Philip Dumaresq

Business Information Systems

Amazon 2015 report

May 19, 2016

**Table of Contents**

[Amazon mission statement: 3](#_Toc451459846)

[Types of Information Systems 4](#_Toc451459847)

[TPS 4](#_Toc451459848)

[ERP 4](#_Toc451459849)

[DSS 4](#_Toc451459850)

[SCM 4](#_Toc451459851)

[Porter’s Competitive Forces Analysis 4](#_Toc451459852)

[Threat of entrance of new competitors: 4](#_Toc451459853)

[Threat of substitute products or services: 5](#_Toc451459854)

[Rivalry among existing firms in the industry: 5](#_Toc451459855)

[Bargaining power of buyers: 5](#_Toc451459856)

[Bargaining power of suppliers: 5](#_Toc451459857)

[Porter’s Competitive Advantage Analysis 5](#_Toc451459858)

[Cost leadership: 5](#_Toc451459859)

[Differentiation: 6](#_Toc451459860)

[Innovation: 6](#_Toc451459861)

[Operational Effectiveness: 6](#_Toc451459862)

[Customer-orientation: 6](#_Toc451459863)

[Code of Ethics Analysis 6](#_Toc451459864)

[Business Intelligence 7](#_Toc451459865)

[E-Commerce Types 7](#_Toc451459866)

[Business to business: 7](#_Toc451459867)

[Business to Customer: 8](#_Toc451459868)

[Customer to Business: 8](#_Toc451459869)

[Customer to Customer: 8](#_Toc451459870)

[Ratio Analysis 8](#_Toc451459871)

[Quick/Acid test Ratio: 8](#_Toc451459872)

[Debt/Equity Ratio: 9](#_Toc451459873)

[P/E Ratio: 9](#_Toc451459874)

[Excel Charts 9](#_Toc451459875)

[Figure 1 Balance sheet 2012 Figure 2 Balance sheet 2013 10](#_Toc451459876)

[Figure 3 Balance sheet 2014 Figure 4 Balance sheet 2015 10](#_Toc451459877)

[Balance Sheet and Income Statement Analysis 10](#_Toc451459878)

# Amazon mission statement:

It’s our goal to be the Earth’s most customer-centric company, where customers can find and discover anything at Amazon.com.

Amazon’s mission statement is essentially to be the most customer-oriented company that they can be. They aim to be a company to fulfill customer expectations and achieve full customer satisfaction.

At Amazon’s website you can buy just about anything from books, to canned food, to sports car. Because of their wide variety of products, amazon is able maintain a dedicated customer base across all different target markets.

# Types of Information Systems

## TPS

A transaction processing system is a system that helps support data analysis from basic business transactions. This is used in their store every time a user makes a purchase. The purchase information is recorded and the stock in their databases is decreased whenever someone makes a purchase.

## ERP

An enterprise resource planning system is a system designed to allow companies to store and manage data from across all their business activities. ERPs are critical to Amazon because they are the databases Amazon uses to keep track of all of their data. Without the systems in place, Amazon would need people to manually do checks of all their warehouses and all their data would have to be kept physically.

## DSS

A decision support system is a system comprised of analytical tools available to help the decision making process among managers. Amazon uses these to help with marketing. What products do they aim at what customers? What products should they continue selling in what regions? These are important questions that Amazon needs to ask to continue saving money. It can use decision support systems to help answer these questions.

## SCM

A supply chain management system is system that helps manage the flow of resources between organizations. Supply chain management systems are used extensively through Amazon to keep track of their data flow among organizations to keep their business strategies intact. Businesses need to manage who knows what about their strategies and it’s the supply chain management systems that help keep track of this.

# Porter’s Competitive Forces Analysis

## Threat of entrance of new competitors:

This is how likely it is that other products or services are going to be created. For Amazon, this threat is relatively high. The cost of entering into a market is much lower online than it is in a physical store, so the threat of entrance of new competitors is high.

## Threat of substitute products or services:

This is how likely it is that new products or services are going to enter into the market and replace older ones. This threat is relatively low since a new company appearing the size of Amazon, covering all the services they offer is very low. Smaller companies could appear that cover certain other services, but someone new appearing and replacing all the services that Amazon provides is very low.

## Rivalry among existing firms in the industry:

This is how fierce the competition between existing companies is. All of the services Amazon offers has another service from someone else getting offered that is similar to what Amazon does. For Amazon Prime, Netflix is a competitor. For Amazon cloud, Microsoft Azure is a competitor. They have competitors for all of their services, so the rivalry is high.

## Bargaining power of buyers:

The bargaining power of buyers is how much influence the customers have over the companies and their prices. When there’s a lot of different replacement products and services, the bargaining power of buyers is very high. If people don’t like the price that one company is asking for a product or a service, people can simply go to another company and ask if they can sell it to them for cheaper.

## Bargaining power of suppliers:

The bargaining power of suppliers is how much a company is able to manipulate their prices, while maintaining their customers. The bargaining power of amazon is relatively low because with Amazon, there’s always other people who offer the same product or service, so they need to keep on top of all their pricing to avoid having people more off to user other companies’ services.

# Porter’s Competitive Advantage Analysis

## Cost leadership:

The price of supplying customers with the products or services that are produced at the lowest price possible. Since Amazon deals mostly with data and technology rather than physical products that they sell, there’s a lot of money saved in not needing to manufacture many products, all that they have is warehouses that suppliers store their products in while waiting to be delivered.

## Differentiation:

Differentiation is making yourself known as a company that has a focus on a particular product or service. Apple for example sticks with selling laptops, tablets and phones. They don’t really sell anything else, so they’re a high end personal device company. Amazon hasn’t really done this at all since they kind of sell everything.

## Innovation:

The ability to create new products or services, while improving those already on the market. Amazon is a master at this. They took the idea of online sites and created the biggest one in the world by making improvements to existing systems. So in a sense the entire company is an innovation. They’ve taken cloud services and streaming services and made them competitors to the biggest comparable services in the world, they do this by innovating old ideas and making something better out of them.

## Operational Effectiveness:

How to decrease the cost of everyday operation within a company. Deals with lowering costs of keeping systems up and running. Since Amazon offers the services that most companies need to operate, Amazon is able to use their own products, meaning that they can keep systems running at a much lower price than most companies are able to.

## Customer-orientation:

Customer orientation is simply how well do you satisfy all your customer desires. It makes them feel comfortable and like people really care about them. Amazon does this by making customers feel at home. Appeal to their sense of comfort and familiarity. Welcome them to the site when they come back to it if they have an account. Thank them for visiting, have positive, friendly messages, keep them happy. Have a well thought out site to keep them from getting frustrated trying to find their way around. These are all things Amazon does to increase their customer’s satisfaction.

# Code of Ethics Analysis

The purpose of a code of conduct is to make sure all customers know what is expected of them, so that they know how to act and so that when someone does step out of line, there’s a very objective set of rules that can be consulted so that those who broke them can be held accountable and people can’t claim ignorance. If you sign it, then you have to follow it, regardless of whether you know what’s in the code of conduct or not.

Amazon has tried to make it possible for all employees to feel comfortable while reporting instances of others breaking to code of conduct. They have a document of guidelines to follow while reporting misconduct. In the document it describes that you need to report it directly to the legal department and you should report it to a third party as well. They have protection in place for those who do make reports so that they won’t receive lash-back from other employees should they feel it was inappropriate for the reporting to have happened.

Should you attempt to bribe someone, while working with Amazon, you would be in violation of section VII. Bribery; Payments to Government Personnel of the Amazon code of conduct. Should you ever attempt to falsify data, you would be in violation of section VIII, Recordkeeping, Reporting and Financial Integrity.

# Business Intelligence

Big data: Sets of data so large that traditional forms of storing or analyzing cede data are inadequate.

Data Analytics:

# E-Commerce Types

## Business to business:

Comprises all transactions completed between two different companies. Such as a company that makes laptops, such as Lenovo, buying processors from Intel for their products. Amazon does a lot of business to business transactions. They sell their cloud services to Netflix so that Netflix doesn’t need to worry about their data’s physical location, Amazon takes care of it for them.

## Business to Customer:

Transactions in which an individual purchases a product or service from a business. Amazon sells their streaming service and cloud as well as unique Amazon products to regular consumers. The products that we buy from Amazon are business to consumer transactions.

## Customer to Business:

When a consumer provides value to a company, it’s a customer to business transaction. Such as if someone comes up with an idea for something a company should do to improve its service, then they can suggest that to the company. If the company takes their suggestion, it’s a business using something of a customer’s. Considering Amazon’s mission statement, Amazon is a company that does a lot of Customer to Business since they take suggestions from people using their products or services.

## Customer to Customer:

This type of interaction is between two customers. It usually involves two people, and not organizations, making a transaction between the two of them, such as the model eBay uses with online auctions. Amazon deals with customer to customer interactions a lot since people are able to set up their own stores on Amazon and sell their products. Although most of the stores on Amazon are set up by small businesses, anyone is able to do it.

# Ratio Analysis

## Quick/Acid test Ratio:

The quick ratio describes how well a company is able to pay off liabilities using their current assets. More generally, just how quickly a company can sell products.

To calculate the quick ratio, you calculate the current assets, subtract the cost of the inventories and divide it by the current liabilities of the company.

Current assets - inventories

Current liabilities

Amazon’s current quick ratio is 0.774. This means that the companies’ liquidity is low, which makes sense considering a lot of their assets comes in the form of information and intangible assets.

## Debt/Equity Ratio:

This ratio describes the amount of financial leverage a company has. It compares the companies’ total liabilities to it’s total equity.

Total liabilities

Total Assets – Total Liabilities

Amazon’s current debt/equity ratio is 3.89. This means that the total liabilities is greater than the shareholder’s equity, meaning that shareholders are using a lot of leverage in finances.

## P/E Ratio:

The price/earnings ratio is a ratio describing the relationship between the price of a share of the company to the earnings per share. It’s expressed as:

Market value per share

Earnings per share

Amazon’s current P/E ratio is 531, meaning that the amount that people earn per share is much smaller than the amount that the share costs. To the extreme that Amazon’s is, having a high P/E is generally seen as a bad thing, however Amazon is kind of an anomaly since people continue to invest knowing that in the long term, the things Amazon is doing is going to be worth their money.

# Excel Charts

### Figure 1 Balance sheet 2012 Figure 2 Balance sheet 2013

Figure 3 Balance sheet 2014 Figure 4 Balance sheet 2015

These graphs show the Assets, liabilities and equity of Amazon in the years 2012 to 2015. You can see by how many millions the companies’ assets increased over the course of those 4 years and how much larger the company became.

# Balance Sheet and Income Statement Analysis

The purpose of a balance sheet is to provide something that is quick and easy to consult that shows you the companies assets, liabilities and equity at a given period of time. An income statement is to show people where all of your income for a given year came from so that you can see where exactly you’re making your money from.

Over the course of the year, Amazon’s total assets increased by over a billion dollars. The company grew significantly within that year and it really show in how much the company is worth over the course of that year.

Amazon’s liabilities increased as well, but not as drastically as their assets did. As a company grows, no matter how many more assets they have, their liabilities will grow with the size of the company.

Between 2014 and 2015, Amazon’s net worth more than doubled 2015 was a really good year for Amazon looking at it objectively from net worth of the company.

Amazon’s earnings per share has increased from $0.59 to $1.25, so Amazon has been doing much better in 2015 than they were in 2013 or 2014.