Amazon SWOT Analysis

SWOT Analysis

SWOT analysis is a technique invented by Albert Humphrey in the early 60’s and it’s used by companies in order to identify why corporate planning failed till nowadays. It’s an acronym of the words Strengths, Weaknesses, Opportunities and Threats. Based on these four words, an organization tries to determine all the elements that will benefit it in order to use it in its own interest but also to highlight its weaknesses in order to deal with them. The second part of the SWOT analysis tries to collect all these elements that can be used as an opportunity for the future of the organization, but also define the possible threads that should avoid.

Amazon’s SWOT Analysis

· Strengths

The first element on a SWOT analysis focus on the strengths of the organization. Amazon is nowadays is the biggest online retailer of the world and is clearly betting its future on the steady growth in e-commerce. According data taken by Amazon’s financial reports and Digital commerce 360 Amazon has bigger rate of growth than the entire U.S. commerce market. That is accomplished by increasing its share market, at the expense of the rest companies. The respective growth rates are illustrated in the Figure 1

· Low cost structure

A low – cost structure has as a result on lower prices, wider variability of products which consequently leads to greater customer experience. Amazon as the rest online retailers has the advantage compared to physical retail outlets, of selling online their products which means that there is a lower cost on retail infrastructures. This reduction on the cost helps in order to keep prices of the products in lower levels.

· Synergies between Marketplace, Amazon Web Services and Prime

Amazon in order to increase costumer’s satisfaction involved in three key businesses

1. Marketplace
2. Amazon Web Services
3. Marketplace

All three of them support each other to allow Amazon to provide better shopping experience to their customers that otherwise it wouldn’t be feasible to.

Amazon Web Services (AWS) is a secure cloud services platform cloud started. Provide to users have access all the necessary databases, IT tools and remote storage infrastructure they want, in a low cost in order to build their own application. Amazon is an online retailer and have millions of customers in its site daily. That’s create the necessity of huge server capacity. All

the investments for those huge server infrastructure help AWS to grow but simultaneously provides two big benefits to Amazon. First, provides better speed on page load giving visitor great experience without delays. It has been studied that even a tiny slowdown of 100ms on page load costs them 1% on sales every year, (Liddle, 2008). Finally, it provides on Amazon seasonal capacity. For instance, on holidays and discounts periods the number of visitors is increased. On that periods the huge server capacity of AWS is used in order to satisfy seasonal demand.

Prime is a service of Amazon that gives customers access to livestreaming videos, free – shipping and other discounts to customers for $119 per year. It has been shown that Prime members buy more merchandise and spend more on shopping on annual basis, compared to non – Prime members. [2]

Despite the fact it is difficult to quantify the total revenue Amazon gets through these synergies, Jeff Bezos admits that synergies between AWS, Amazon's Marketplace and Prime provide to Amazon a great advantage compared to competitors.

· Largest merchandise selection

Amazon U.S. has the greatest variety of products worldwide. From data released on October 2017 Amazon had 606 million of products while for the same period its mayor competitor Walmart had 29 million products up for sale. That means that Walmart had only 4.9% of the products had for sale [3]. This huge difference on products may attract a potential buyer to visit Amazon's site.

· Huge number of third–party sellers

Amazon gives the opportunity to third party sellers offer their merchandise through Amazon's Marketplace. In many cases third party seller's product compete Amazon's but also provide an increasement on Amazon's merchandise that beneficial consequences on Amazon, buy attracting more potential buyers.

· Weaknesses

· Almost only an online presence

Amazon last few years start have physical presence stores at U.S. But in the rest of the world there is no physical presence of Amazon.

· Negative publicity

Multiple stories from unsatisfied workers came into light recent years. Amazon has been accused from their workers for bad environment conditions, like timed bathroom breaks and constant surveillance systems and low wages. That kind of negative publicity can harm the brand's image.

· Fake reviews and artificial buys

Intangibility is a factor that exists at online sales that grows customers' uncertainty of the

product or service they want to purchase. At Amazon's platform where more than a billion products it is very difficult for customers make a final decision. For this reason, at online sales potential buyers using the comments of previous customers as a tool in order to evaluate the quality of the product and if it fits correctly on their needs. According WSJ publication many sellers' use illegal tactics like fake reviews on their products and artificial buys in order to increase their products ranking and make it more attractive to customers [4].

· Opportunities

The questions companies should be asking are "What new technologies can help me grow my business and attain an advantage over my competitors?" and "Where are my competitors vulnerable?"

· Online payment system

Online payments are on the top of the lists for potential customers. Amazon by providing its own payment gateway has the opportunity to scale considerably as customers will be feeling more safe and protected but also Amazon would improve the company's margins.

· Release more branded products

Amazon has the opportunity to release more branded products or products under the umbrella of its own brand, instead of stocking and selling products from unknown third – parties sellers.

· Open more online stores in other countries

Amazon in terms of expanding should be add to its agenda emerging markets and open sites at these countries.

· Physical presence

According to Forbes, Amazon's revenue only form the physical stores, in the first six months of 2018 has been reported at $8.6 billion dollars, while the forecast till the end of the year is $18 billion [5]. If we consider the low number of physical stores there is an opportunity for Amazon to claim the available market share through their physical presence of their stores.

· Threats

· On line security

Online hacking it is a trend that came up as the online transactions rising. Identity thefts and hacking accounts creates uncertainty which may affect potential customer's choice. Amazon should take all the necessary precautions, in order to reassure their customers that their personal account and information will be safe.

· Lawsuits

Amazon it is commonly known for its restricted low pricing policy. Although competitors that can compete this tactic getting annoyed, so their try through lawsuits to create problems on

Amazon’s tactics.

· Regional low-cost online retailers

Companies like Amazon which have a global strategy. That may cause problem to those organizations especially when they have to face regional low-cost online retailers that have more flexible and to the needs of each market. So, organizations have to adopt their strategies to those market where the competition of regional online retailers is huge.aa

Amazon SWOT Analysis

Strengths:

- · Low cost structure
- · Synergies between Marketplace, Amazon Web Services and Prime
- · Largest merchandise selection
- · Huge number of third-party sellers

Weaknesses:

- · Almost only an online presence
- · Negative publicity
- · Fake reviews
- · Low margins

Opportunities:

- · Online payment system
- · Release more branded products
- · Open more online stores in other countries
- · Physical presence

Threats:

- · Online security
- · Lawsuits
- · Legislation against online tax avoidance
- · Regional low-cost online retailers
- · Other online efforts by major competitors

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