

Amazon.com Business Environment Analysis

GLOBAL BUSINESS CHALLENGES -BMMB7006D

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Executive Summary

This report analyses the business environment in which Amazon.com operates in, it analyses its current strategies and the impact of environmental factors.

Amazon.com is a Fortune500 company, it's ranked no. 5 on the list and had a revenue of USD 232, 887 million last year Amazon.com (Fortune 500, 2019). Amazon has 8 main types of products and services available. The company's main sources of revenue are from the marketplace, amazon web services – it's cloud computing platform and amazon prime memberships.

The company has been a huge success in recent years due to its innovations, and strategic acquisition of large businesses and brands, which has allowed it to grow exponentially in the past years. One of its biggest acquisitions this year was of Whole Foods which allowed Amazon to access offline retail business and to analyse buyer data. It also allowed them to succeed with their private label 365.

Amazon's main source of revenue has been its US market, it's total sales in the US amounted to USD 141,366 million in 2018 and its international sales amounted to USD 65,866 million in 2018. It made a revenue of USD 25,655 from its amazon web service – cloud computing platform. Overall the company saw 31% growth, with 33% in the U.S. market, 21% international sales and 47% in AWS. (Amazon annual report, 2018). Even though the company is currently overdependent on the U.S. market, it is expanding and growing its international sales.

The market in which Amazon operates in is highly competitive with almost zero barriers to entry but because of the size and brand recognition it has it is still market leader. International regulations however have made it hard on the company overall in international markets, but it remained on top by diversifying its product offerings.

There are a number of opportunities that Amazon can take advantage of. One being the increase in demand for cloud computing the company launched is quantum computing system along with its strategic partner, which allowed it to expand, without investing largely. Even though the company has an overdependence on the U.S. market the outlook

for online retail in the U.S. is good. The company is opening a new headquarter and expanding fast taking advantage of this opportunity. The country is also expanding into developing nations where demand for technological services and e-commerce is high, however these nations have more unstable business environments and stringent laws.

The growing problem of aging population and low productivity growth in developed nations is also one that is addressed in their report. Amazon mainly operates in developed countries with its headquarters being in the United States. Low productivity rates make amazon face problems with its growing competition from China and other developing countries. The problem of an aging population will have to make Amazon change its product offering, but the company can benefit from this by offering convenience to people who just don't have time or are unable to visit physical stores.

To continue on its current path, Amazon needs to keep expanding into markets abroad, and take advantages of demand in developing countries. It can rectify its problems with foreign exchange using hedging and reinvesting in those countries.

Table of Contents

Executive Summary	1
Table of Contents	3
1. Introduction	4
2. PESTLE Analysis	6
2.1 Political	6
2.2 Economical	7
2.3 Social	7
2.4 Technological	8
2.5 Environmental	8
2.6 Legal	9
3. Competitive Environment Analysis	9
3.1 Industry Environment Analysis: Porter's 5 Forces	9
3.2 Porter's Diamond Model	10
4. Competitor Analysis	11
5. SWOT and TOWS Analysis	13
5.1 Strengths	13
5.2 Weaknesses	14
5.3 Opportunities	15
5.4 Threats	17
6. The Effect of Ageing Populations and Low Productivity Growth in Advanced Economies	19
6.1 Effects of Aging Population	19
6.2 Effects of Low Productivity Growth	22
6.3 How Will This Affect Amazon.com	23
7. Conclusion	24
Bibliography	26

1. Introduction

Amazon was founded in 1994 by its founder Jeff Bezos, its humble beginning was as an online bookstore, the company barely made any money, or made losses during its earlier years. Amazon.com today is No.5 on the Fortune 500 list and has made a revenue of USD 232,887 million this year Amazon.com (Fortune 500, 2019). Today Amazon is market leader in many of the services that it provides. The company employees 647,500 people Amazon.com (Fortune 500, 2019) and has a market capital of USD 927 Billion Amazon.com, Inc. AMZN. (Yahoofinance, 2019).

The main categories of products offered by Amazon.com are as follows:

1. Amazon.com (e-commerce platform)
2. Amazon Web Services – provides on demand cloud computing platforms and APIs
3. Prime Video – video streaming service
4. Amazon Music – music streaming service
5. Fire Tablets
6. Fire TV
7. Echo and Alex – virtual assistant
8. Kindle E-readers and Books

What we do (aboutamazon.com, 2019)

The company prides itself on four principals:

- Customer obsession rather than competitor focus
- Passion for invention
- Commitment to operational excellence
- Long-term thinking

What we do (aboutamazon.com, 2019)

Vision Statement	To be the Earth's most customer - centric company, where customer can find and discover anything they might want to buy online.
Mission Statement	To strive to offer our customers the lowest possible price, the best available selection and the utmost convenience.
Goals	To move quickly to solidify and extend our current position while we begin to pursue the online commerce opportunities in other areas. We see substantial opportunity in the large markets we are targeting. This strategy is not without risk: it requires serious investment and crisp execution against established franchise leaders.

Table 1. Amazon.com's Vision, Mission Statement and Goals (Onyusheva and Seenalasataporn, 2018)

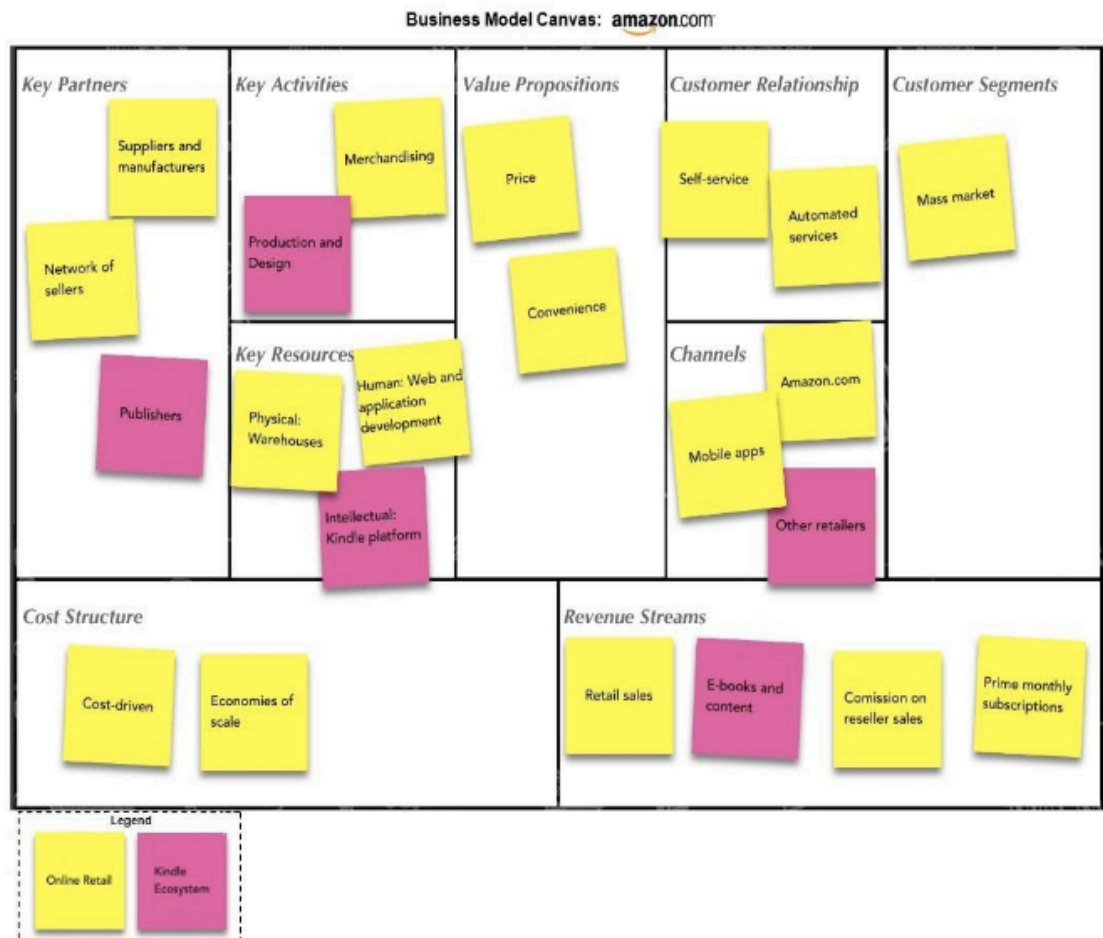


Figure 1. Amazon.com's Business Model Canvas (Onyusheva and Seenalasataporn, 2018)

2. PESTLE Analysis

Conducting a PESTLE analysis allows us to assess the external environment in which Amazon.com operates in.

2.1 Political

Political factors such as new legislation can affect businesses. Trump's new taxes on Chinese imports for example can affect Amazon's sales. Higher taxes on Chinese imports could mean consumer's buy less products and have lower disposable income.

In France the government is pushing towards an accelerated 4G network this would be beneficial for Amazon.com (Coraboeuf, 2018). With most governments enabling easier internet access, this allows Amazon to reach more customers.

Huddleston, T 2019, also mentions how Amazon paid USD 0 in federal taxes in the U.S. this year due to Tax Cuts and Jobs Act that congress passed in 2017. Last year Amazon searched for locations for its large second headquarters that had tax incentives. Finally, they opted to have locations in New York City and Virginia, but cancelled plans to open in New York city due to local opposition (Huddleston, 2019).

2.2 Economical

The current trend towards e-commerce is something that Amazon.com can benefit from. E-retail has rapidly grown by 23% since 2015 (Onyusheva and Seenalasataporn, 2018). Onyusheva and Seenalastaporn also mention that relative economic stability in most developed markets has led to Amazon's success. Increase in disposable income in developed nations has allowed Amazon to cash in on it. Currently amazon only operates in 17 nations and the majority of them are developed nations, however the company is also available in countries like India, Mexico and Turkey that are rapidly growing, and their large populations are hungry for tech goods and services.

2.3 Social

The internet is becoming more and more accessible to everyone around the world. Most people have access to mobile phone and the usage of internet through mobiles is also increasing this increases access to Amazon.com. Governments are facilitating increased access to the internet as well.

If you look at Amazon in India, we see that there is a large population that is eager to consume new technology, information and services, this provides Amazon with a great way to profit. Amazon is currently expanding and is available in a number of developing nations such as Mexico, India and Turkey.

If we look at developed markets, having more gender equality means more women work and households have more disposable income. This also means people have less leisure time and prefer to convenience of shopping online (Coraboeuf, 2018). Amazon's new PrimeNow service caters directly to this segment and allows busy people to do their grocery shopping online and receive it within a few hours.

2.4 Technology

As technology quickly becomes obsolete Amazon needs to consultancy innovate to be at the forefront of technology in order to be the market leader. For example, virtual customer service bots make customer service easier for companies, but also less personal.

Amazon has maintained its creativity and even though they failed with the launch of their version of a mobile phone, they have been very successful with Echo, Kindle and Fire products. They are constantly innovating and launching new products, which keeps them on top of the market.

2.5 Environment

People are now more concerned with the impact businesses have on the environment. Especially in the European market, the E.U. implements a number of restrictions on businesses to help the environment. Amazon has a concern of their packaging which sometimes seems wasteful, it's something they need to improve and work on. The company also faced backlash over its fast delivery which a number of NGOs highlighted as being harmful to the environment.

However, the company did announce this year that it would be starting three new renewable energy projects. The new facilities are believed to provide energy to Amazon Web Services' data centers. The company also signed The Climate Pledge, which asks signatories to have net zero carbon across their businesses by 2040 (Frangoul, 2019).

Amazon is also trying to reduce delivery costs by reducing energy spent on delivery. It invested USD 700 million in Rivian an electric car start-up that was announced in February 2019.

2.6 Legal

Amazon is affected by many laws governing each region they operate in. The company tackles the problem of counterfeit products being sold on e-commerce platforms with a strict no tolerance policy.

Data protection laws also affect the company with laws affecting how amazon uses consumer data and requiring Amazon to get permission from users before using their data. The EU's General Data Protection Regulations is an example of that. The E.U. conducted investigations and fines both Google and Facebook, this could be a future threat to Amazon. However, in a blog by Amazon Web Services, they announced that they happily welcome the new law and will comply.

3. Competitive Environment Analysis

3.1 Industry Environment Analysis: Porter's 5 Forces

Porter's 5 force theory allows us to analyze the competitive environment in which Amazon operates. It allows us to analyze the nature of the competition and the factors that influence it.

- Threat of New Entry – The online industry is easy for anyone to enter. There are millions of small websites that sell just about anything. However, in order for any of these to become large enough to be a threat to Amazon is hard. A large amount of capital is needed and existing large players such as Alibaba have well established brand loyalty.
- Threat of Substitute Products and Services – There are many substitutes products and services. All offline and online retailers can provide the same products as Amazon. However, since Amazon is already well established it can remain quite comfortable in its position as market leader at the moment (Sastry, Katvi and Tourani, 2019).
- Bargaining Power of Suppliers – Amazon works with a large number of suppliers however the bargaining power of suppliers is low. Amazon is an essential channel

for most suppliers to sell on and therefore they have relatively low bargaining power. There are hundreds of suppliers for each item on amazon which makes their bargaining power relatively low.

- Bargain Power of Buyers – It's very easy for buyers to check prices of products online and compare them. Using google you can compare prices of any product online and choose where to buy it from. Due to the ease of changing the provider the bargaining power of buyers is very high. Competition is fierce and customers have a wide variety of options readily available at their fingertips.
- Competitive Rivalry – There are many competitors in the market. Some of the well-established competitors have strong backgrounds in retail sales such as Walmart and Walmart is also very strong in the online retail sector.

3.2 Porter's Diamond Model

Using Porter's Diamond Model, we are able to analyse the competitive advantage a nation or large industry has against others. Using the Porter's Model, we can analyse why the United States has a competitive advantage for e-commerce businesses.

- Firm Strategy & Rivalry – The United States is Amazon's home market, and in the United States there is fierce competition in the e commerce industry. Two of the world's biggest rivals are from the U.S., Amazon and eBay are both international and both from the United States. Due to fierce domestic competition and also due to the easy of entry into the market Amazon constantly faces fierce competition. This drives all businesses in the industry to constantly upgrade their services, offer lower prices and be the best in order to maintain their market position. Due to fierce competition in the U.S. this has led U.S. based e-commerce giants to be some of the best in the world.
- Demand Conditions – As mentioned before Amazon's main source of income is from its U.S. market, similarly the majority of the markets that Amazon is currently available in are developed nations. Due to the sophisticated buyers using amazon, there is demand for advanced, quality and innovate products. This drives amazon to always innovate and provide customers with quality products. Due to

the nature of the demand it has also given rise to international competitors such as Alibaba.

Due to the demand from these buyers and high competition, Amazon also has to strive to give customers reliable and fast delivery. Customer after sales service is also key.

- **Related & Supporting Industry** – The United States has a lot of readily available skilled labour and most developed nations in which Amazon operates in has the same. This allows them to capitalize on this.

Technology is always advancing, and this allows Amazon to utilize systems such as fulfilment systems and customer care systems, that allow them to cater better to their target market.

Couriers are also faster and more reliable now, which helps Amazon do their fulfilment. Federal postal services are also very efficient which helps Amazon's fulfilment needs.

- **Factor (Input) Conditions** – There are skilled software developers that allow Amazon to enhance its offerings. Amazon has invested in doing a lot of research into its new products and skilled employees are key for this.

The government has played a key role in Porter's Diamond factors, they have allowed Amazon to access highly skilled workers, in the U.S. many expats that are highly talented are granted permission to work there. Better infrastructure in developed nations also allows Amazon to fulfil orders faster.

4. Competitor Analysis

Amazon's e-commerce platform's biggest competitors are; eBay, Walmart, Alibaba and Best Buy. Walmart is a retail that has locations in 27 different countries. In 2000, Walmart launches its own e-commerce website called Walmart.com. It has been able to support its online sales with the use of its physical store locations, allowing customers to buy online and pick up items at stores.

Alibaba is Amazon's Chinese competitor. Like Amazon.com Alibaba operates online and sells mostly goods manufactured in China but delivers worldwide. Alibaba.com itself

mainly focuses on wholesale trade of goods, but it's website AliExpress is designed to cater to direct consumers.

eBay is an e-commerce platform, but the main aim of it was to bring together buyers and sellers and auction products. Many secondhand goods are sold on this platform and there are also a lot of counterfeit products available.

In comparison to the other competitors, BestBuy is the one that is the least international. The company only caters to three markets: The United States, Canada and Mexico. However, they compete largely with Amazon on offering electronics at very competitive prices.

Amazon Web Services' largest competitors are Google, Microsoft and IBM. All of these competitors have been in industry longer than Amazon. But Amazon innovations have allowed it to compete with these giants, it partnered with a number of other companies in the industry that has a lot of knowledge and experience in the industry. Amazon's strong financial backing allowed it to do so.

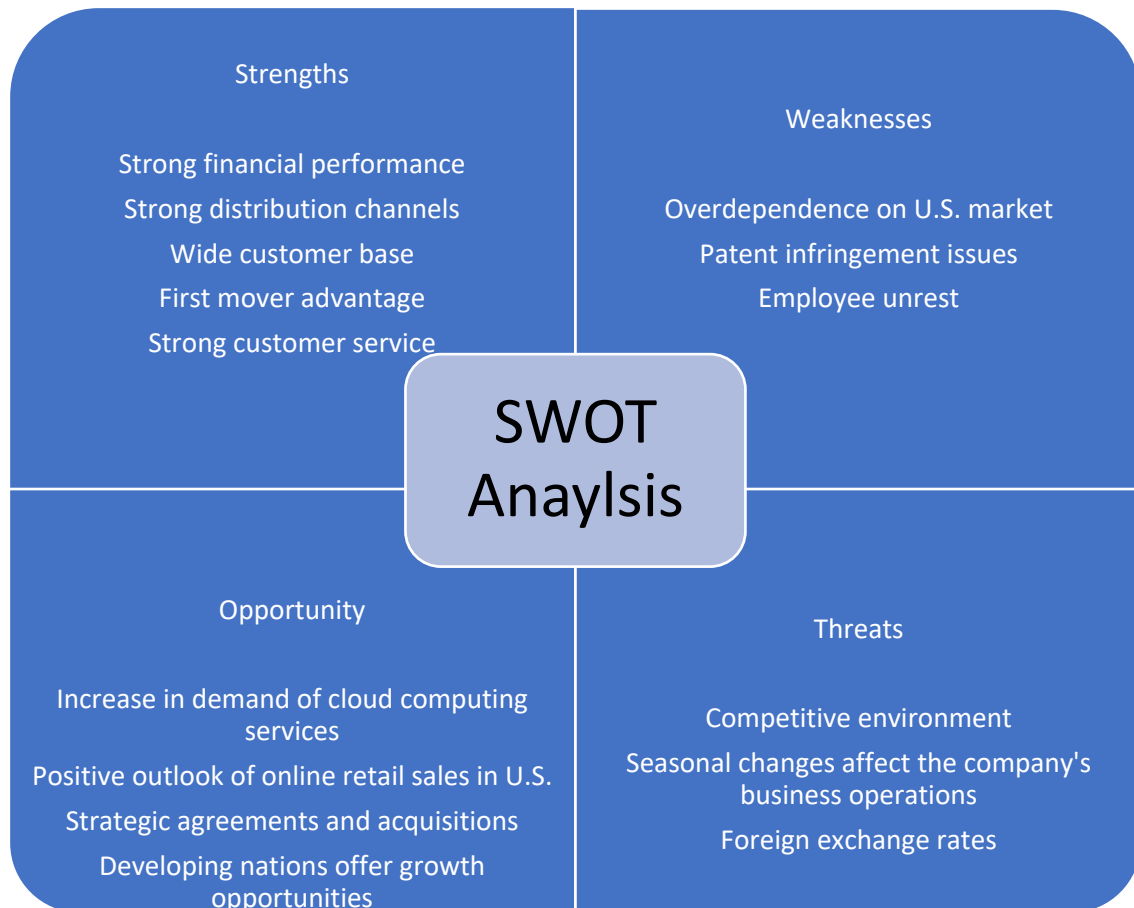


Figure 2 – SWOT Analysis

5. SWOT and TOWS Analysis

5.1 Strengths

- Strong Financial Performance

Market Line, 2019 mentions that Amazon reported a revenue of US \$232,887 million in FY2018 which was an annual growth of 30.9% when compared to its revenue of US \$177,866 million in FY2017. The report points out that the majority of its revenue was generated from its North American market. The North American segment accounts for 33.2% of its total revenue growth. The growth in revenue is said to be driven by its acquisition of Whole Foods and increase in third party sales. The international segment of Amazon also accounted for 21.3% of the growth in annual sales. The strong financial

performance of the company increases shareholder confidence and allows the company to reinvest in future growth initiatives.

- Strong Distribution Channel Network

The company has warehouses all over the world and efficient fulfillment and operation methods. Its amazon prime subscription service allows subscribers to receive an array of goods in just 1 day.

- Wide Customer Base

Even though the majority of Amazon's sales are based in the U.S. It has presence in over 17 markets worldwide. The customer base is also diversified, it serves consumers, sellers, developers and enterprises and content creators.

5.2 Weaknesses

- Overdependence on U.S. Market

In FY 2018, 68.8% (MarketLine, 2019) of its revenue was generated from the U.S. Having an over dependence on the U.S. market would mean that any significant changes the U.S. economy could adversely affect the performance of the company,

- Patent Infringement

In November 2018 Dynamic Data Technologies filed a patent infringement claim against Amazon, claiming Amazon infringement one of their patents and used video coding data owned by them. This creates insecurity amongst shareholders.

- Employee Unrest

Even though in 2018, Amazon increased its minimum wage for workers in the United States to USD 15 per hour (Salinas, 2018), it has faced many problems with employees

claiming they are being overworked. This is especially the case during the period of Black Friday, strikes happened in U.S. and European warehouses (Eidelson and Soper, 2019).

5.3 Opportunities

- Higher Demand for Cloud Computing Services

According to MarketLine, 2019's in house research the global cloud computing market is set to grow at a CAGR of 28.3%, it is believed to reach US\$ 69,929.6 million by 2022 from US\$18,687 in 2017. Amazon has opportunity to grow its web business and take advantage of this growth.

Amazon may have seemed to have been lagging behind, other big players in the industry such as Google, Microsoft and IBM, but in December 2019, Amazon launched its Quantum Computing Service. They partnered with IonQ, Rigetti and D cloud to provide its service 'Bracket' through the cloud (Koksal, I, 2019).

The new service can be used to build quantum algorithms and create basic applications. By partner with the above-mentioned companies, Amazon is able to advance in this sector, without having to invest a lot of time and funding. It was a smart way to make an impact in this field.

- Positive Outlook on Online Retail Sales in U.S.

MarketLine, 2019 quotes that the U.S. online retail market is set to grow by CAGR of 8.5% between 2017 and 2022. As Amazon's main source of income is the U.S. market, this will enable Amazon to increase its sales. More people prefer to shop online from home and more traditional retail businesses are closing down.

The company is investing largely in improving its fulfilment facilities in the U.S. and has also invested in new headquarters. The majority of sales on the site are through third party sellers and Amazon is making its services very appealing, for example it's fulfilled by Amazon program allows their party sellers to sell through their platform, allow Amazon to warehouse their products, handle fulfilment and customer service for them.

- Strategic Acquisitions

Amazon acquired Wholefoods in 2018, this allowed them to grow offline and sell it's won white label brand 365 house brand. The acquisition of Whole Foods not only allows Amazon to move into an offline business, it allows them to analyse consumer expenditure and how it should modify its online business to cater to consumer demand (Danziger, 2018).

The company has made a number of acquisitions in the past years including Zappos online shoe store and Ring, doorbell system, PillPack its entry into the health care industry. Its acquisitions allow it grow faster.

- Developing Nations Offer

Amazon is currently only available in 17 countries, of those countries only 4 are developing countries: Mexico, India, Brazil and Turkey. What all three of these nations have in common is that they have large populations. There is still opportunity for Amazon to expand. With its strong financial backing and strong brand recognition It would be easy for the country to enter most developing markets. Many East Asian countries have AliExpress or other forms of local e-commerce businesses and high number of internet users. These are all way for Amazon.com to expand. Growing internationally will allow Amazon to mitigate its problem of over reliance on the U.S. market.

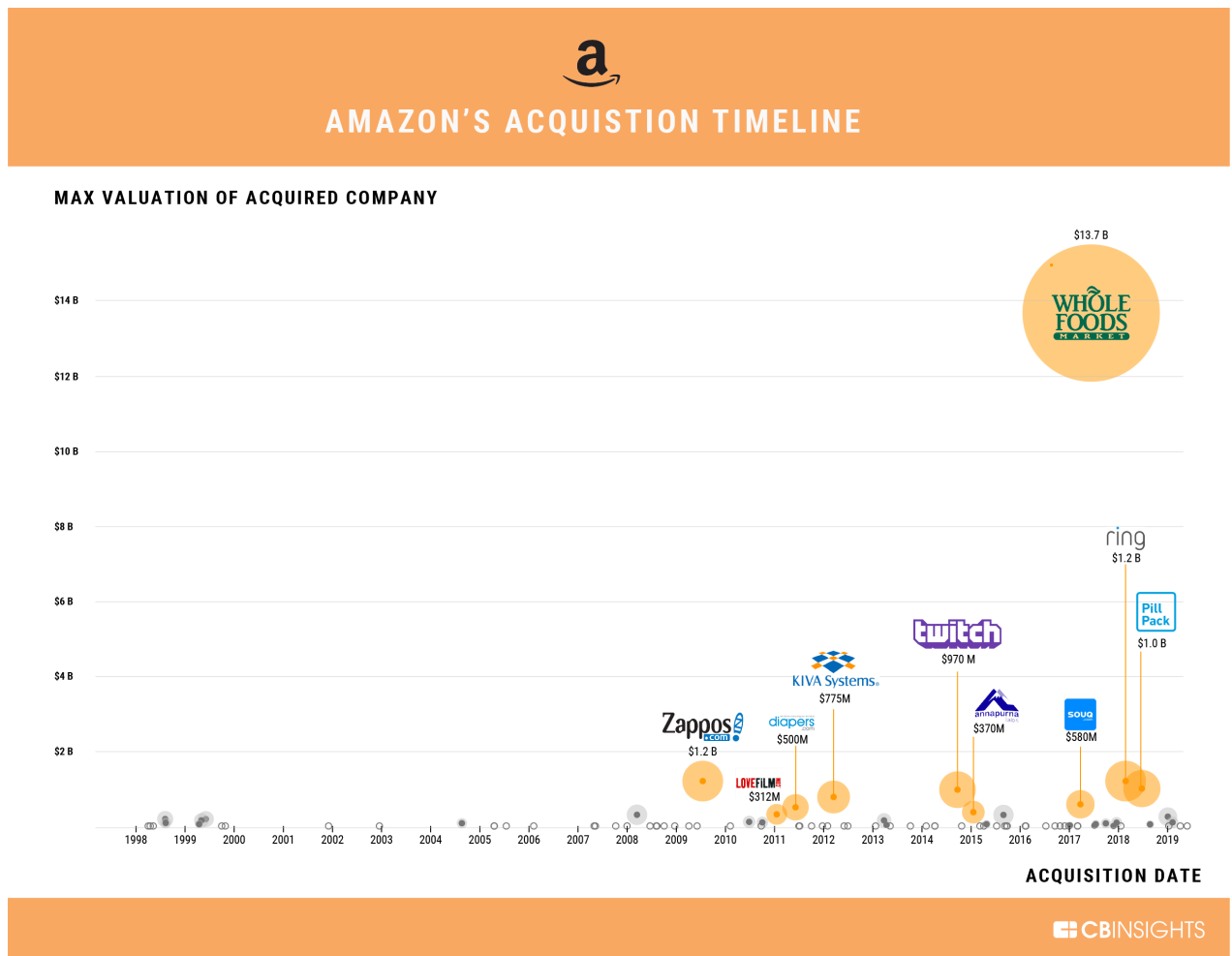


Figure 3 Amazon's Biggest Acquisition's timeline (CBInsights, 2019)

5.4 Threats

- Competitive Environment

The market in which Amazon operates is highly competitive, in the retail business competition is mainly based on selection, price, convenience and speedy and reliable fulfilment. Amazon's main competitors are both online and offline and include eBay, Best Buy, Wal-Mart and Target to name a few. Some of the larger competitors have strong heritage and strong brand recognition. Thus, some competitors could gain better terms from suppliers, restrict supply and peruse aggressive pricing (MarketLine, 2019). Amazon is now a household name and it seems to be overcoming these problems. The acquisition of offline businesses such as Wholefoods allowed amazon to expand into the

offline business. However, it needs to be careful because government's many not be happy with Amazon's purchase of large companies and could make it more difficult in the future. Government try to reduce large corporations from monopolizing markets.

It also faces fierce competition in its Amazon Web Services segment, where Google, Microsoft and IBM dominate. The company however is partnering with other tech companies which allows it to compete with these tech giants.

- Stringent Regulations

The U.S. government is constantly changing import and export laws and domestic laws on e-business. These changes directly affect Amazon.com. When Trump increases costs of imports from China, it makes any products on amazon sourced from China more expensive in the U.S. and can adversely affect sales.

On the other hand, Amazon has been trying to enter the Chinese market, but due to strict regulations in China, Amazon has not been able to enter the Chinese market to date. In February 2019 the Indian government passed a new law which forbade e-commerce businesses from selling products from companies in which it had a share in, this made it very difficult for Amazon (Choudhury, S, 2019). However, the impact is said to only be a loss of USD 250 million in sales when expected revenue was USD 280 billion, so the company isn't going to be affected largely. However, it will have to look at other business models in order to increase other sales to compensate.

- Seasonal Changes

During Christmas and Black Friday, the company usually has to deal with not having enough stock. To mitigate this Amazon.com tends to warehouse more of the products that it thinks will be in demand. However warehousing costs can be extremely high. Underperformance of courier partners has also been a problem faced by Amazon in Europe.

To mitigate these issues, the company has expanded its warehouses and has more products in stock. It has also had Amazon Air its own air freight company with 50 planes

and plans to invest USD 1.5 billion in a new hub for Amazon Air in Kentucky with plans to open by 2021, this would reduce Amazon's reliance on their party courier services (Feiner, 2019).

- Foreign Exchange Rates

With the USD becoming more powerful the company faced losses in international sales of USD 17 million in 2018 (Amazon annual report 2018). Fluctuations in foreign currency affect the company that reports its financial results in USD. When the USD is more powerful international sales figures decrease in value and if the USD weakens the value of international sales increases. However, this year the USD increased in value, resulting in the sales figures being lower.

The best solution to deal with foreign currency risk would be hedging, hedging allows companies to protect themselves against expected and unexpected currency fluctuations, by entering into financial contracts.

6. The Effect of Ageing Populations and Low Productivity Growth in Advanced Economies

According the IMF World Outlook report for 2019 it is predicted that the growth of advanced economies will fall from 2.2% in 2018, to 1.8% in 2019 and to 1.7% in 2020. The report also states that the U.S. growth rate is also projected to decline from 2.3% in 2019 to 1.9% in 2020. Despite this the U.S. growth rate in 2019 was higher than expected. Strong domestic demand is set to however still remain in the U.S. market.

6.1 Effects of Aging Population

Many advanced economies now have the problem of aging population. Due to changes in social standard, more women work, high cost of living, people are choosing to have fewer children. However, the baby boomers are now in the old age category.

The long-term effects of this trend in advanced economies is that the availability of young workers will be lower. We see that countries are also moving towards stricter immigration policies which could make it hard for Amazon to employ enough people to work for it.

Amazon already has a number of problems in the U.S. and Europe due to employees feeling they are too pressurized during sale period. Especially in France where trade unions have strong power, Amazon has faced some negative publicity. When labour becomes scarce this will be a problem, and Amazon has to attract the right talent by offer better working conditions and better remuneration.

The ageing population trend also means that the population of developed countries will reduce after some time. This could adversely affect amazon by making sales drop in certain product categories. One category that Amazon currently sells a lot of in baby products, but with a drop in birth rates this could mean that Amazon will take a hit to its sales.

Increasing old age, would also mean that families will have to pay for care, such as retirement home or professional care givers, this would mean that people would have less disposable income and spend less (Tinker, A, 2002).

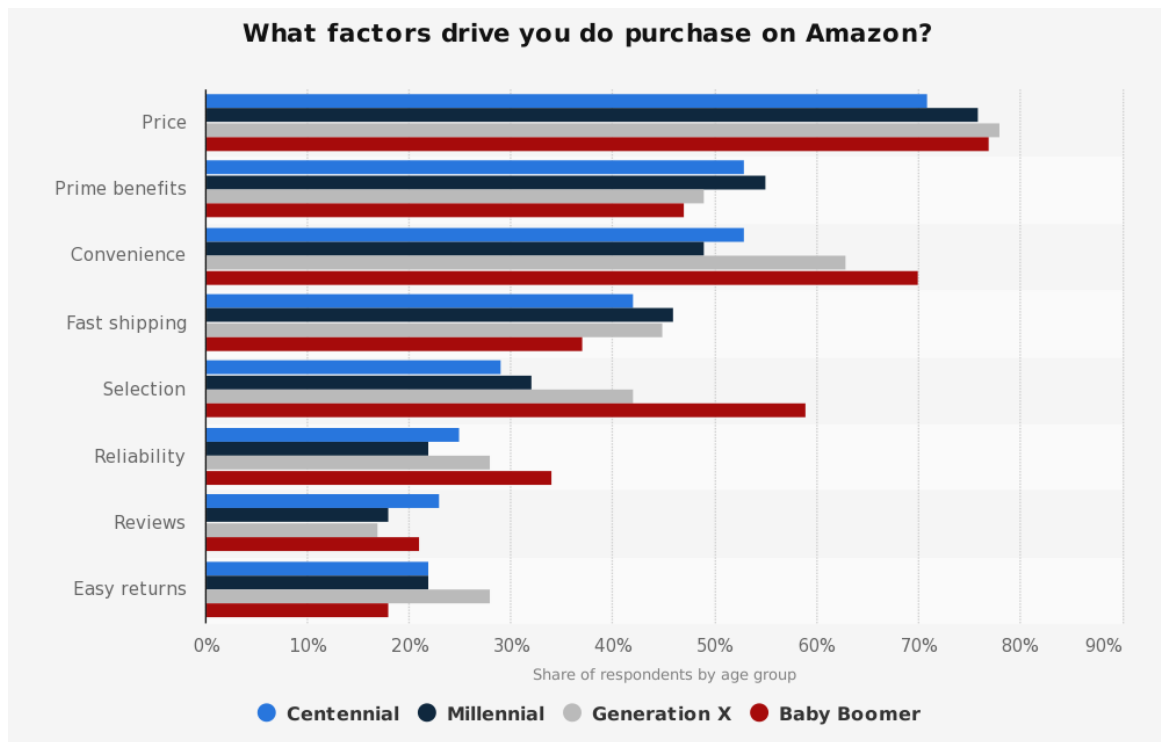


Figure 5 – What drives you to purchase on Amazon? (Source: Yes Lifecycle Marketing, Statisttica 2018)

Another factor that would be favorable to Amazon would be that they could capitalize on old aged people who may not be able to walk or drive to a retail outlet, the convenience of doorstep delivery and next day delivery could really benefit those people. When analysis Figure 5 for baby boomers, after price, convenience was the most important factor when shopping on Amazon. As mentioned before, more women work today and therefore people have less leisure time, adding in taking care of old age dependents will make people have even less disposable time, and this could be in favour of Amazon. Another acquisition we saw this year was Amazon's purchase of PillPack which was Amazon's entry into the healthcare industry, these are products that could provide to be good streams of revenue in a country with an aging population.

In a report done by the Australian Productivity Commission, they highlight the fact that an increasing aging population will put a fiscal strain on nations. In many European countries medical care is free and governments will see an increase in spending to provide for senior citizens. In turn pensions will also rise as more people will qualify to receive a pension, but will no longer be part of the workforce, nor contribute towards the GDP. The question of how this will be financed arises. Government will have to increase taxes, this

could be higher sales taxes, higher taxes on corporations or higher tariffs. Higher taxes could adversely affect Amazon, they may have to pay more taxes or higher import tariffs could make their products expensive. Higher income taxes would result in people having less disposable income.

Alternatively, the demand for certain types of goods, suited towards a more mature aged market will be available. In turn Amazon can benefit by offering more products aimed at this market segment. For example, it's amazon prime now service allows users to receive grocery shopping in a few hours this might be just the right product towards older people. We also know that older aged people may also have lower expenses, they may not have any mortgages to pay, and no child costs, in Europe where healthcare is free, this gives old aged persons higher disposable income.

6.2 Effects of Low Productivity Growth

Productivity growth has slowed down all over the world, particularly in developed nations. The Department of Economics and Social Affairs of the United Nations highlighted a number of contributors towards the decline in growth.

They highlight that many authors believed the decline to be due to the slowdown in technological progress, weak demand and lower capital investment and a drop in international trade.



Figure 4: Growth of Labour Productivity vs Growth of Exports, 2003-2007 and 2013-2015 (Source: Department of Economic and Social Affairs, United Nations (2017))

Figure 4 highlights how percentage of growth of labour productivity and percentage of growth of exports has declined in recent years in developed countries. Due to more protectionism, export growth rates may have fallen. The United Nations report. Development Issues No. 11: The Slowdown in Productivity Growth: A View from International Trade, 2017 also indicates that world trade volume growth rate was 7% about two decades before the world financial crisis and has been at 3% between 2012 and 2016).

The fall in international trade would suggest that countries would not be as competitive, and they would not benefit from comparative advantage. This could be one of the major contributors towards the fall in Labour Productivity Growth rates.

6.3 How Will This Affect Amazon.com

Amazon.com will be affected in a number of ways due to low productivity growth. As mentioned below it could be due to low technological advances. We know that Amazon is always innovative but if supporting industries are not as innovative it could mean that Amazon.com would not be as competitive as those in developing nations. In China the

government funds technological advances and investigation, one of Amazon's major competitors is Alibaba.

Low productivity growth could also indicate that Amazon.com need to do more, they may need to invest more in their employees, or in technology in order to remain competitive with emerging markets. Amazon.com itself does not trade in a large number of countries this could result in Amazon not having as much competitive edge as its competitors that do.

Due to the level of low productivity in developing nations, there is a competitive advantage for developing nations. They will continue to grow in productivity and there be more competitive. If we think of China, if China becomes more competitive due to high productivity, they will be able to export more to the U.S., e.g. Alibaba. Chinese produced products can also compete with Amazon's technological products such as its AI system and tablets, e book readers etc. This will have an adverse effect on the economy. To overcome this problem Amazon has the option of expanding into developing nations. Even though the country faces many issues with opening in China, it can still open in other developing countries where labour productivity is high.

7. Conclusion

Over Amazon is on a good path, the company has strong financial results and its acquisition of other companies allows it to grow fast. The biggest problem with that would be the integration of those companies into Amazon, this is something they need to do efficiently and effectively in order to succeed.

The company also faces problems with government regulations and foreign currency exchange in foreign markets. However due to its large size, it may be able to influence government restrictions and mitigate the risk of currency fluctuations through hedging.

The problem of an aging population and low productivity growth in developed nations does directly affect amazon as it mainly operates out of developed countries. Low productivity growth will affect amazon's growth and allow foreign competitors to grow

faster. However, Amazon still invests largely in innovation and this allows it to remain on top.

An ageing population will reduce the number of people who can work at Amazon, but with the company constantly automating processes this could mitigate this problem. They will also have to think about their product offerings to cater to an older population and lower birth rate, but the company is flexible and fast at adapting.

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