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# Amazon: David Becomes Goliath

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Amazon: David Becomes Goliath

Donald K. Wiggington

Murray State University

## Abstract

From humble beginnings, Amazon.com and its founder Jeff Bezos have grown to become one of the most successful companies and individuals. This paper will explain how Amazon came to be, what has made them so successful, and where they are possibly going from here. This paper will also look at six competitors of Amazon and their strengths and weaknesses in the current business world. Finally, I will share some of my personal recommendations for the company and the lessons I have learned while studying this topic. The information in this paper has been retrieved from various sources and mostly includes quotes of people that helped build this organization and also professionally prepared SWOT analysis from professional in the business analysis field.

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“Therefore David ran, and stood upon the Philistine, and took his sword, and drew it out of the sheath thereof, and slew him, and cut off his head therewith, And when the Philistines saw their champion was dead, they fled (I Samuel 17:51).”

### Introduction

In the Christian Bible there is an account of how a young shepherd boy saw the impossible to be possible when he stood before a giant. This young boy slew the giant and through many years of hardship and pain many people, cultures, and religions recognize him simply as King David. In the American culture we love an underdog. We love to root for the little guys and girls and see them do things we never thought possible. This is in fact true of the 5’8” quirky man that had a vision and enough courage to never compromise, never give up, and to hold on and believe in what he saw. This young man saw the giants of the day like, Barnes & Noble, eBay, and even a bit later Walmart, and he had the vision to see all three of these companies begin to quake at the sound of his boisterous laugh. Much like little David working humbly in his fields Jeff Bezos began his work in his garage. One day the garage was too small and Bezos was ready to put up a fight against some of these giants. One by one the battles over sales brewed on and so did the vigor of Bezos as these companies tried to purchase and road block this pesky little start up. To make a long story short, Bezos now sits upon the throne of retail. He has brought the Amazonians through a time of borderline bankruptcy to being the second company in the U.S. to reach a \$1,000,000,000,000 (\$1 trillion) valuation. In this paper we will delve into the journey of Bezos and Amazon and just how that David became Goliath.

### Amazon.com, Inc. History and Background

Jeff Bezos grew up moving all around the country. His father began his career as an engineer for Exxon. Bezos received his early education from a school for gifted children in the

Houston area. His teachers reported, "... the 12-year-old (who commuted 40 miles round-trip every day) as "friendly but serious," as well as "courtly," and "possessed of general intellectual excellence." Nevertheless, his elementary school teachers evaluated the young man as "not particularly gifted in leadership" (Spector, 2002, p. 4). As Bezos grew up there are two main influences that he credits for his outcome, his father Mike Bezos and his Grandfather Preston Gise. Of the two Bezos and his mother, Jackie, believe his time with his Grandfather most influenced this young boy. Jackie is reported to have said this about Bezos time with his grandfather, "the ranching experience taught her son the necessity of becoming self-sufficient when working with the land. "one of the things [Jeff] learned is that there really aren't any problems without solutions. Obstacles are only obstacles if you think they're obstacles. Otherwise, they're opportunities" (Spector, 2002, p.5). Bezos grew up and graduated as the Valedictorian of his high school. He attended Princeton University and, "He graduated summa cum laude in 1986 with a B.S.E. in electrical engineering and computer science, with a grade point average in his department of 4.2 out of 4.0..." (Spector, 2002, p.10). This young man was prepared for battle and ready to take on the world. The possibilities are endless for Bezos and his future is bright. He would go on to work for a company called Fitel. It was reported of him by one of the founders of the company that he was a, "capable and upbeat employee who worked tirelessly and at different times managed the firm's operations in London and Tokyo" (Stone, 2014, p.19). The same individual said, "When you gave him a good solid intellectual issue, he would just chew on it and get it done" (Stone, 2014, p.20). Later Bezos would find himself working for D. E. Shaw. "D. E. Shaw was also among the very first Wall Street firms to register its URL. Internet records show that Deshaw.com was claimed in 1992. Goldman Sachs took its domain in 1995, and Morgan Stanley a year after that" (Stone, 2014, p.24). Through Bezos time

at D. E. Shaw he would learn and love the potential he saw in the internet. This was the new frontier of unexplored cyber space. No one knew what the internet would become and everyone underestimated the potential the internet would hold and how that people everywhere would become so entangled and obsessed with the opportunities and offerings that the internet presented. It is at this company that Bezos would meet his wife, and discover the potential of the internet. Stone records, “Bezos interpolated from this that Web activity overall had gone up that year by a factor of roughly 2,300- a 230,000 percent increase. “Things just don’t grow that fast,” Bezos later said. “It’s highly unusual, and that started me thinking, What kind of business plan might make sense in the context of that growth?” (Bezos also liked to say in speeches during Amazon’s early years that it was the Web’s “2,300 percent” annual growth rate that jolted him out of complacency. Which makes for an interesting historical footnote: Amazon began with a math error)” (Stone, 2014, p.25).

In the short hours between Bezos leaving D. E. Shaw and beginning to work on his new brain child of a business, Bezos met with one of his friends from D. E. Shaw. While gathering with his friend, Jeff Holden, Bezos shared his idea for his new endeavor and also told him that he had decided on the name Cadabra.com. After a short time had passed and Bezos and his wife had headed out to Seattle. Their first lawyer, Todd Tarbert, told them that the name Cadabra.com sounded like they were saying Cadavie.com. Tarbert felt that people would hear the wrong thing and believe that it was a funeral home business. After this meeting Bezos and his wife began thinking again for a name and they decided on Relentless.com, but many people thought this idea was too aggressive and really didn’t convey what the company was all about. According to Brad Stone’s account of this time it is recorded that, “...he registered the URL in September 1994, and he kept it. Type *Relentless.com* into the Web today and it takes you to Amazon” (Stone, 2014, p.

31). Stone also records later how that Bezos exactly came to find the infamous name, “During that time, the name Cadabra lived on, serving as a temporary placeholder. But in late October of 1994, Bezos poured through the A section of the dictionary and had an epiphany when he reached the word *Amazon*. Earth’s largest river; Earth’s largest bookstore. He walked into the garage one morning and informed his colleagues of the company’s new name. He gave the impression that he didn’t care to hear anyone’s opinion on it, and he registered the new URL on November 1, 1994. “This is not only the largest river in the world, it’s many times larger than the next biggest river. It blows all other rivers away,” Bezos said” (Stone, 2014, p.35).

#### Amazon.com, Inc. through the years

Amazon would begin operations in the same place that Bezos did his childhood experiments and that was his garage. Many sources report that he operated on a bare bones budget and for desks he purchased a door and turned it into desks. This original door desk would later be sold for tens of thousands of dollars. The very first employee that Bezos hired is named Shel Kaphan. Kaphan thought that his time in Seattle would be quick and that his duties would be handled from afar and so he only brought half of his belongings with him when he came.

The company grew very quick and had to be moved out of the garage of Bezos. Bezos found an office space that was above another business and would also share the basement of that building as the warehouse for this young upstart. According to Stone, “In the spring of 1995, Bezos and Kaphan sent links to the beta website to a few dozen friends, family members, and former colleagues” (Stone, 2014, p.35). This initial viewing was reported as the following, “The site was bare, crammed with text and tuned to the rudimentary browsers and slowpoke Internet connections of the time. “One million titles, consistently low prices,” that first home page announced in blue underline text. Next to that was the amateurishly illustrated logo: a giant A set

against a marbled blue background with the image of a river snaking through the letter. The site seemed uninviting to literate people who had spent their lives happily browsing the shelves of bookstores and libraries. “I remember thinking that it was very improbable that people would ever want to do this,” says Susan Benson, whose husband, Eric, was a former colleague of Kaphan’s” (Stone, 2014 p.35-36). Amazon.com would eventually go public in 1997 with a \$18 per share price. According to the website Investopedia.com a \$100 investment on the day of the IPO would yield the investor approximately a 120,000% return which would equal about \$120,000. This is a growth rate that nobody could have ever predicted. When Bezos would prepare financial estimations for investors and loan companies he often prepared a sort of good, better, best projections. Bezos would prepare seemingly crazy numbers for the best category and even the great visionary could not see the potential that his company had within itself.

Amazon.com began as an online bookstore with the promise of more options for shopping than any bookstore could promise because they did not have to keep inventory until the customer ordered it and it arrived at the Amazon.com warehouse to be packaged and then shipped to the customer. Bezos focused on dominating the category of books, but once he saw how successful and promising that his idea was he began to pick and choose other categories that he could pick up and duplicate the process. Bezos then long term vision was to create the everything store. Bezos dreamed and imagined a day like we currently live in where you can do essentially everything you desire to do from one website. The example that Bezos gave was when he was kayaking with a friend that he wanted to create a store where you could not only buy kayaks, but could purchase books about kayaking, kayaking vacation packages, anything and everything to do with kayaks.

One idea that Bezos had early on was to create what would be known as Amazon Marketplace. This was the introduction to 3<sup>rd</sup> party sellers through Amazon.com. The main competition of this category was eBay. This idea was one of the first failures of Bezos. When the idea failed Bezos kept the idea alive but let it lay dormant for years. eBay would even offer to purchase this portion of Amazon from the company but Bezos believed so much in his idea that he waited several years later and reintroduced this idea and has become one of the most dominant forms of selling items online.

#### Amazon.com, Inc. Culture and Business Model

We will now look at the Amazon.com, Inc. culture by examining their mission and vision statements, their values, a Marketline SWOT analysis of Amazon.com, Inc., and take a look into some of the work days' employees have remembered as most memorable.

Amazon.com's mission statement can be summed up in a simple and short statement; Get big, Fast. Amazon's visions statement is as follows and can be found on their website (amazon.com) as; Our vision is to be Earth's most customer centric company; to build a place where people can come to find and discover anything they might want to buy online. For several years Amazon held certain values but never put pen to paper. It was 1998 when Bezos wrote down the values of Amazon.com, Inc. and this is what Brad Stone recorded in his writings, "Amazon's purchase of Telebuch in Germany and BookPages in the UK in 1998 gave Bezos an opportunity to articulate the company's core principles. Alison Allgor, a D. E. Shaw transplant who worked as he prepared for an introductory conference call with the Telebuch founders. They agreed on five core values and wrote them down on a whiteboard in a conference room: *customer obsession, frugality, bias for action, ownership, and high bar for talent.* Later Amazon would add a sixth value, innovation" (Stone, 2014, p.88).

Among the Amazonians they are all aware of Jeffism's. These are sayings from Jeff Bezos that can often be seen along the walls of the Amazon Headquarters. One Jeffism in particular is "Our culture is friendly and intense, but if push comes to shove we'll settle for intense." Amazon culture was very intense in the early days of the company. Employees were often over worked and understaffed. Some employees practically lived in the warehouse where they worked. The warehouse workers were rough cut people, but Bezos insisted on people being who they were as long as they got their work done. One employee pushed for more hours and Stone records this, "...Nicholas Lovejoy told Bezos he wanted to move from part-time to full-time. To his surprise, his former D. E. Shaw colleague didn't want to hire him full-time. Lovejoy had been working a modest thirty-five hours a week, playing ultimate Frisbess, kayaking, and hanging out with his girlfriend, and Bezos was imagining a different culture for Amazon, one where employees worked tirelessly for the sake of building a lasting company and increasing the value of their own ownership stakes. Lovejoy pleaded his case, arguing he was ready to sign up for sixty hours a week like everyone else, but he couldn't change Bezos's mind. Bezos even asked him to find a full-time employee to replace himself, which seemed particularly cruel" (Stone, 2014, p.43). To this day Amazon offers a "buyout day" Where the company will actually pay you a lump sum to leave the company with no questions asked. There are stipulation and the amount depends on how long you have been with the company. Amazon has always sought the best and the brightest and they even practice hiring people that will raise the bar or hiring people that will increase the overall average I.Q. of the company. This is recorded as being part of Amazon.com, Inc. hiring practice, "To reinforce the notion of the high hiring bar, he drew inspiration from nearby Microsoft. As part of its famed recruiting process, Microsoft designated what it referred to as an as-appropriate senior interviewer, who talked to the candidate

last and got to make the final judgment on the hire. Assigning an experienced executive to this role helped ensure that Microsoft maintained a consistent hiring standard. Bezos heard about the Microsoft program from Joel Spiegel and David Risher and then crafted Amazon's own version, which he called bar raisers" (Stone, 2014, p.88). This type of hiring requirement also adds a layer of protection for the candidate, in case of any potential bias from the other interviews. This allows for a more unbiased hiring process while also insuring that the new crop of employees is the very best and brightest at what they are being hired to do.

Amazon first is famous among the early days of the company. Poor working conditions for employees in their warehouses and even very high levels of tension among the upper staff levels, mostly due to Bezos, has caused in years past for Amazon to be considered a poor employer, but according to an article on SHRM written by Roy Maurer, Amazon is number two on LinkedIn's Top Companies of 2017. Amazon has also received a perfect score from the Human Rights Campaign Foundation. There are not many awards that Amazon has not won, but Amazon has become one of the most sought after employers.

Amazon's business model in the early years was "Get Big, Fast." In the current landscape of Amazon their business model is more defined as would be expected for one of the top companies in the U.S. In a case study prepared by Kaushik Raj Panta and Roshan Sharma they documented Amazon's business being modeled around three concepts,

- Best Prices: Amazon products are generally offered at a discount, a steep discount in the case of books.
- Unrivaled selection: Amazon often has the largest selection of goods in a particular category, especially books (outside S/H marketplace like Abebooks).

- Convenience: Amazon focus on the customer and try make purchasing an enjoyable experience,.. (Panta, 2017, p. 4).

### Amazon Case Study

Considering everything presented about Amazon.com, Inc. thus far we will now present a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis that was prepared by Marketline, which is a company that studies industry and has provided trusted analysis of industry leaders for over a decade. The Amazon.com, Inc. analysis is as follows,

#### COMPANY OVERVIEW

Amazon.com, Inc. (Amazon or 'the company') is a global online retailer. The company offers a range of merchandise, including books, apparel, electronics, home and garden tools, toys and baby games, sports and outdoor products, automotive and industrial products and other general merchandise products. It also provides services that includes web services, order fulfillment, publishing, advertising and co-branded credit cards services. Additionally, the company also manufactures and sells electronic devices, including Kindle e-readers, Fire tablets, Fire televisions (TVs) and Echo. It markets its products through website, [www.amazon.com](http://www.amazon.com). Amazon also operates through various international websites. The company has business presence across North America, Europe and Asia-Pacific. Amazon is headquartered in Seattle, Washington, the US. The company reported revenues of (US Dollars) US\$177,866 million for the fiscal year ended December 2017 (FY2017), an increase of 30.8% over FY2016. In FY2017, the company's operating margin was 2.3%, compared to an operating margin of 3.1% in FY2016. In FY2017, the company recorded a net margin of 1.7%, compared to a net margin of 1.7% in FY2016. The company reported revenues of US\$52,886.0 million for the second quarter ended June 2018, an increase of 3.6% over the previous quarter.

## KEY FACTS

Head Office	410 Terry Ave North Seattle, Washington Seattle, Washington USA
Phone	1 206 266 1000
Fax	1 302 636 5454
Web Address	<a href="http://www.amazon.com">www.amazon.com</a>
Revenue/ turnover (USD Mn)	177,866.0
Financial Year End	December
Employees	566,000
NASDAQ Ticker	AMZN

## ANALYSIS

Amazon.com, Inc. (Amazon) is one of the largest global online retailers. Strong distribution channel network enables the company to serve a large customer base. However, intense competition and seasonality could affect the revenue margins and future growth of the company.

<b>Strength</b>  Largest Online Retailer Revenue Growth Strong Distribution Channel Network	<b>Weakness</b>  Patent Infringement Issues Affect Stakeholder Confidence Declining Liquidity
<b>Opportunity</b>  Growing Demand for Cloud Computing Services Increase in Online Retail Sales in US Strategic Initiatives	<b>Threats</b>  Intense Competition Stringent Regulations Seasonality Changes

**Strength**

Largest Online Retailer

Amazon is one of the largest online retailers in the world. With revenues of US\$177,866 million in FY2017, Amazon is much bigger in size than its close competitors such as eBay (revenues of US\$9567 million in FY2017), and Barnes & Noble (revenues of US\$3894.6 million in FY2017). Amazon was ranked among top 100 of America's largest corporations by a business magazine in 2017. The company was ranked among the top five most valuable brands in the top 100 most valuable brands in the world 2017 list released by the same source. It was also featured among top 10 global brands in the top 500 global brands 2017 list released by an industry source specializing in brand valuation. The company offers products in various categories through its e-commerce website [www.amazon.com](http://www.amazon.com) in the US and through [www.amazon.com.au](http://www.amazon.com.au), [www.amazon.com.br](http://www.amazon.com.br), [www.amazon.cn](http://www.amazon.cn), [www.amazon.fr](http://www.amazon.fr), [www.amazon.de](http://www.amazon.de), [www.amazon.in](http://www.amazon.in), [www.amazon.it](http://www.amazon.it), [www.amazon.co.jp](http://www.amazon.co.jp), [www.amazon.nl](http://www.amazon.nl), [www.amazon.es](http://www.amazon.es), and [www.amazon.co.uk](http://www.amazon.co.uk) in international markets. The online format helps Amazon to rotate its inventory rapidly and reduce its inventory management cost and thereby offer merchandise at comparatively low prices. Further, the company's operating model enables it to turn its inventory quickly and have a cash generating operating cycle. The online retail format also enables Amazon to enhance customer satisfaction as it offers customers with a broader selection and greater access to information. Dominant market position in the online retail format enables Amazon to target a larger customer base.

#### Revenue Growth

Amazon recorded a robust revenue growth in the recent years ending FY2017. Robust revenue growth improves company's ability to allocate adequate funds and makes the company financially strong. In FY2017, the reported revenues of US\$1,77,866 million as compared to US\$1,35,987 million in FY2016, representing a growth of 30.8%. The increase is primarily due

to the healthy performance from each of its business segment during this period. For instance, the AWS segment of the company grew by 42.9% in FY2017 compared to previous year primarily due to increase the number of users of these services. Further, North America and International segments of the company also recorded growth of 33% and 23.4% respectively in FY2017. Growth in these segments attributed by growth in unit sales, increased sales from third-party sellers and also due to reduced price offerings. Thus, robust revenue growth of the company reflects the decision making of the company, which could be leveraged to fund growth plans in the future.

#### Strong Distribution Channel Network

Amazon has a strong distribution channel network that caters large number of customer. The company offers apparels and accessories, home appliances, foods and grocery items, health and beauty products, automotive and industrial equipment's, toys, electronics and gardening equipment's. Additionally, the company develops and produces media content as well as manufactures various electronic devices including fire TVs, echo devices, fire tablets and kindle e-readers. It primarily markets the electronics and media content to its centers operating in North America and other International markets and through agreements in certain countries. The company also delivers database, storage and other services to government agencies and academic institutions. Amazon is also involved in publishing and serves various authors and independent publishers to publish and display their books in its kindle stores by offering them 70% royalty option and also allows authors, musicians, filmmakers to publish and sell their content. The company sells its products through physical stores and its own retail websites. In addition, it enables various sellers and other third parties to offer their products through its e-commerce portal. Users can avail these services through mobile application compatible with both IOS and

Android devices. A strong distribution channel network helps the group in catering to the needs of its customer base.

### **Weakness**

#### Patent Infringement Issues Affect Stakeholder Confidence

The company is involved in various patent infringement cases. For instance, in October 2017, SRC Labs, LLC and Saint Regis Mohawk Tribe filed a complaint against Amazon Web Services, Inc., Amazon.com, Inc., and VADATA, Inc. in the US District Court for the Eastern District of Virginia. The complaint alleges, among other things, that certain AWS EC2 Instances infringe U.S. Patent Nos. 6,434,687, entitled “System and method for accelerating web site access and processing utilizing a computer system incorporating reconfigurable processors operating under a single operating system image”; 7,149,867, entitled “System and method of enhancing efficiency and utilization of memory bandwidth in reconfigurable hardware”; 7,225,324 and 7,620,800, both entitled “Multi-adaptive processing systems and techniques for enhancing parallelism and performance of computational functions”; and 9,153,311, entitled “System and method for retaining DRAM data when reprogramming reconfigurable devices with DRAM memory controllers.” The complaint seeks an unspecified amount of damages, enhanced damages, interest, and a compulsory on-going royalty. Patent infringement cases have affected Amazon's brand image in the past and may further harm its brand equity in the future.

#### Declining Liquidity

Amazon reported decline in liquidity in FY2017. It reported current ratio was 1 in FY2017.

Amazon's current ratio was lower than its competitors, eBay Inc and Best Buy Co, Inc. which reported a current ratio of 2.2 and 1.3 respectively in the same year. Declining ratios indicates that the company is in a weak financial position. The performance of the company depends

largely on the cash reserves and its ability to generate cash from operations. Increase in payables could hamper its operations.

## **Opportunity**

### Growing Demand for Cloud Computing Services

Cloud-based operations enable enterprises to scale their operations instantly, handle demand fluctuations, and access systems and services over a variety of devices at a lower cost. According to inhouse research, the global cloud computing market is expected to grow at a CAGR of 35.1% to reach US\$297.2 billion by 2020 from US\$66.0 billion in 2015. During the forecast period, public cloud is expected to attract the major share of investments from enterprises with a market share of 58.4%, followed by private cloud (27%) and hybrid cloud (14.6%). In terms of variants of cloud, Software-as-a-Service (SaaS) is projected to remain the most popular cloud computing solution among enterprises with 56.9% of the market share by 2020, followed by Infrastructure-as-a-Service (IaaS) and Platform-as-a-Service (PaaS) with 24.8% and 18.3% market share, respectively. North America is expected to account for 60.3% market share, followed by Europe (20.6%), Asia-Pacific (13.5%), Central and Latin America(4.2%), and the Middle East and Africa (1.4%) during the forecast period. The increase in spending on public cloud services is attributable to higher scalability, enhanced performance, and quick access to new technologies in discrete manufacturing, professional services, and banking industries. For 11 years, AWS has been the world's most comprehensive and broadly adopted cloud platform. It offers over 90 fully featured services for compute, storage, networking, database, analytics, application services, deployment, management, developer, mobile, IoT, AI, security, hybrid, and enterprise applications, from 42 Availability Zones (AZs) across 16 geographic regions in the US, Australia, Brazil, Canada, China, Germany, India, Ireland, Japan, Korea, Singapore, and the UK.

Amazon has been expanding its web services business significantly. Thus, the company can leverage the increasing demand for cloud computing services to expand its business further.

#### Increase in Online Retail Sales in US

The company stands to benefit from growing online retailing, which provides consumers the convenience of shopping from home. With the increase in interactive methods and limitless content, the retail ecommerce is growing at a faster rate. According to in-house report, the US online retail sector recorded growth of 15.5% in 2017 and is expected to reach a value of US\$447.4 billion by 2020, an increase of 50.3% since 2017. The US online retail sector generated total revenue of US\$297.8 billion in 2017, with an anticipated CAGR of 8.5% over 2017–2022, which will drive the sector to a value of \$447.4bn by the end of 2022. The online retail sector is heavily fragmented, with a number of large companies including Amazon. E-commerce sales in the third quarter of 2017 accounted for 9.1% of total sales. The use of smart phones, tablets and other internet enabled devices contributed to growing E-commerce market. The online retail sector's growth will continue to be strong during the forecast period, largely driven by supply; the largest multichannel retailers will focus on increasing their proportion of online sales, while Amazon, as the leading online retailer, will continue to heavily expand its operations.

#### Strategic initiatives

Amazon intends to strengthen its position. For that, the company has made a number of investments and acquisitions over the past few years. For instance, in April 2018, the company acquired Ring Inc, global home security company to reduce crime neighborhoods. As a result of the acquisition, Amazon would work with Ring to create products and services that brings gives more security communities to neighbors. The acquisition includes Ring Video Doorbell, Ring

Spotlight Cams, Ring Floodlight Cams and Ring Accessories. The products and services of Ring would be sale through Amazon and help the company to increase number of customers and sales. Again in the same month, the company announced plans to open its fourth Nevada facility of 80,000 sq. in North Las Vegas. It ships products including household items, books and toys. This initiative is expected to help the company to offer its products in a new state and expand its customer base. In February 2018, the company partnered with Bank of America Merrill Lynch for providing loans to merchants. This could help the company to expand its lending program for small businesses that primarily sells on Amazon's websites. It also reduces the risk and also allows it to access capital which in turn allows the company to provide credit to more number of merchants. In January 2018, the company partnered with Bonitasoft, the largest open source provider of low-code business process management and digital transformation software. This allows various organizations to operate the software with AWS cloud technology. The company helps various organizations to create a low-code business process management and digital transformation software. Its new version 7.6 is designed to reduce the time needed to deploy the platform to just a few minutes via automatic provisioning. Such strategic initiatives are likely to help Ashland strengthen its business; thus helping it to compete with its peers and also help it to increase its future revenues.

### **Threat**

#### **Intense Competition**

Amazon operates in a highly competitive market. The company faces competition from different sectors around the world. The main competitive factors in its retail business include selection, price, and convenience, including fast and reliable fulfillment. The competitive factors for its seller and enterprise services include the quality, speed, and reliability of the company's services

and tools, as well as customers' ability and willingness to change business practices. The key competitors include online, offline, and multichannel retailers, publishers, vendors, distributors, manufacturers, and producers such as eBay, Wal-Mart, and Target. In the media segment, it competes with Apple (iTunes) and Google (Playstore). The company's Amazon CloudSearch competes with web search engines such as Google, whereas Amazon product Ads competes with comparison shopping websites. The company's AWS platform competes with global technology giants such as IBM's Bluemix, Google's cloud platform, and Microsoft's Azure platform in the public cloud services market. The company also competes with Best Buy, Dollar Tree, Wal-Mart, Sears, and Target in the electronics and general merchandise segment. Some of its major competitors have greater resources, strong heritage and customer base, greater brand recognition, and greater control over inputs important to its various businesses. These competitors can gain better terms from suppliers, adopt more aggressive pricing, pursue restrictive distribution agreements that restrict its access to supply, direct consumers to their own offerings, lock-in potential customers with restrictive terms, and spend more resources to technology, infrastructure, fulfillment, and marketing. Therefore, increased competition could affect the revenue growth and profitability of Amazon.

#### Stringent Regulations

Increasing intervention of the US Government may affect future prospects of the company. The company is subject to general business regulations and laws, as well as regulations and laws specifically governing the Internet, e-commerce, electronic devices, and other services. Any existing and future law related to taxation, privacy, data protection, pricing, content, copyrights, distribution, transportation, mobile communications, electronic device certification, electronic waste, energy consumption, environmental regulation, electronic contracts and other

communications, competition, consumer protection, employment, trade and protectionist measures, web services, the provision of online payment services, information reporting requirements could impact the growth of company. Unfavorable regulations and laws could diminish company's demand for its products and services and increase its cost of doing business.

#### Seasonality Changes

Changes in seasonality could affect Amazon's business operations. For reducing risk, the company stocks or restocks popular products in sufficient amounts to meet the customer demand. Seasonality changes could affect the financial and future growth of the company. Overstocking products is required to take inventory make down and incur commitment cost that could reduce profitability. The company may experience an increase in net shipping cost due to complimentary upgrades, split-shipments, and additional long-zone shipments necessary to ensure timely delivery for the holiday season. In the event, if large number of customers access the company's site within a short period of time, due to increased demand, the company may experience system interruptions that make its websites unavailable or prevent it from efficiently fulfilling orders. The interruption could reduce the volume of goods that the company sells and the demand for its products and services. Also, the company would not be able to adequately staff its fulfillment network and customer service centers during these peak periods.

Amazon.com, Inc. and Jeff Bezos have always bet big and for the most part have won even bigger. This SWOT analysis shows a current state of the company itself. Amazon is positioned as the number one online retailer. Amazon is also taking on many new endeavors and seems to be in a position to continue to grow and expand at its current rate, but also is showing signs of financial stress as can be seen be the issue of liquidity. For the financial year 2017

Amazon.com, Inc. grew over 30%. As mentioned above Amazon.com, Inc. has grown approximately 120,000% from its IPO. The true potential of dot-com companies is in a sense unlimited. This statement can be backed by the lack of need of physical inventory for the company to succeed. Amazon.com, Inc. holds many items in its warehouse that would be considered high velocity items, or items that sell very quickly. Another benefit that will be considered later is the 3<sup>rd</sup> party sellers. Typically, 3<sup>rd</sup> party sellers handle and store their own overstock which means Amazon.com, Inc. is able to make money without ever having to handle anything but money. In this digital age companies such as Amazon.com, Inc. can continue to grow and expand as long as entrepreneurs are willing to sell their items on Amazon.com, Inc.

#### Competitors Case Studies

This portion of the paper will focus on three successful competitors along with three companies that are struggling in this current landscape. The three successful competitors we will look at will be Walmart, eBay, and Apple. The three struggling competitors will be Toy's "R" Us, Sears, and J.C. Penney. The reason for choosing these companies is multifaceted, Walmart is the number one retailer, eBay has been at wits with Amazon almost as long as any company, and Apple is developing technology that is rivaled by few and Amazon is becoming a huge technology development company. Although Toy's "R" Us is closed now they were one of the first, if not the first, company to partner to sell their product on Amazon.com. Sears was chosen because in the days of the Sears and Roebuck Catalog they were the everything store of days gone by. J.C. Penney has been chosen because of Amazon's move into the fashion industry and these could be potential storefronts for Amazon in the event that the company goes out of business (Marketline, 2018b., p.1-9).

Walmart, Inc. Case Study

Walmart, Inc., according to their website, was founded by Mr. Sam Walton on July 2, 1962. Walmart is headquartered in Bentonville, AR. They have 11,718 stores worldwide with a reported revenue of \$500.34 billion USD. Walmart has approximately 2.3 million employees worldwide. Their current CEO is Doug McMillon. Walmart’s mission statement says “to save people money so they can live better” and their vision is “Be THE destination for customers to save money, no matter how they want to shop.” Once again I chose to use the SWOT analysis prepared by Marketline to provide a look into the current world and state of Walmart. The analysis is as follows,

<p>Strength</p> <ul style="list-style-type: none"> <li>Multi-channel Selling</li> <li>Customer-centric Business Operation</li> <li>Inventory Turnover Ratio</li> </ul>	<p>Weakness</p> <ul style="list-style-type: none"> <li>Declining Profit Margin</li> <li>Legal Issues</li> </ul>
<p>Opportunity</p> <ul style="list-style-type: none"> <li>Emphasis on E-commerce Market</li> <li>Remodeling Strategy</li> <li>Providing Value-added Services</li> </ul>	<p>Threat</p> <ul style="list-style-type: none"> <li>Foreign Exchange Risks</li> <li>Intense Competition</li> <li>Manpower Costs in the US</li> <li>Global Expansion Risks</li> </ul>

Above Table (Marketline, 2018c., p.4)

One very important difference in Amazon and Walmart is the fact that Walmart is dealing with Multi-channel or Omni-channel shoppers. These are individuals that are using Walmart.com and also shopping in one of the brick and mortar store fronts that Walmart has. According to a Walmart store manager Amazon.com raked in 80%+ of online holiday shopping and number two was Walmart.com with 4%. This is a staggering number especially since every year more and more shoppers are shopping online as it is easy and lower prices can often be offered online. This is because that there are many dollars saved not having to have an item shipped to a store and

pay for workers to unload that item, stock that item, return that item to its home when it is misplaced by customers, and finally there is a cashier that will have to be paid to check that item through the point of sale. This is not to mention the cost of the building, monthly bills, and supplies needed to receive, maintain, and merchandise that item. The advantage of Walmart is their ability to appeal to the Omni-shopper which are those that shop online and in store.

Walmart has many online services such as free two day shipping, online grocery pickup, pickup today, site to store, and they also have all the instore options for customers that cannot wait two days, two hours, or two minutes.

Walmart has been working on updating all their stores by making their electronic departments appear more like tech stores, their food areas feel more like farmer's markets or food markets, and by updating their in-store technology to be competitive and create a better shopping experience for their customers. Walmart has also updated their app to include aisle locations for items and also includes GPS location within the store to guide the customer to their items. Increased self-checkouts have been added so more associates can be available to help customers that are not up to date with technology and would prefer a more personal shopping experience.

#### Ebay Inc. Case Study

eBay Inc. was founded by Pierre Omidyar on September 3, 1995. eBay went public on September 24, 1998. According to the Marketline SWOT analysis for eBay, eBay currently has 14,100 employees and had a revenue in 2017 of \$9.567 billion USD. eBay is traded under the ticker EBAY. eBays mission statement is as follows, "to provide a global trading platform where practically anyone can trade practically anything." eBay's vision statement says, "to be the world's favorite destination for discovering great value and unique selection." Amazon and eBay

have been competing from their beginnings. One advantage that eBay has had from its inception is the that eBay simply facilitates the selling of merchandise that eBay never has to touch. One issue that Amazon faced in the beginning is that Amazon had to order books receive them, package, and then ship them. The advantage of eBay is that sellers manage their merchandise and then ship it to the buyer. eBay has also made some strategic acquisitions like Stubhub.com which are proving to not only to be a good investment but is aiding in the overall boosting of the company. eBay showed a 6.5% increase in revenue from 2016 to 2017. StubHub alone grew by 21% the same year. The SWOT analysis is as follows,

<p><b>Strength</b></p> <p>Presence on Online Marketplace Platforms                  Product Assortment                  Distinguished Programs                  Revenue Growth                  Innovative Technology</p>	<p><b>Weakness</b></p> <p>Declining Profitability                  Litigations and Lawsuits</p>
<p><b>Opportunity</b></p> <p>Acquisitions                  Agreements                  Positive Outlook for E-Retail Industry in the US</p>	<p><b>Threat</b></p> <p>Foreign Currency Risk                  Stringent Regulation                  Expansion by Competitor</p>

Above Table (Marketline, 2018e., p.4).

According to the Acquisitions portion of the SWOT analysis eBay has been purchasing companies in Canada, Japan, and India which not only provides these countries access to current sellers but will provide potentially millions of new buys and sellers for the current marketplaces to shop from and sell to. One positive for almost all companies mentioned is that the online retail market is climbing. According to the SWOT analysis of eBay, section Positive outlook for E-Retail Industry in the US, the following is reported; “The company stands to benefit from the

growing online retailing, which provides consumers the convenience of shopping from home.

With the increase in interactive methods and limitless content, retail e-commerce is growing at a rapid pace. According to the report published by the Census Bureau of the Department of Commerce in November 2017, the estimated retail e-commerce sales in the US for the third quarter of 2017 was US\$115.3 billion, which shows an increase of 3.6% over that in the second quarter of 2017. The retail e-commerce sales in the US for the third quarter of 2017 reportedly increased 15.5% over that in the third quarter of 2016. E-commerce sales in the third quarter of 2017 accounted for 9.1% of the total sales. The use of smart phones, tablets and other Internet enabled devices contributed to growth in E-commerce market” (Marketline, 2018e., p. 7).

One of the threats facing eBay and all other major companies in the modern world is the red tape of bureaucracy. eBay along with other major corporations are held to standards that mom and pop stores are not held to. eBay must abide by the laws of the land that their companies and subsidiaries are located in. This is also why that Amazon chose to be located in Seattle, because they could have the convenience of the major city, but avoid having to collect taxes from many of their customers since they had to collect sales tax from customers living in the state, Washington, that Amazon was also located. This is why Bezos did not stay in New York or move closer to Silicon Valley in California.

According to the above mentioned SWOT analysis eBay’s major competition is “Staples Inc., J.C. Penney Company, Inc., Target Corporation, Buy.com, Amazon.com, Inc. and Nextag.com” (Marketline, 2018e., p.8).

Apple Inc.

Apple Inc. is a publically traded company that was founded by Steve Jobs, Steve Wozniak, and Ronald Wayne, on April 1, 1976. The company is headquartered in Cupertino, California. There are about 500 retail locations and the company employees about 123,000 employees. Apple’s revenue for 2017 was \$229.234 billion USD. The current CEO of Apple is Tim Cook. The mission statement of Apple can be found on their website (apple.com) and is, “Apple designs Macs, the best personal computers in the world, along with OSX, iLife, iWork and professional software. Apple leads the digital music revolution with its iPod, and iTunes online store. Apple has reinvented the mobile phone with its revolutionary iPhone and AppStore, and is defining the future of mobile media and computing devices with iPad.” The following is the SWOT analysis for Apple Inc. as prepared by Marketline,

<p><b>Strength</b></p> <p>Formidable Competitive Advantages through Horizontal and Vertical Integration                  Strong Research and Development Capabilities                  Robust and Extensive Distribution Channels</p>	<p><b>Weakness</b></p> <p>High Dependence on iPhone and iPad Product Lines                  Legal Proceedings</p>
<p><b>Opportunity</b></p> <p>North American Smartphone Market                  Smart Wearable Devices Market Offers Robust Growth Opportunities                  Focus on Artificial Intelligence                  Apple Pay Provides Robust Growth Opportunity</p>	<p><b>Threat</b></p> <p>Premium Pricing Could Limit Growth in Emerging Markets                  Foreign Exchange Risks                  Competitive Pressures</p>

Above Table (Marketline, 2018a., p.4).

Apple released the new iPhone and Apple Watch Series 4 on September 21, 2018. The largest model the iPhone XS Max retails for around \$1,250.00 USD the new Apple Watch Series 4 44mm retails for around \$429.00 USD. Apple has recently increased the cost of their phones which caused some major backlash when the iPhone X came out and retailed for \$1,000 USD. People have become so dependent on these devices and operating systems that they might complain about the price but find ways to buy the phone and the service that they want. Apple has always focused on providing the customer with the very best, fastest, and most secure products they can. Steve Jobs when focusing on the customer is reported to have said, "'Well, let's say you can shave 10 seconds off of the boot time. Multiply that by five million users and that's 50 million seconds, every single day. Over a year, that's probably dozens of lifetimes. So if you make it boot ten seconds faster, you've saved a dozen lives. That's really worth it, don't you think" (Hertzfeld, 1983)? Amazon has worked in the technology field for several years and has competing devices such as the Kindle, Amazon Fire Stick, and Alexa. Apple has a long list of products but competes using iPad, Apple TV, and by having Siri available on almost every device they produce. Apple also has a unique universal feature throughout their entire line of products. If you have an iPhone, iPad, iPod, or an Apple watch the same layout and operational processes are used for all these devices. Size varies and functionality might vary but overall Apple has a universal backdrop for their devices that allow users to pick up new devices and be able to immediately know how to use them.

One major weakness this company faces is that the vast majority of their revenue comes from iPhone and iPad sales. According to the SWOT analysis 70% of Apples sales for 2017 came solely from iPhone and iPad sales. Another weakness is, "In December 2017, Apple faced a lawsuit, which alleges that the company did not disclose that there is a slowdown in its

software updates in older-model iPhones, which resulted in shortage of battery life” (Marketline, 2018a., p.6). This issue presented the company with a lot of negative press, but seems to an effective way to make sure customers are buying newer technology. Although this seems to be unethical the fall out will be seen in years to come as other technology companies are more than likely doing similar things, or build less superior products which is another way of insuring consumers purchase new technology as it is developed. One advantage that Apple does have over the competition is the projected growth of the wearable device market is projected to grow by over 23% from 2016-2023 according to the SWOT analysis. Projections for technology companies have been like projections for e-retail companies; they are often underestimated. One thing analysts cannot predict are fads and what some trend setter on social media is going to adopt or endorse causing sales to rise or fall. Also new regulations often hurt more than they help produce a more business friendly environment for these major companies and major employers.

#### Toys “R” Us, Inc. Case Study

From the time of laying out this paper and researching this company they have closed all their U.S. stores and have sold some of the stores in Canada to another company. Toy “R” Us officially closed its doors in the U.S. on June 29, 2018. The following is a SWOT analysis prepared by Marketline written before the company filed bankruptcy but was published after the company had closed its doors.

<p>Strength</p> <p>Multiple channels selling Wide geographic presence High liquidity position</p>	<p>Weakness</p> <p>Decline in revenue Lower inventory turnover ratio</p>
<p>Opportunity</p> <p>Customer loyalty programs Strategic partnership</p>	<p>Threat</p> <p>Rising labor costs in the US Intensified competition</p>

Growing e-commerce sales across the globe	Foreign exchange risks
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Above Table (Marketline, 2018d., p. 4).

According to this SWOT analysis Toys “R” Us has a better liquidity position than competitors like Target, Amazon, and Sears. The following is an explanation of what this means for the company, “TRU recorded an increase in its current ratio during the FY2017. In FY2017, the current ratio of the company was 1.2 as compared to 1.1 in FY2016. This was primarily due to increase in its total current assets from US\$3,288 million in FY2016 to US\$3,389 million in FY2017, an annual increase of 3.1% over the previous year, resulting from increase in the trade receivables from US\$225 million in FY2016 to US\$255 million in FY2017 with an annual increase of 13.3% over the FY2016. The company's current ratio was above its nearest competitors such as Target Corporation, Amazon.com Inc and Sears Holdings Corporation, which reported values of 0.9, 1.0 and 1.1 respectively during the FY2017. Higher liquidity position might put TRU at a advantage to gain any potential opportunities arising in the market” (Marketline, 2018d., p. 5). The opposite side of this argument is that Toys “R” Us is fighting an uphill battle, “TRU reported weak inventory turnover ratio during the FY2017. The decline in the turnover ratio and higher inventory turnover days signify that the company incurs high inventory carrying costs, which affect its operating performance. In FY2017, TRU reported inventory turnover ratio of 3.0 as compared to 3.3 in FY2016, it also reported lower inventory turnover ratio compared to its major competitors, Build-A-Bear Workshop Inc., GameStop Corp., Sears Holdings Corporation, Target Corporation and Amazon.com Inc. which reported values of 3.8, 4.9, 4.4, 5.8 and 6.9 during the FY2017. Lower inventory turnover than competitors indicates that the company takes more days to clear its inventory in comparison with its competitors. With the given turnover ratio, TRU takes 122 days to sale its inventory

compared to 96 days by Build-A-Bear Workshop Inc., 74 days by GameStop Corp., 83 days by Sears Holdings Corporation, 63 days by Target Corporation and 53 days by Amazon.com Inc” (Marketline, 2018d., p.6). It would be fair to say that Toys “R” Us has struggled for many years to keep pace with much of the competition and advancements in technology. In the earlier years of Amazon.com, Toys “R” Us and Amazon partnered together because the cost and failure of Toys “R” Us’ first website cost the company millions. Amazon.com also was struggling in the toy business losing tens of millions of dollars. The following is recorded of Amazon and Toys “R” Us working together through a hard time when each company needed the other. “Ironically, it was the industrywide overreach of 1999 that finally sent Amazon down the path of becoming a platform. Toys “R” Us, though it had taken a \$60 million investment from Softbank and the private equity firm Mobius Equity Partners to create the Internet subsidiary ToysRUs.com, stumbled badly during the 1999 holidays. The offline retailer suffered a raft of negative publicity from frequent outages of its website and late shipments of orders, which in some cases missed Christmas altogether. The company ended up paying a \$350,000 fine to the Federal Trade Commission for failing to fulfill its promises to customers, Amazon, meanwhile, had to write off \$39 million in the unsold toy inventory that Bezos has so fervently vowed he would personally drive to the local dump.

One night after the holidays, ToysRUs.com chief financial officer Jon Foster cold-called Bezos in his office, and the Amazon CEO picked up the phone. Foster suggested joining forces; the online retailer could provide the critical infrastructure, and the offline retailer would bring the product expertise and relationships with suppliers like Hasbro. Bezos suggested the Toys “R” Us execs meet with Harrison Miller, the category manager of the toy business. The companies held a preliminary meeting in Seattle, but at that point Amazon saw little reason to collaborate with a

key competitor.

The next spring, Miller and Amazon's operations team studied the problems of stocking and shipping toys and concluded that achieving profitability in the category would require sales of nearly \$1 billion. The biggest challenge was selecting and acquiring just the right selection of toys—precisely the kind of thing Toys “R” Us did well.

A few weeks later, Miller and Mark Britto, who ran Amazon's business-development group, met with ToysRUs.com executives in a tiny conference room at Chicago's O'Hare International Airport and began formal negotiations to combine their toy-selling efforts. “It was dawning on us how brutal it was to pick Barbies and Digimons, and it was dawning on them how expensive it would be to build a world-class e-commerce infrastructure,” Miller says.

It seemed like a perfect fit. Toys “R” Us was adept at choosing the right toys for each season and had the necessary clout with manufacturers to get favorable prices and sufficient supplies of the most popular toys. Amazon of course had the expertise to run an online retailing business and get products to customers on time. The negotiations were, as was often the case when Jeff Bezos was involved, long and, according to Jon Foster, “excruciating.” When both teams met for the first time, Bezos made a big show of keeping one chair open at the conference-room table, “for the customer,” he explained. Bezos was primarily focused on building comprehensive selection and wanted Toys “R” Us to commit to putting every available toy on the site. Toys “R” Us argued that this was impractical and expensive. Meanwhile, it wanted to be the exclusive seller of toys on Amazon.com, which Bezos felt was too constricting.

The companies were at loggerheads for months. To get the deal done, they met somewhere in the murky middle. Toys “R” Us agreed to sell the few hundred most popular toys, and Amazon reserved the right to complement the Toys “R” Us selection with less popular items.

Neither company got what it wanted, but for the moment, everyone was relieved. In August, the companies announced a ten year partnership, with Amazon getting a major source of desperately needed cash and some help with its balance-sheet problems. The companies agreed that Toys “R” Us inventory would be kept in Amazon’s distribution centers – the first step toward making the most expensive and complicated part of Amazon’s business a platform that other companies could use” (Stone, 2014, p. 107-109).

Sears Holdings Corporation Case Study

Sears Holdings Corporation is made up of two subsidiaries Kmart Holding Corporation (Kmart) and Sears, Roebuck and Co. (Sears Roebuck) in the U.S. which is headquartered in Hoffman Estates, Illinois. Sears, Roebuck and Company was started by Richard Warren Sears and Alvah Curtis Roebuck in 1886 and was incorporated in 1892. There are approximately 506 (Sears) locations that produce about \$13.8 billion USD. Sears Holdings Corporation had a revenue of \$25.146 billion USD for 2017. The holding company also employs approximately 178,000 people. Sears, Roebuck and Company had its last profitable year in 2010. The mission of Sears, Roebuck and Company can be found on (sears.com) and is, “to grow our business by providing quality products and services at great value when and where our customers want them, and by building positive, lasting relationships with our customers.” Their vision statement is as follows also, “To be the preferred and most trusted resource for the products and services that enhance home and family life.” The following is a SWOT analysis prepared by Marketline,

<p><b>Strength</b></p> <p>Focus on divesting non-core businesses                  Presence in value retail enables Sears Holdings to effectively cater to price conscious customer base                  Shift from a store network to a member-centric integrated retail model</p>	<p><b>Weakness</b></p> <p>Weak financial performance</p>
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<p><b>Opportunity</b></p> <p>Strong performance of footwear and cosmetics markets in the US                  Focus on internet and mobile commerce will facilitate higher revenues from the channels                  Home improvement market provides an opportunity to increase sales</p>	<p><b>Threat</b></p> <p>Intense competition                  Exposure to rising wages and high healthcare costs</p>

Above Table (Marketline, 2017, p.4).

Sears has been focusing on being able to pay the bills by selling assets and closing their least profitable stores. Sears has been considering selling their Kenmore brand but has held off and currently is selling their Kenmore products on the last hope they seem to have and that is Amazon.com. In January of 2018 Sears sold their famous Craftsman brand to Stanley, Black and Decker for \$900 million USD. The new purchase will be showcased in Lowes and is projected to be available in the second half of 2018.

Sears has the name and recognition that every working American has known, but for all their glory days and for all their days as king of retail they find themselves in a current spot that no company wants to find themselves in and that is the prospect of filing for bankruptcy. The following is the explanation for the weakness category of the SWOT analysis, “The company witnessed a decline in revenues and profits over a period of time. The revenues of Sears Holdings decreased at a compound annual growth rate (CAGR) of 17% from \$36,188 million in FY2014 to \$25,146 million in FY2016. The revenues decreased by 19.4% in FY2016 compared to FY2015. Decline in revenues was mainly due to the streamlining actions taken by the company in 2014 to focus on transformation into a member-centric retailer. The actions include

de-consolidation of Sears Canada (contributing \$2.1 billion of the decline in revenues) and separation of the Lands' End business (contributing \$222 million of the decline). The decline in revenues was also due to fewer Kmart and Sears full-line stores in operation, which accounted for \$1.5 billion of the decline, and lower domestic comparable store sales, which accounted for \$2 billion of the decline. The company also registered a significant decline in profitability in the recent years. The operating loss of Sears Holdings was \$1,000 million in FY2016, \$1,508 million in FY2015 and \$927 million in FY2014. Similarly, the net loss was \$1,129 million in FY2016, \$1,682 million in FY2015 and \$1,365 million in FY2014. Weak financial performance can affect, among many things, the company's flexibility to respond to the changing business and economic conditions. Furthermore, with intensifying competition, the financial performance of Sears Holdings is subject to additional negative impacts" (Marketline, 2017, p.6).

Sears Holdings has a hole to get itself out of. In the early 90's Sears lost its rank as the #1 retailer to Walmart, Inc. Since those days many competitors have entered and taken away market share. Marketline reported this about Sears Holdings competition, "Sears Holdings operates in a highly competitive industry. The competitive factors include price, product assortment and quality, service and convenience, including availability of retail-related services such as access to credit, product delivery, repair and installation. The company competes with department stores, discounters, home improvement stores, appliances and consumer electronics dealers, auto service providers, specialty retailers, wholesale clubs, online and catalog retailers, as well as many other retailers operating on a national, regional or local level in the US. Some of the company's competitors include WalMart, Target, Kohl's, J.C. Penney, Macy's, Best Buy, Amazon, The Home Depot and Lowe's Companies. Wal-Mart is a tough competitor as it aims for price leadership in many home entertainment categories. The Home Depot and Lowe's are the key

competitors in home appliance business. The performance of its competitors, as well as changes in their pricing policies, marketing activities, new store openings and other business strategies will have material adverse effect on Sears Holdings’ business, financial condition and results” (Marketline, 2017, p.7)

Sears simply stated has too much competition with lower prices and equal or better quality merchandise. This is where Sears should have pushed manufacturers to lower production costs, to have opened the market to make their private brands more accessible to the public, or simply have focused more on the online market in the early days of the internet.

J.C. Penney Company, Inc. Case Study

J.C. Penney was founded on April 14, 1902 by James Cash Penney and William Henry McManus. It’s headquarter is located in Plano, Texas. There are about 860 locations currently with about 98,000 employees. J.C. Penney produced a revenue of \$12.506 billion USD and is managed by a board of CEO’s. The mission of J.C. Penney Company can be found on their website and is as follows, “to help our customer find what she loves for less time, money and effort.” Their vision statement is as follows, “J.C. Penney is executing a strategic long range plan that consists of four integrated strategies aimed at building a deeper, more enduring relationship with our customers, increasing the engagement and retention of our associates, and delivering industry leading financial performance to our shareholders.” The following table is a SWOT analysis prepared by Marketline for J.C. Penney and Company,

Strength	Weakness
Focus on improving customer service to increase customer visits Omni-channel presence of the company Exclusive brands facilitate differentiation	High level of indebtedness

Opportunity	Threat
Increasing popularity of private brands Improving apparel retail market in the US Rising popularity of online shopping	Rising labor wages in the US Intense competition Risks related to sourcing merchandise from foreign countries

Above Table (Marketline, 2016, p.4).

One major issue that J.C. Penney faces is that they owe a huge amount of money.

Marketline's analysis says, "JC Penney faces significant level of indebtedness. At the end of FY2015, the company had a long-term debt of \$5,322 million. High level of indebtedness may limit the company's ability to obtain additional financing to fund additional projects, working capital requirements, capital expenditures, debt service, and other general corporate or other obligations. Furthermore, low returns from business could impact the financial position of the company with most of it going towards fulfilling debt obligations" (Marketline, 2016, p.6).

Many of the threats to Sears are the same threats J.C. Penney is facing. J.C. Penney on the other hand is considered an omni-channel retailer. They have also had a big push to increase customer satisfaction, which is key for any company to be successful, and also bringing in more desirable brands which in turn increases customer flow and revenue. The elephant in the room though is the same issue that is going to cause Sears to potentially go bankrupt before the end of the year and that is the debt issue of J.C. Penney. Penney's is not doing what Sears is doing and that is selling of parts of the company to keep the lights on, Penneys is focusing on making the company better to increase customer flow which in return will increase revenue for the company. Penney's could start selling and closing stores, but they seem to have fight left in them and only time will tell how this strategy plays out and how willing their lenders and shareholders will be to the company itself. Marketline also reported this about the revenue amongst some of Penney's closest competition, "JC Penney operates in the intensely competitive retail apparel industry. The

company competes with many local, regional and national retailers. It faces competition from department stores, discounters, home furnishing stores, specialty retailers, wholesale clubs, direct-to-consumer businesses, including those on the internet, and other forms of retail commerce. The company competes on the basis of price, quality, style, service, product mix, convenience and credit availability. Some of its key competitors include Kohl's Corporation, Macy's, Target Corporation and Wal-Mart Stores. Some of these companies have substantially larger resources, offer frequent promotions and reduce their selling prices. For instance, Kohl's Corporation recorded revenues of \$19,023 million in FY2015 and Macy's registered revenues of \$28,105 million during the same period. In comparison, JC Penney recorded revenues of \$12,257 million in FY2015. If JC Penney is unable to compete effectively with its peers, it could have an adverse effect on the company's revenues and market share" (Marketline, 2016, p.7). Jeff Bezos operated Amazon for a loss for many years until the public and investors seemingly their hope and could no longer see the vision of what Amazon had become. J.C. Penney can survive this time of debt and loss, but the faith of the people will have to be rallied behind them and consumers will have to shop and invest in this company. The criticism that Amazon faced was attacked head on and through time people began to remember why they had believed in Amazon and Jeff Bezos all along.

Another factor in how J.C. Penney will do in the coming months might be affected by the tariffs and seeming trade wars that are currently taking place on a global scale. Marketline reported in their SWOT analysis, "The company sources a substantial portion of its merchandise from foreign countries. As a result, JC Penney is subject to various risks related to importing merchandise from abroad and purchasing product made in foreign countries. These include potential disruptions in manufacturing, logistics and supply; changes in duties, tariffs, quotas and

voluntary export restrictions on imported merchandise; strikes and other events affecting delivery; consumer perceptions of the safety of imported merchandise; product compliance with laws and regulations of the destination country; and product liability claims from customers or penalties from government agencies relating to products that are recalled and defective.

The company's business may also be affected by changing labor, environmental and other laws in these countries; compliance with laws and regulations concerning ethical business practices, such as the US Foreign Corrupt Practices Act; and economic, political or other problems in foreign countries from where merchandise is imported. Factors such as trade restrictions, tariffs, currency exchange rates, labor conditions, transport capacity and costs, and problems in third party distribution and warehousing and other interruptions of the supply chain could affect the availability and the price of inventory. These risks and other factors relating to foreign trade could affect the company's sourcing operations, and could adversely impact its results of operations (Marketline, 2016, p.8).

#### Amazon Innovation and Endeavors

From the begging of this company Amazon has been innovators and trailblazers, by going where no man or woman has dared go before. When the world said you can not sell books online, Amazon was there selling books online, when people said you can not sell everything online, Amazon was there pushing to sell more and more for less. When reporters and analysts told Jeff Bezos he did not know how to run a company he showed them that he was in fact the only that had the vision and grit to make the future come to the present. In this portion of this paper we will look at three areas where Amazon has made big waves and those areas are technology, logistics, and retail.

Amazon has always focused on paving the way in everything they have done. In the

beginning Amazon pushed for the best and the brightest minds to come and program and code their new online company. As mentioned before Amazon focused on hiring people that would only increase the ability of the company and not simply hiring people in order to hire them. This culture is exactly what would lead to some great innovative products like the Kindle, Alexa, and the Fire Stick. The kindle was first released in the U.S. only on Amazon.com on November 19, 2007. This first launch sold out within hours and would not be available for almost half a year after the first release date do to a major lack of supply. The kindle would not change its original function and that is an innovative thought in and of itself since that technology typically always adapts to do more with less. Through the different generations of kindles Amazon made three major changes through the years, the first being that they developed a touch screen kindle called Kindle Touch. The second major update would be the backlit display that allows readers to be able to read in a dark or low lighting venue. The third major update is that the newest Kindle is waterproof. This allows readers the ability to read in the tub or by the pool worry free. In the decade of existence, the Kindle has come a long way from where it started. The original Kindle hit the market at a whopping \$399, but today the newest version Kindle can be purchased for less than \$200. Brad Stone records this about the original release of the Kindle, “On November 19, 2007, Jeff Bezos stepped onto a stage at the W Hotel in lower Manhattan to introduce the Kindle. He spoke to an audience of a hundred or so journalists and publishing executives, a relatively small crowd compared to the reverential throngs who gathered for the product rollouts of Apple. Wearing a blue sport coat and khakis, Bezos stated that Amazon’s new device was the successor to the five-hundred- and-fifty-year-old invention of blacksmith Johannes Gutenberg, the movable-type printing press. “Why are books the last bastion of analog?” Bezos asked that day. “The question is, can you improve upon something as highly evolved and as well suited to its

task as the book, and if so, how?" ... In retrospect, the first Kindle provided an exultant answer to Bezos's question. In many respects, it was superior to its analog predecessor, the physical book. It weighed ten ounces and could carry two hundred titles. The E Ink screen was easy on the eyes. Whispernet, the name Amazon gave to the Kindle's free 3G cellular network, allowed readers to painlessly download books in a flash. "I think the reason Kindle succeeded while others failed is that we were obsessive, not about trying to build the sexiest gadget in the world, but rather [about building] something that actually fulfilled what people wanted," says Russ Grandinetti, a faithful Jeff Bot who later joined the Kindle team" (Stone, 2014, p. 252-253).

Another technology that Amazon has developed for many years is Alexa. This product was released in late 2014 and has caused some major advancements in the way that we live today. In the early days of Alexa an individual could do simple inquiries; asking about the weather, making a grocery or to do list, and playing a song. Now Alexa can reorder items from Amazon for you or can pay some bills by simply asking Alexa to pay your water bill. The technology is quickly expanding as the potential for this product is almost infinite. Just like with shopping online Amazon had a lot of trial and error and also education to provide to consumers about the benefits of online shopping and now the benefits of simply telling Alexa you need more paper towels. The Alexa enabled products can be controlled simply by saying the chose command word which in most cases is "Alexa." For all the benefits there have been some draw back to the product in the last year or two. Consumers have reported their Alexa enabled devices randomly laughing or speaking. This can play into many conspiracy theories but in reality Alexa is simply responding to a word that is similar enough to Alexa that the device is activated and is responding to whatever it thinks the individual might be trying to say to it.

The last innovative technology that will be explored is the Amazon Fire devices. The

Kindle Fire is a line of tablets that were designed to compete with the Ipad and various other tablets on the market. The Amazon Fire Stick is a streaming device that is similar to the Roku stick and Google Chromecast. The prices of these three vary but all run under \$50 normally. The Amazon Fire Sticks are popular also because they are able to easily be “jail broke”, this is a tech jargon term describing an individual removing the restrictive programming codes off a device, and allows individuals to access downloaded blockbusters that have not been released out of theatres yet. These items are all ways that Amazon has changed the way that we as individuals live and conduct our lives now.

The next innovative area the Amazon has influenced is the shipping industry. One of the first things that Amazon focused on was having fulfillment centers that would insure on a massive scale that the orders were getting to the correct customer at the correct time. Amazon drafted another Walmart person, retired vice president of distribution, Jimmy Wright. Jimmy came to the company in 1998 and by 1999 he had planned the building and retrofitting of multiple fulfillment centers which would end up costing Amazon \$300 million USD. This is what author Brad Stone recorded of this, “He turned them into real-life versions of an M.C. Escher drawing, automating them to the rafters, with blinking lights, on aisles and shelves to guide human workers to the right products, and conveyor belts that ran into and out of massive machines, called Crisplants, that took products from the conveyors and scanned and sorted them into customer orders to be packaged and shipped” (Stone, 2014, p.73). Amazon also began looking into same-day delivery in the late 90’s. This is what Stone reports happened in the early days of this concept, “John Doerr says that “for many years we were on a journey to figure out if we could get to same-day delivery.” The quest sparked a \$60 million investment in Kozmo.com, which delivered everything, from snacks to video games, to a New York City customer’s

doorstep. (It went bust in 2001.) Bezos even wondered aloud whether Amazon could hire college students on every block in Manhattan and get them to store popular products in their apartments and deliver them on bicycles” (Stone, 2014, p.82). Now in certain areas of the country and for certain products you can have items delivered only hours after you order them. Amazon has also been using drones to deliver some items to customers and they have also been working on delivering groceries to your home. Bit by bit Amazon has been cutting out one of the last middle men in their pipeline and that is with delivery. From its beginning Amazon has depended on the United States Postal Service, United Parcel Service, and Federal Express. Amazon primarily used UPS and when their contract was up Amazon came at them fighting for better rates. This is what is recorded of the negotiations, “In 2002, Jeff Wilke led the first significant effort to use Amazon’s now impressive size to exact concessions from a major business partner: the United Parcel Service. That year, Amazon’s contract with UPS was up for renewal, and the package-delivery giant, embroiled in a separate standoff with the Teamsters Union, did not appear to be in the mood to grant more-favorable terms to the online upstart. Amazon wasn’t using Federal Express in any significant way at the time, and the primary alternative to UPS, the federally managed U.S. Postal Service, was not permitted to negotiate its rates. Amazon, it seemed, had no leverage.

But early that year, sensing an opportunity, Wilke approached Bruce Jones in Operations and asked him to begin cultivating FedEx. Over the course of six months, Jones and a team traveled frequently to FedEx’s headquarters in Memphis, integrating their systems and quietly ratcheting up the volume of packages. Amazon also increased its shipment injections with the U.S. Postal Service: company employees drove Amazon’s trucks to the post office and inserted packages directly into the flow of federal mail.

Wilke started his negotiations with UPS that summer in Louisville, ahead of a September 1 contract deadline. When UPS was predictably obstinate about deviating from its standard rate card, Wilke threatened to walk. UPS officials thought he was bluffing. Wilke called Jones in Seattle and said, “Bruce, turn them off.”

“In twelve hours, they went from millions of pieces [from Amazon] a day to a couple a day,” says Jones, who flew to Fernley to watch the fallout. The standoff lasted seventy-two hours and went unnoticed by customers and other outsiders. In Fernley, UPS representatives told Jones they knew Amazon couldn’t keep it up and predicted that FedEx would be overwhelmed. They were likely right. But before it came to that, UPS execs caved and gave Amazon discounted rates.

“Yes, we could have operated mostly without them,” Wilke says. “But it would have been very hard, very painful. They knew that. I didn’t want to leave them, I just wanted a fair price.” In the end, he got one, bringing home one of Amazon’s first bulk discounts and teaching the company an enduring lesson about the power of scale and the reality of Darwinian survival in the world of big business” (Stone, 2014, p. 180-181). It has also been reported by multiple sites that Amazon could start its own shipping service by the end of the year. So far this is only speculation and nothing official has been presented by Amazon, but the service would allow businesses that sell on Amazon to have Amazon come and pick up orders you had sold from your website on Amazon and then be handled by the Amazon fulfillment centers around the country. This service is proposed to be called Ship with Amazon (SWA), but appears to be in the development and testing phases still.

Amazon has also started moving into brick and mortar retail by purchasing Whole Foods and by opening their very own grocery store in Seattle, Washington called Amazon Go. In the

article, *Amazon and Whole Foods: Follow the Strategy (and the Money)*, author Michael A. Cusumano records this statistic, “Bezo’s interest in groceries goes back a decade, when he launched Amazon Fresh. Why? Volume. The annual grocery business in the U.S. alone was worth some \$1.3 trillion in 2016, with Walmart (which has 4,500 stores) having the largest market share at 18%. Amazon and Whole Foods together would have a market share of about 3.5%. Amazon has figured out how to sell perishable and non-perishable groceries via the Web. It is not clear the company has figured out how to do this at a profit. Amazon can learn from Whole Foods how to sell groceries to upscale customers, but this market is shrinking” (Cusumano, 2017, p.25). Cusumano also brings an interesting fact to light, “Nearly 44% of U.S. consumers go first to Amazon when they want to make a purchase. However, the vast majority of purchases we make (about 92%) still occur in brick-and- mortar stores, not over the Internet. The value of this acquisition will be in how effectively and broadly Amazon is able to utilize the new physical plat-form it is buying” (Cusumano, 2017 p.26). According to this article at the time Walmart’s portion of the U.S. grocery business was worth \$234 billion in sales, while Amazon and Whole Foods only accounted for \$45.5 billion. When the merger of Whole Foods and Amazon was still being hashed out, many people were worried that automation would replace workers as it had in the Amazon Go store. Dana Wilkie recorded this in her article about these two companies joining forces, “In July, an Amazon spokesperson told *SHRM Online* that “Amazon has no plans to use the technology it developed for Amazon Go to automate the jobs of cashiers at Whole Foods. No Job reductions are planned as a result of the deal” (Wilkie, 2018). Another researcher Jordan Valinsky with CNN Money wrote in an article, *5 ways Amazon has already changed Whole Foods*, about five ways Amazon has already changed Whole Foods and they are as follows; Price cuts, Online shopping and delivery, Prime exclusive deals, Hello Echo,

New ad campaign. In the price cut Valinsky spoke of how that Amazon lowered the prices of a variety of items up to 50%. Amazon has given Whole Foods the ability to compete and undersell the competition. Also mentioned in the article is how that Amazon and Whole Foods swapped private brands and now you can purchase Amazon items at Whole Foods and vice versa. One impressive step that Amazon has made in their Amazon Go store is there are no cashiers. A customer can simply walk in, get what they need, and walk out. There is a lot that happens in between those moments such as scales and cameras telling their automated system what has been picked up by a customer. Their camera system can track that specific item and follow that customer and item to see if they set that item down elsewhere in the store or if they leave the store with it. When an item is purchased the system will charge their Amazon account for the items purchased. In simpler terms though you walk in and walk out.

#### Amazon's Future

A major obstacle that Amazon faces is that they have spread their wings so wide that they stretch over many different industries. In fact, it is difficult to find an industry that Amazon is not involved in no matter if it is directly or indirectly. One question that sprinkles the news is, Is Amazon a monopoly? This question is answered in different ways depending on who you are speaking with or depending on who is writing the article you are reading. It is true that many of the services that Amazon offers is helping small businesses. One thing Amazon has done lately is they have formed Amazon Web Services (AWS). This has created one of if not the most profitable areas of Amazons business. One argument is that, "And Amazon should not operate as both a marketplace and a competitor within that marketplace. It's one thing, say, to run a big trucking company – but if you're allowed to own the highway itself, other truckers won't stand a chance" (Stoller, 2017, p.25). On the other hand, Nicolas Farhi in his article, A Good Partner for

Many, makes these statements on the benefits of Amazon being the way it is, “So how is Amazon already good for business? One of the biggest but least-obvious ways is that a vast number of businesses are Amazon customers. Just like consumers, businesses can buy their supplies cheaper, quicker, and more conveniently than ever. And businesses also buy \$4.5 billion worth of great-value cloud services from the AmazonWeb Services (AWS) division.

Amazon is also good news for small retailers. They excel at sourcing and curating product but are often horrible at marketing and shipping it. Amazon’s Marketplace and Fulfillment By Amazon offerings have made running a small e-commerce retailer a breeze.” (Farhi, 2018, p.33) Another view on this question is what Amazon is doing to existing businesses that cannot compete. Heidi Pozzo says this, “Even as it continues to eliminate local businesses, cities and states are clamoring to be selected as the site of Amazon’s second headquarters” (Pozzo, 2018, p.34). Hundreds of cities and several countries have submitted bids with a deadline date for a decision being December 31, 2018. The company has narrowed their search to 20 possible locations including; Atlanta, Georgia, Austin, Texas, Boston, Massachusetts, Chicago, Illinois, Columbus, Ohio, Dallas, Texas, Denver, Colorado, Indianapolis, Indiana, Los Angeles, California, Miami, Florida, Montgomery County, Maryland, Nashville, Tennessee, Newark, New Jersey, New York City, New York, Northern Virginia, Philadelphia, Pennsylvania, Pittsburgh, Pennsylvania, Raleigh, North Carolina, Toronto, Ontario, Washington, D.C. Along with this information there are projections for the building of a \$5 billion dollar campus along with the creation of about 50,000 jobs. This information along with the way they have settled on these locations can be found on Amazon’s website by searching HQ2. In an interview with Steve Bates from SHRM, Bates recorded this from an individual that has worked with the Amazon search teams, “Nick A. Egelanian, president of Annapolis, Md.-based real estate consulting firm

SiteWorks, has helped two communities with bids for the Amazon headquarters. He said that in his discussions with Amazon representatives, “We were told that access to talent was really their No. 1 criterion. They want access to creativity.” (Bates, 2018).

From the beginning Bezos has wanted to be the “Everything Store” but has also insisted that Amazon is not just a retailer. It could be said that where Walmart was the first one stop shop for retail Amazon is essentially the one stop shop for almost everything. Where retailers can sell you a computer to help run your business, Amazon can not only help you buy a computer to run your business they can help you build and manage a website, they will manage your inventory and shipping, and they will handle the financial collection and return process for you. Amazon charges fees for many of their services but they also make it so easy to run your business through Amazon that it would kill most businesses to try and use other sources for the same options.

Amazon must start focusing on becoming profitable. Although Amazon does have profitable areas in its business those profits are quickly consumed by the company. In an article written by Spencer Soper and Mark Bergen entitled *Amazon Has a Plan to Become Profitable. It's Called Advertising*, this is recorded, “Advertising is the most profitable business in the world,” says Jay Kahn, a partner at Light Street Capital, who notes that Chinese e-commerce giant Alibaba Group Holding Ltd. Gets more than half its revenue from ads. “For Amazon, advertising is going to be more profitable than its cloud business” (Soper, 2018).

Amazon and Jeff Bezos are seemingly undistinguishable. One without the other might not be all that impressive, but together the amount of hands in various cookie jars is truly amazing. Amazon’s most notable acquisitions are Audible, Zappos, and the most recent purchase of Whole Foods. Together these three companies cost about \$15.2 billion USD. These three companies launched Amazon into the electronic reading market, clothing markets, and brick and

mortar retail. On the other hand, there is Jeff Bezos that has invested in companies such as Google, before they were Google, Uber, Airbnb and many more. Bezos also acquired The Washington Post for \$250 million. Bezos also formed his own rocket company, Blue Origin, that has set their sights on commercial space travel.

Great investments and great acquisitions can build your base and help “Get Big Fast” but once again in the most recent quarterly report Amazon fell short on sales and profit and has caused their stock to drop almost 8% in after-hours trading. Amazon and Bezos is going to have to focus on profitability to retain the faith of investors in their vision in this turbulent time in the American economy.

Amazon has focused on online retail, but in the last ten years they have started wetting their feet in the world of brick and mortar retail. Walmart is going to be Amazon’s biggest competition in the retail arena but most retailers are hoping to see a boost in the economy this year and are also predicting that the holiday shopping season will be one of the best with unemployment at its lowest rate, and with companies raising their workers’ wages. This also will be the first shopping season without Toys “R” Us. It will be interesting to see where consumers choose to go in the absence of this retailer. This will be a telling year for retail that will be played out in the last couple of months of 2018. With a positive trend in the economy, more money in people’s pockets, and more people working, are these consumers going to shop online or will they choose brick and mortar retail.

Amazon is moving forward and upward every day. This little upstart that began in the garage of now the wealthiest man in the world has grown up and is dominating the business world. Just as the Israelites feared at the name of Goliath so do small companies, failing companies, and mom and pop shops fear when Amazon is mentioned. Just as David became king

and ruled the and conquered that world so too has Jeff Bezos slain giants and now sits upon the throne of retail. The battles were not easy and the days long and difficult, but Bezos believed in what he was doing and thus reigns King Bezos, all hail the King of business. The lingering question for Amazon and investors will be who will fill the shoes of Bezos when he leaves the company?

“So David slept with his fathers, and was buried in the city of David. And the days that David reigned over Israel were forty years: seven years reigned he in Hebron, and thirty and three years reigned he in Jerusalem. Then sat Solomon upon the throne of David...” (1 Kings 2:10-12a)

#### Recommendations

The recommendations that I would make to Amazon or Jeff Bezos would be three fold. The first thing I would do is purchase FedEx or bolster Amazons shipping units. Amazon has built the infrastructure for their fulfillment centers and also for their trucks, but the one part of the process that Amazon does not do is the delivering of their packages. In some small areas or cities Amazon does deliver through various means but what would be better than Amazon helping customers from beginning to end. Amazon has prided itself on its customer service but more often than not Amazon depends on outsiders to present their customers with their merchandise. If Amazon could cut out these other shipping companies or place the Amazon style on a company by purchasing it then Amazon would be able to go full circle with their customers and their needs. If Amazon purchased one of the shipping companies, it would definitely be the most expensive acquisition that Amazon would make to date. The purchase I would estimate would be somewhere over \$50 billion USD. This would also solidify Amazons position in the world of shipping. They would also be able to continue their research into same day delivery and

also the use of technology like drones, and even Amazon pickup locations that could be strategically placed around the country.

The next suggestion I would make is the move to brick and mortar locations. The biggest retail competition that Amazon faces is Walmart. Walmart is the largest retailer in the world, but it is the second largest online retailer. Amazon has more profitable endeavors, but I would suggest to Amazon to potentially purchase the empty Toys “R” Us stores and the soon to be empty Sears and Kmart stores. They could also purchase Target which would be estimated to be less than \$50 billion USD. This would support the tactics that Amazon has used in the past. Amazon has patiently waited for companies to get in trouble financially and then they appear with open arms ready to receive and rescue those in trouble.

The last suggestion that I would have for Amazon is to become consistently profitable. In such a massive company there will always be areas that perform poorly from time to time but Amazon has to for the sake of investors and future endeavors must start having some return on their investments. Amazon has operated on a suspended profit model for growth now. This has worked but if investors lose faith in the vision of Bezos then the Amazon balloon could deflate. This has been seen in recent days when Amazon showed poor earnings and lost approximately 8% of their stock price instantly. People have faith when the stock is growing but people get nervous when their money is seemingly benefiting others and not themselves.

#### Lessons Learned

When I started studying Amazon I had no idea of all the things that Amazon and Jeff Bezos were doing. I knew that Jeff Bezos was the wealthiest man in the world, but what a journey and a roller coaster Bezos has been on to get where that he is.

I learned that Amazon started from humble beginnings in Bezos garage. This included the infamous door desks, the laughter of Bezos, and the vision of a visionary. Bezos and Amazon taught me that just because others cannot see what you see does not mean that you should give up, but instead make people believe in the individual when they cannot see the vision. Many people were asked why they took a chance on Amazon and time and time again investors reported they believed in Bezos more than they did what Bezos was trying to do.

It amazed me that Amazon grew faster than anybody imagined or predicted. When Bezos would prepare prediction he would do a good, better, best model and the best predictions he made were not even close to what ended up coming to pass. In retrospect Bezos thought he was over estimating his business but even he severely underestimated what Amazon would do. Bezos also taught and believed that you could not be afraid of failing because he was going to make a lot of mistakes but he was going to make more lucrative decisions than mistakes.

I learned that one of Bezos biggest influences was Mr. Sam Walton and his book, *Made in America*. In fact Amazon's distribution centers were built by the same man that built Walmart's distribution centers and that to cut that Walmart connect would later be changed to fulfillment centers. Amazon swept so many Walmart workers away in their early days that Walmart sued Amazon for taking its people. Nothing ever came of the lawsuit but Amazon did slow down on poaching Walmart's workers. Just like Mr. Sam Bezos pushed and innovated the why we buy and sell things because he believed so much in the customer. Bezos would even leave an empty chair in their meetings to remind everyone that the customer was the most important member of Amazon.

I learned that Bezos endorsed and supported the LGBTQ community before it was the acceptable thing to do. Bezos has always pushed for the best and the brightest and the hardest

working to come and build Amazon. I learned that Bezos believed that the business was more important than family and encouraged his workers to stay and work and remember that their home and family would be there when the work was done.

I also learned that Amazon does not operate on a profit model. There was a lot of negative publicity from financial analysts that predicted the fall of Amazon. Amazon turned this into a funny moment when they created the term “*milliravi*” which is a term for a financial mistake over \$1 million and incorporates the last name of one of the analysts that was the most outspoken against Amazon. Amazon in response to these negative projections showed the world had their first profitable quarter ever. This in return showed the world that they could do it if they wanted to, but they are focused more on growing, expanding, and scaling their business for their shareholders.

I learned through all my research that Amazon is also considering partnering with other companies like Berkshire Hathaway, and others to purchase one of the few major healthcare organizations. Amazon is always looking for the next big thing and I have also learned that by the time the public knows about something Amazon is doing that Amazon is normally ready to execute their plan for the new endeavor.

I learned also that Amazon takes the time to make the right decision for their company and shareholders. Amazon is patient with weighing their options and they are willing to spend millions in order to be able to make the decision that will make them billions. Amazon is not afraid to strike when the moment presents itself and roll the dice that their people made the correct choice no matter what they are endeavoring to do. Hire the best people and you will make the best choices that will make the biggest returns on investment.

This has been an amazing and sometimes frustrating assignment, but I feel that I have also learned how to better manage my time, how to evaluate sources, and also how to outline an idea and see that outline turn in to a finished project.

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