZON FINANCIAL DATA, 2012–2016**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2016** | **2015** | **2014** | **2013** | **2012** |
| **Per Share Data (in US$)** |  |  |  |  |  |
| Cash Flow | 20.36 | 13.09 | 8.54 | 6.62 | 4.68 |
| Earnings | 4.99 | 1.27 | −0.52 | 0.59 | −0.09 |
| Book Value | 30.71 | 18.82 | 14.32 | 14.04 | 12.42 |
| **Income Statement Summary**  **(in US$ Millions)** |  |  |  |  |  |
| Revenue | 135,987 | 107,006 | 88,988 | 74,452 | 61,093 |
| Gross Profit | 54,122 | 40,255 | 29,836 | 22,771 | 16,985 |
| Total Operating Expense | 49,936 | 38,022 | 29,658 | 22,026 | 16,309 |
| Operating Income | 11,668 | 7,879 | 4,365 | 3,547 | 2,835 |
| Research and Development Expense | 16,085 | 12,540 | 9,275 | 6,565 | 4,564 |
| Interest Expense | 484 | 459 | 210 | 141 | 92 |
| Income before Taxes | 3,796 | 1,546 | −74 | 435 | 380 |
| Net Income | 2,371 | 596 | −241 | 274 | −39 |
| EBITDA | 12,302 | 8,514 | 4,924 | 3,998 | 2,539 |
| **Balance Sheet Summary (in US$ Millions)** |  |  |  |  |  |
| Cash | 25,981 | 19,808 | 17,416 | 12,447 | 11,448 |
| Current Assets | 45,781 | 36,474 | 31,327 | 24,625 | 21,296 |
| Fixed Assets | 37,621 | 29,042 | 23,178 | 15,534 | 11,259 |
| Total Assets | 83,402 | 65,444 | 54,505 | 40,159 | 32,555 |
| Current Liabilities | 43,816 | 33,899 | 28,089 | 22,908 | 19,002 |
| Non-Current Liabilities | 20,301 | 17,476 | 15,675 | 7,433 | 5,361 |
| Total Shareholder Funds and Liabilities | 83,402 | 64,747 | 54,505 | 40,159 | 32,555 |
| Long-Term Debt | 7,694 | 8,235 | 8,265 | 3,191 | 3,084 |
| Total Stockholders’ Equity | 2,223 | 1,858 | 1,334 | 745 | 643 |
| **Financials and Key Ratio Analysis** |  |  |  |  |  |
| Current Ratio | 1.05 | 1.05 | 1.12 | 1.07 | 1.12 |
| Net Asset Turnover | 3.44 | 3.47 | 3.37 | 4.33 | 4.51 |
| Gross Margin (%) | 39.8 | 37.62 | 33.53 | 30.59 | 27.8 |
| Return on Assets (%) | 2.84 | 0.92 | −0.44 | 0.68 | −0.12 |
| Return on Equity (%) | 12.30 | 4.45 | −2.24 | 2.81 | −0.48 |
| Solvency Ratio (Asset Ratio) (%) | 23.12 | 20.67 | 19.71 | 24.27 | 25.16 |
| Profit Margin | 2.86 | 1.47 | −0.13 | 0.68 | 0.89 |

Note: EBITDA = earnings before interest, taxes, depreciation, and amortization

Source: Amazon, *2016 Annual Report*, 17, 36–40, April 6, 2016, accessed May 1, 2016, http://phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-reportsannual.

**EXHIBIT 3: AMAZON FINANCIAL DATA BY BUSINESS SEGMENT, 2014–2016**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** | **2015** | **2014** |
| **Net Sales (in US$ Millions)** | | | |
| North America | 79,785 | 63,708 | 50,834 |
| International | 43,983 | 35,418 | 33,510 |
| Amazon Web Services (AWS) | 12,219 | 7,880 | 4,644 |
| Total Consolidated | 135,987 | 107,006 | 88,988 |
| **Year-Over-Year Sales Percentage Growth (%), Including the Effect of Foreign Exchange Rates (%)** | | | |
| North America | 25 | 25 | 23 |
| International | 24 | 6 | 12 |
| AWS | 55 | 70 | 49 |
| Total Consolidated | 27 | 20 | 20 |
| **Year-Over-Year Sales Percentage Growth, Excluding the Effect of Foreign Exchange Rates (%)** | | | |
| North America | 25 | 26 | 23 |
| International | 26 | 21 | 14 |
| AWS | 55 | 70 | 49 |
| Total Consolidated | 28 | 26 | 20 |
| **Net Sales Mix** |  |  |  |
| North America | 59 | 60 | 57 |
| International | 32 | 33 | 38 |
| AWS | 9 | 7 | 5 |
| Total Consolidated | 100 | 100 | 100 |
| **Operating Income (Loss in US$ Millions)** |  |  |  |
| North America | 2,361 | 1,425 | 360 |
| International | −1,238 | −699 | −640 |
| AWS | 3,108 | 1,507 | 458 |
| Total Consolidated | 4,186 | 2,233 | 178 |

Note: Financial years end December 31

Source: Amazon Inc., *2016 Annual Report*, 23, April 6, 2016, accessed May 1, 2016, http://phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-reportsannual.

**EXHIBIT 4: ONLINE RETAIL SALES IN THE UNITED STATES, 1998–2023 (IN US$ BILLIONS)**

Note: Data up to 2016 are derived from the U.S. Census Bureau. Forecasts are based on Statista and the digital commerce research firm eMarketer.

Source: Business Environment Profiles (US), “E-Commerce Sales,” IBISWorld, May 12, 2017, accessed May 28, 2017, http://clients1.ibisworld.com/reports/us/bed/default.aspx?entid=88088.

endnotes

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Amazon.com, Inc. or any of its employees. [↑](#endnote-ref-1)
2. All currency amounts are in US$ unless otherwise specified. [↑](#endnote-ref-2)
3. Eugene Kim, “Amazon Sinks on Revenue Miss,” *Business Insider*, February 2” 2017, accessed May 5, 2017, www.businessinsider.com/amazon-earnings-q4-2016-2017-2. [↑](#endnote-ref-3)
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12. Frank Catalano, “Amazon Books: 4 Months Later, the Retail Giant’s Bricks-and-Mortar Experiment Feels Like a Winner,” *GeekWire*, March 13, 2016, accessed May 7, 2017, https://www.geekwire.com/2016/amazon-books/. [↑](#endnote-ref-12)
13. Todd Bishop, “Amazon Soars to More Than 341K Employees—Adding More Than 110K People in a Single Year,” *GeekWire*, February 2, 2017, accessed May 7, 2017, https://www.geekwire.com/2017/amazon-soars-340k-employees-adding-110k-people-single-year/. [↑](#endnote-ref-13)
14. Amazon, *2016 Annual Report*, 4, 17, April 6, 2016, accessed May 1, 2016, http://phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-reportsannual. [↑](#endnote-ref-14)
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