

AMAZON SWOT 2020 | SWOT ANALYSIS OF AMAZON

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Company: Amazon
CEO: Jeff Bezos
Year founded: 1994
Headquarter: Seattle, USA
Number of Employees (FY19): 840,000
Type: Public
Ticker Symbol: AMZN
Market Cap (July 2020): \$1.477 Trillion
Annual Revenue (2019): \$ 280.52 Billion
Profit | Net income (2019): \$ 11.59 Billion

Products & Services: Amazon.com | Zappos.com | IMDb | Junglelee | Ring | [Whole Foods](#) Market | Amazon Web Services (AWS) | Blink | Alexa.com |
Competitors: Alibaba | [Netflix](#) | [ebay](#) | JD | [Costco](#) | [Flipkart](#) | [Apple's](#) itunes | [Walmart](#) | Otto | [Tesco](#) | [Google](#) Play Store | [Target](#) | [Home Depot](#) | Walgreens | Staples |

Did you know?

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When Amazon was started, a bell used to ring at the office after every purchase? Soon enough, this bell had to be shut down because of the high volumes of sales.

An overview of Amazon

Amazon's popularity is widespread around the globe. It has over **310 million active** users and **100 million subscribers** worldwide. Being the world's leading online retailer, Amazon bags many achievements, eye-popping profits, and successful launches.

Let's discuss this online retail giant in a little depth and understand the company's business scenario with the help of Amazon SWOT analysis.

Jeff Bezos laid the foundation of Amazon in 1994. Originally, the company started as an online bookstore but soon converted to a top online retailer selling almost everything from **A to Z** just like its logo says.



Key facts about Amazon

SWOT Analysis of Amazon

The SWOT analysis of Amazon is given below:

Amazon's Strengths – Internal Strategic Factors

- 1. Strong brand name** – As a global e-commerce giant, Amazon has a strong position and successful brand image in the market.
- 2. Brand valuation** – According to [Interbrand's](#) Global Brand Ranking 2019, Amazon is ranked at #3 position (after Apple at #1 and Google at #2), with a brand value of **\$125 Billion**.
- 3. Customer oriented** – Amazon caters to a large number of customers for everyday needs at [inexpensive prices](#). This has made it a customer-oriented brand.
- 4. Differentiation and Innovation** – Amazon frequently brings creative ideas and [innovative additions](#) to its product line and service offerings like ambitious drone delivery service and [Withings Aura Smart Sleep System](#). This creates a differentiation from other companies.
- 5. Cost Leadership** – Amazon doesn't incur costs in maintaining physical retail stores by selling everything online. With economies of scale, Amazon efficiently controls its costs and lowers its inventory replenishment time. The company has formed

numerous [strategic alliances](#) with many companies like Evi Technologies, Thalmic Labs, Shoeffitr, The Orange Chef etc. It has a strong value chain system which also helps in maintaining a low-cost structure.

6. Largest Merchandise Selection – Amazon owns extensive product mix which attracts online customers to make their majority of purchases from it rather than other online retailers. As of 2018, Amazon has sold [562.3 million](#) products in its Amazon.com Marketplace.

7. Large number of third-party sellers – Due to the high traffic volume on Amazon's sites, a large number of third-party sellers have joined the platform of Amazon to sell their own merchandises. The data from [Fulfillment by Amazon](#) (FBA) reveals that there are more than 2 billion items available from third-party sellers.

8. Go Global and Act Local strategy – This strategy has benefitted Amazon the most. Amazon develops partnerships with local supply chain companies that help it in competing against domestic e-commerce rivals. It understands the local needs and launches its services as per the country's culture.

In India, for example, it has launched a market campaign "Aur Dikhaao" to encourage users to [search more](#) of its products.

9. Large number of acquisitions – The successful acquisitions of [Whole Foods](#), Zappos.com, woot.com, Junglee.com, IMBD.com, and many others have produced significant revenues and profits for Amazon.

10. Involved into 3 key business – Amazon Marketplace, Amazon Web Services (AWS), and Amazon Prime are 3 key businesses of Amazon which work and support each other. As a whole, they generate massive profits and advantages for the company.

11. Market Leader – With over **\$1 Trillion** market capitalization and above **\$280 billion** annual revenues, Amazon is truly a [market leader](#) in online retail industry.

12. Superior logistics and distribution systems – Amazon uses highly efficient logistics and distribution systems. It even has fixed rates for different [delivery time periods](#). Thus, it executes reliable, secure, and fast delivery of goods and products to the customers.

13. Minimum pay raise to \$15 per hour – Amazon is among the first companies in retail to raise its minimum hourly pay to **\$15**. In comparison, [Target](#) pays **\$12** per hour, [Walmart](#) pays **\$11** per hour, and [Costco](#) pays **\$14** per hour.

Amazon's Weaknesses – Internal Strategic Factors

- 1. Easily imitable business model** – Online retail businesses have become quite common in this digital world. So imitating [Amazon's business model](#) for rival firms is not so difficult. A few businesses are even giving Amazon a tough time. These include Barnes & Noble, eBay, Netflix, Hulu, and Oyster etc.
- 2. Losing Margins in Few Areas** – In few areas such as India, Amazon has faced losses. It's free shipping to customers can be one of the reasons that expose the risks of losing margins in some markets.
- 3. Product Flops and Failures** – Its Fire Phone's launch in the US was a big failure while its Kindle fire device didn't even grow well.
- 4. Tax Avoidance Controversy** – Tax avoidance in Japan, UK and US has sparked negative publicity for Amazon. [President Trump has recently criticized](#) Amazon over taxes on social media network.
- 5. Limited brick-and-mortar presence** – Amazon owns very limited physical stores. This sometimes hinders to attract customers buy things which are not sellable on online stores.
- 6. Vox published [negative reports](#) related to employees' treatment and workplace conditions** against Amazon in July 2018. Poor air conditioning, timed bathroom breaks, and constant video surveillance are few of the negative remarks made by the employees. Such things affect the market reputation of Amazon.
- 7. Declining consumer safety** – As its offerings increase, it is becoming a challenge for Amazon to vet each product and guarantee the highest level of safety. The U.S. Environmental Protection Agency (EPA) recently had to [order](#) Amazon to remove a wide range of **pesticides and unsafe products** on its platform.
- 8. Unfair use of third party data** – Engaging in unfair trade practices undermines trust and increases legal risks. Amazon is facing [antitrust charges](#) in the European Union for **collecting and using data** from third-party to compete against them. If found in violation, Amazon can be fined up to **10% (\$28 Billion)** of its 2019 annual revenue (\$280 Billion).
- 10. Overdependence on distributors** – Relying on distributors exposes Amazon to a wide range of issues. One of its main distributors (German Logistic Group – [Deutsche Post DHL](#)) can leverage its position to **renegotiate terms**.
- 11. Employees Strike** – Strikes can grind Amazon's operations to a halt. In Germany, Amazon [employees went on strike](#) due to **unsafe working conditions** and paralyzed operations in six distribution centers.

Amazon's Opportunities – External Strategic Factors

1. Amazon can gain the opportunity to penetrate or expand its operations in [developing markets](#).
2. By **expanding physical stores**, Amazon can improve competitiveness against big box retailers and engage customers with the brand.
3. Amazon has the opportunity to **improve technological measures and organizational policies** to reduce counterfeit sales. One case of counterfeit sales came into light when Amazon sold a fake [My Critter Catcher](#). The product was sold for \$1 less than the original product.
4. Can do **backward Integration** by expanding its production of in-house brands such as **Amazon basics** to differentiate its offerings and improve profit margins.
5. **More acquisitions** of e-commerce companies can increase the company's market share and reduce the competition level.
6. **Self Driving Technology** – Amazon recently acquired California-based self-driving startup [Zoox Inc](#) for whopping **\$1 Billion**. It can now leverage autonomous technology to exploit the increase in demand for [ride-hailing services](#) or use it to improve its delivery network.
7. **Launch of electric rickshaws in India**– Amazon pledges to make a positive impact on the [environment](#). With this vision in mind, Amazon plans to deploy **10,000** electric rickshaws for delivery in India by 2025.

Amazon's Threats – External Strategic Factors

1. **Few controversies** have caused a dent in Amazon's brand image. People critically reacted and boycotted Amazon sites in 2010 when they found that it's selling the book "The Pedophile's Guide to Love & Pleasure: a Child-lover's Code of Conduct."
2. **Government regulations** can also threaten the business proceedings of Amazon in some critical countries. Amazon does not ship to Cuba, Iran, North Korea, Sudan, and Syria.
3. **Links to exploitative labor** – Amazon is one of three retail giants facing scrutiny from the US State Department for maintaining supply chains and labor sources associated with [human rights abuses](#). This exposes the ecommerce giant to reputational, economic, and legal risks.
4. Increasing **cybercrime** can affect the network security system of the company.

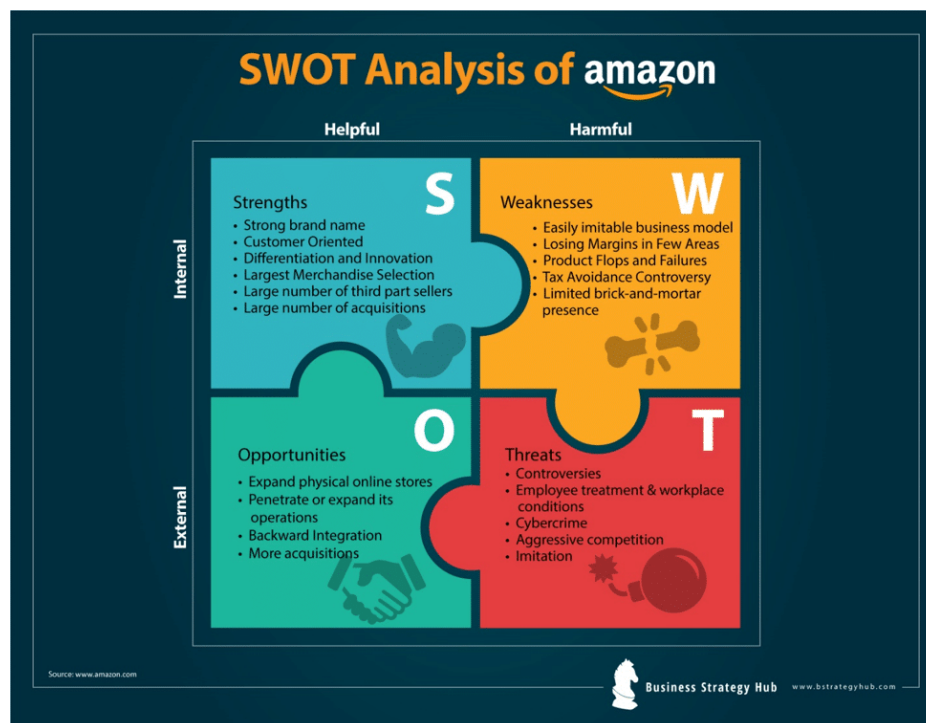
5. Aggressive competition with big retail firms like **Walmart** and **eBay** can give Amazon a tough time in the future. In addition, now Amazon competes with the following companies:

- In **Video Streaming Service**: [Apple TV+](#), [Netflix](#), [Disney+](#)
- In **Logistics**: [FedEx](#)
- In **Self Driving Technology**: [Tesla](#), [Uber](#), [Ford](#)

6. Imitation is simple as many new entrants are coming up in the market usually with the same [business model](#) of Amazon.

7. Fake Products – The increase in counterfeiting and fake products threatens Amazon's profits. The company recently filed a lawsuit against New York-based online retailer for allegedly [counterfeiting Valentino shoes](#), a luxury Italian shoe brand offered by Amazon.

8. Economic Recession – Amazon is not immune to an [economic recession](#). If economic uncertainty worsens, it can impact Amazon's sales.



Recommendations

SWOT analysis clarifies the current standing of Amazon. Few necessary improvements are needed to be done to administer the lacking and reinforce its market position.

In short, Amazon needs to strengthen its key areas, minimize its weaknesses, avail opportunities, and counteract threats for future progress.

Few recommendations are given below:

- 1. Consolidate the market dominance** by boosting its marketing efforts, promotional activities, and competitive advantages.
- 2. Strategically deal with global controversies.** Amazon needs to resolve tax issues and manage its app's features efficiently to diminish negative publicity in the market.
- 3. Increase its limited presence through opening physical stores** outside the U.S. This will augment brand popularity and market reach.
- 4. Enhance its strategic entry in developing countries** where many growth opportunities are available.
- 5. Increase competitive edges and enlarge the gap** between Amazon and its biggest competitors.
- 6. Address the issues of counterfeit** sales and cybercrimes by upgrading technology measures.

Source: Business Strategy Hub https://bstrategyhub.com/swot-analysis-of-amazon-amazon-swot/?fbclid=IwAR26VWuZ7MVYL10eP8w843eVqh0yvmwcCf_0NBPdIrpUu2u7mw-Ay6AT-8