

## Securities investment analysis report---Amazon company

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**Abstract:** This article analyze different aspects of Amazon company. Its content include introduction, fundamental analysis, company analysis and SWOT analysis. The author hopes that readers will have a fresh perspective on Amazon company after reading this paper.

### 1. The introduction of Amazon company

A successful company cannot be without a successful founder. Nowadays people are familiar with Amazon company. About twenty five years ago, JEFF BEZOS, who is the founder of Amazon, find it was more profitable to sell books online than in bookstores. Also, There was a wider range and wider variety of books for customers to choose online. He came up with an idea and named online bookstore as Amazon, home to the most diverse species of life on earth. Well begun is half done, BEZOS laid a good foundation for the development of Amazon in the future due to his tactical strategy and his foresight to the potential features of the web.

Let us look this amazing company closely: Amazon company established in 1994, it is an American network electronic commerce company. It was one of the first companies to start e-commerce online. These characteristics have assisted Amazon to promote its reputation around the world. At May 15<sup>th</sup>, 1997, Amazon went public. Code was AMZN, which is 18\$ a share. Now has spread to other product range is quite wide, has become the world's largest online retailer by commodity varieties and the world's second largest Internet companies. However, this is just a tip of iceberg of Amazon.

At present, it is common to see Amazon's products all around the world. Parents often employ Amazon's educational electrical devices to boost their children's study life. Teenagers prefer to buy one of the main products in Amazon- Kindle books (an electronic book) to have a more enjoyable reading. What's more, a subsidiary of amazon and other vendors to provide clients with millions of unique new renovation and second-hand goods, such as books, films and some electronic games. These phenomenons show that Amazon's product diversification.

### 2. Company analysis

#### 2.1 Main business and product information (application)

The most popular product generated by Amazon around the world is "Kindle book". It is a e-book reader. In our daily life, teenagers may find it is difficult and time-consuming to buy books in bookstores from time to time. And most books are too heavy to take, like "A Brief History of Time". Amazon's Kindle books can be applied to address this problem effectively. Today, it is common to see some young generations reading Kindle books on the buses or subways. This was Amazon's main business, which is managing as a online bookstore. But now, Amazon's main business has expanded from selling books online to selling electronics and consumer goods. However, Kindle books is still its main product.

## **2.2 company's competitive position**

### **2.2.1 Market position of the main products**

Kindle books' monopoly power in online book market is quite strong. Kindle books really have high market position because of its practical utility. Due to Kindle books' advantages, Amazon can have more and more investments to develop in new areas, like selling electronic devices. The other reason why Kindle books can have high market position is its innovation. There are many versions of the Kindle, mainly in the e-book and tablet categories. In addition, Amazon also offers a free Kindle application so that customers can easily buy a lot of books online on Kindle in the United States.

### **2.2.2 Company's main competitive advantages (Compare to Paperback books)**

There are many people who would like to ask: What's the difference between Kindle books and paperback books? How can Kindle books win the competition among online book selling? Kindle is an electronic e-book reader while a paperback is a book which is also known as softback and soft cover. For me, in my daily life, it is easy for me to carry a number of books with them in one, small thing. An e-book reader is essentially a mobile electronic device. I could download a great number of magazines and fictions instead of putting them on my shelves. Kindle came out late. The first version of the Kindle was released in 2007. The word Kindle refers to 'Kindling a fire'. The purpose of buying Kindle is mainly for flexibility. One can carry thousands of books in one device. We all know that paperbacks are much cheaper as compared to Kindle, so besides being portable, what are this e-book's other competitive advantages over the Paperback?

I can answer this question by my personal experience. I have once utilized Kindle to read novels. Firstly, its power savings are unquestionable. A Kindle can last up to half a day without charging, and it only uses very little power when the refresh is running. Secondly, unlike the screens on mobile phones and computers, the Kindle doesn't do any harm to the human eye, which is why my parents allowed me to use it. It's easy to read in the sun, while the normal LED screen is hard to read in the sun.

## **2.3 company ranking (compare to Walmart)**

### **2.3.1 market performance**

Since its establishment, Amazon has maintained its absolute advantage in online sales, while its weakness lies in offline sales. Fortunately, in recent years, Amazon has made continuous efforts to make up for the lack of offline. In particular, in 2017, Amazon acquired Whole Foods, the largest natural food retailer in the US, for 13.7 billion US dollars, and gained the chain of 456 stores of Whole Foods in the US, which caused a huge impact on its rival Walmart. However, Walmart's offline advantages are well known, and its stores are spread all over the world. Walmart has made full use of this advantage by setting up self-service pick-up points in stores and carrying out delivery services in American cities and towns. By the end of 2019, it is expected to have 3,100 stores offering pick-up services and increase the number of delivery locations to 1,600.

Given that the two companies are neck and neck, Amazon has so far been better at integrating. Whole Foods stores throughout the United States not only make up for Amazon's lack of offline channels, but also bring new online goods and services, especially fresh food delivery home, attracting a large number of original consumers. Many of these consumers have become new members of Amazon, fueling the growth of online shopping. In this case, Amazon promotes its overall business. Compared with this market performance, Walmart is inferior. Although it has both online and offline retail departments, it has not integrated and given full play to the integration advantages of "online and offline".

### **2.3.2 Economic scale of company**

Because of Amazon's good market performance, its economic scale spread and increase rapidly. As same as Walmart, Amazon also rely on a

large number of corporate acquisitions to expand the market quickly. The growth in economic size is not limited to the expansion of product markets. One of the most prominent features in Amazon's development is this company closely focusing on the expansion and extension of related cultural industries, whether from the start of books, audio and video products, or through participating in the presidential election, all reflect the business idea of promoting sales by culture.

Looking ahead, an analysis by Boston consulting group shows that online shopping by consumers will continue to expand in the future, with cross-border e-commerce retail sales expected to grow faster than domestic e-commerce sales, reaching 27 percent and 14 percent respectively by 2020. Some economists predict the economic scale of Amazon will increase in next few years due to its huge market value.

## **3. SWOT analysis of Amazon**

### **3.1 Strength**

A successful company needs to exhibit its powerful sides to customers. Amazon's positive internal factors play important roles in company's development. Most companies would like to make stronger brand names. Amazon has established itself as a strong brand throughout America, which contributes to assisting Amazon to offer huge selection of products for customers. This strength can be best seen in comparison with other companies. For example, Amazon had approximately 405 million products featured compared to just 16 million products on offer at Walmart which is a huge difference.

### **3.2 Weakness**

However, every company has its internal disadvantages. Amazon also has many weaknesses. In recent years, Amazon focus too much on diversification strategy, which means that it allowed its focus to waver from its core competence of retailing books online and allowed itself to venture into newer focus areas. Originally, we all knew that Amazon's online bookstore was very popular. While this might be a good strategy from the risk diversification perspective, Amazon has to be cognizant of losing its strategic advantage as it moves away from its core competence.

### **3.3 Opportunity**

External factors also relate to the development of a company. External market provides a lot of opportunities for Amazon. As a customer, I think the right to privacy and security is extremely important. By rolling out its online payment system, Amazon address these concerns. Therefore, more and more customers would like to believe it. Further, this would improve the company's margins as it lets it reap the advantages of using its own payment gateway.

### **3.4 Threat**

Markets are riddled with pitfalls, and every company faces threats from outside, such as competition and government regulations. One of the biggest threats to Amazon's success is it faces significant competition from local online retailers who are more agile and nimble when compared to its behemoth type of strategy. Because Amazon's aggressive pricing strategies, more and more lawsuits from other rivals and the obsessive focus on cost leadership that Amazon follows have become mainly two troubles for the company.

The key take away from this SWOT Analysis is that Amazon has to focus on profitability and not volumes alone if it has to be competitive in the future where volumes and market leadership are not alone to add value to its stock. There is a mind map below to show more specific analysis.

## References

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