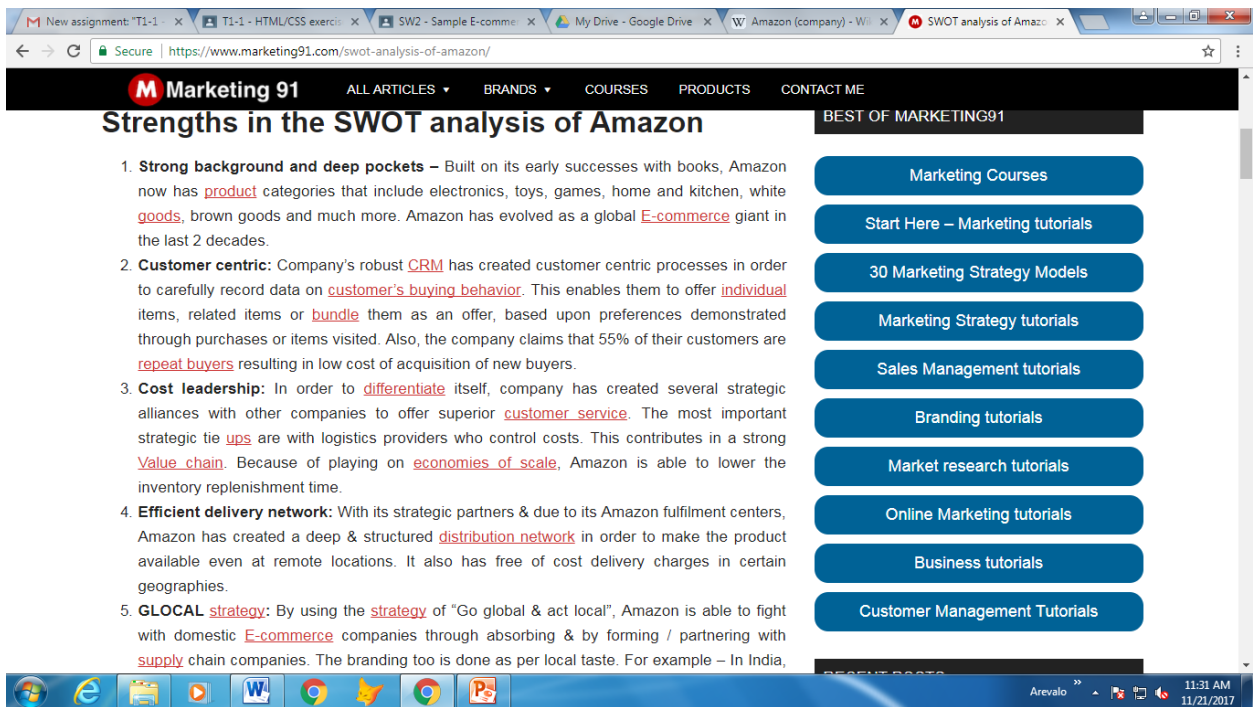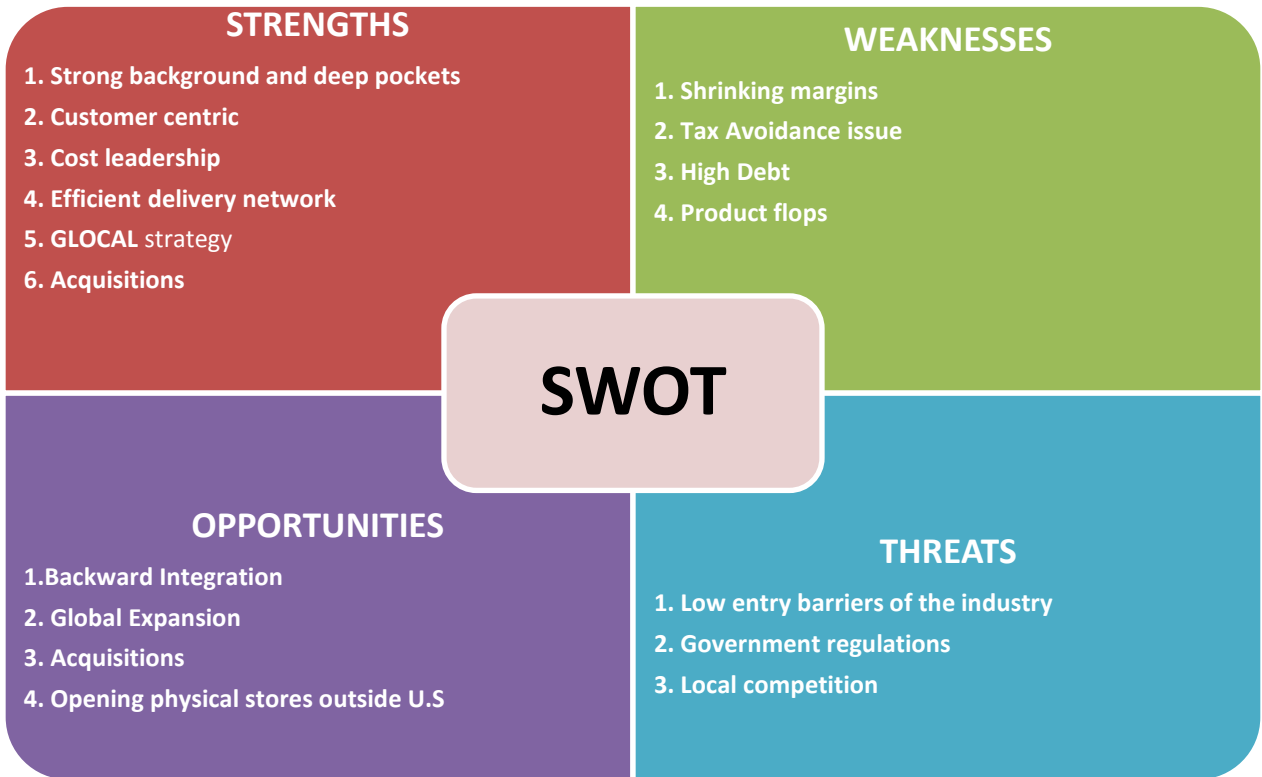# SW2 - Sample E-commerce Site

1. Name / Logo

2. Description (including products and services + e-commerce category)

Amazon is an American electronic commerce and cloud computing company based in Seattle, Washington that was founded by Jeff Bezos on July 5, 1994. The tech giant is the largest Internet retailer in the world measured by revenue and market capitalization, and second largest after Alibaba Group in terms of total sales.] The amazon.com website started as an online bookstore and later diversified to sell DVDs, Blu rays, CDs, video downloads/streaming, MP3downloads/streaming, audiobook downloads/streaming, software, video games, electronics, apparel, furniture, food, toys, and jewelry. The company also produces consumer electronics—Kindle e-readers, Fire tablets, Fire TV, and Echo—and is the world's largest provider of cloud infrastructure services (IaaS and PaaS). Amazon also sells certain low-end products like USB cables under its in-house brand Amazon Basics. It is a Business to consumer (B2C) category.

3. SWOT Analysis (you may use PESTLE for the external factors)

STRENGTHS
1. **Strong background and deep pockets**
2. **Customer centric**
3. **Cost leadership**
4. **Efficient delivery network**
5. **GLOCAL** strategy
6. **Acquisitions**

WEAKNESSES
1. **Shrinking margins**
2. **Tax Avoidance issue**
3. **High Debt**
4. **Product flops**

SWOT

OPPORTUNITIES
1. **Backward Integration**
2. **Global Expansion**
3. **Acquisitions**
4. **Opening physical stores outside U.S**

THREATS
1. **Low entry barriers of the industry**
2. **Government regulations**
3. **Local competition**

Strengths in the SWOT analysis of Amazon

1. **Strong background and deep pockets –** Built on its early successes with books, Amazon now has product categories that include electronics, toys, games, home and kitchen, white goods, brown goods and much more. Amazon has evolved as a global E-commerce giant in the last 2 decades.
2. **Customer centric:** Company's robust CRM has created customer centric processes in order to carefully record data on customer's buying behavior. This enables them to offer individual items, related items or bundle them as an offer, based upon preferences demonstrated through purchases or items visited. Also, the company claims that 55% of their customers are repeat buyers resulting in low cost of acquisition of new buyers.
3. **Cost leadership:** In order to differentiate itself, company has created several strategic alliances with other companies to offer superior customer service. The most important strategic tie ups are with logistics providers who control costs. This contributes in a strong Value chain. Because of playing on economies of scale, Amazon is able to lower the inventory replenishment time.
4. **Efficient delivery network:** With its strategic partners & due to its Amazon fulfilment centers, Amazon has created a deep & structured distribution network in order to make the product available even at remote locations. It also has free of cost delivery charges in certain geographies.
5. **GLOCAL** strategy**:** By using the strategy of "Go global & act local", Amazon is able to fight with domestic E-commerce companies through absorbing & by forming / partnering with supply chain companies. The branding too is done as per local taste. For example – In India, Amazon is currently using the "Aur Dikhao" campaign to encourage users to browse more of their products.
6. **Acquisitions:** Acquiring companies like Zappos.com, Junglee.com, IMBD.com, woot.com etc. has proven to be a successful and revenue generating step for the E commerce giant.

Weaknesses in the SWOT analysis of Amazon

1. **Shrinking margins:** Due to extensive delivery network & price wars Amazons margins are shrinking, which is resulting in even losses. In India, Amazon had a loss of $359 crs in the year 2013-14.
2. **Tax Avoidance issue:** Amazon has attracted negative publicity on account of Tax Avoidance in countries like U.S & UK. Most of its revenue is generated from these well established markets.
3. **High Debt:** In many developing nations Amazon is still struggling to make the business profitable thereby affecting the overall profitability of the group resulting into High debt.
4. **Product flops –** Amazon launched the fire phone in the US which was a big flop. At the same time, Kindle fire did not pick up as strongly as Kindle did. Thus, there were several product flops which caused a dent in Amazon's deep pockets.

Opportunities in the SWOT analysis of Amazon

1. **Backward Integration:** Amazon can come up with its In-house brands in different product categories. They can also differentiate their offering. This will help them make profits in highly competitive E-commerce market.
2. **Global Expansion:** Expansion mainly in Asian & developing economies will help Amazon because those are the markets with low competition in E-commerce industries & are not saturated like developed economies.

3. **Acquisitions:** By acquiring E-commerce companies it can decrease the competition level & also can use the specialized capacity of the other company.
4. **Opening physical stores outside U.S:** By doing this Amazon can help the customers to engage with the brand, resulting in increase in repeat purchases & increase in loyal customer base.

Threats in the SWOT analysis of Amazon

1. **Low entry barriers of the industry:** Low entry barriers affect the current player's business as more & more company means tough competition, price wars, shrinking margins & losses resulting into questioning the sustainability of the players.
2. **Government regulations:** Not having clarity on the issues related to FDI in multi brand retail, has been a big hurdle in the success of the E-commerce players in many developing nations.
3. **Local competition –** India has snapdeal and Flipkart who are local E commerce retailers and are taking away majority of the market. Similarly, there are many local players who take bites from the market share thereby making it hard for a big player like Amazon to make profits.

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