

SW1 – Overview of E-commerce

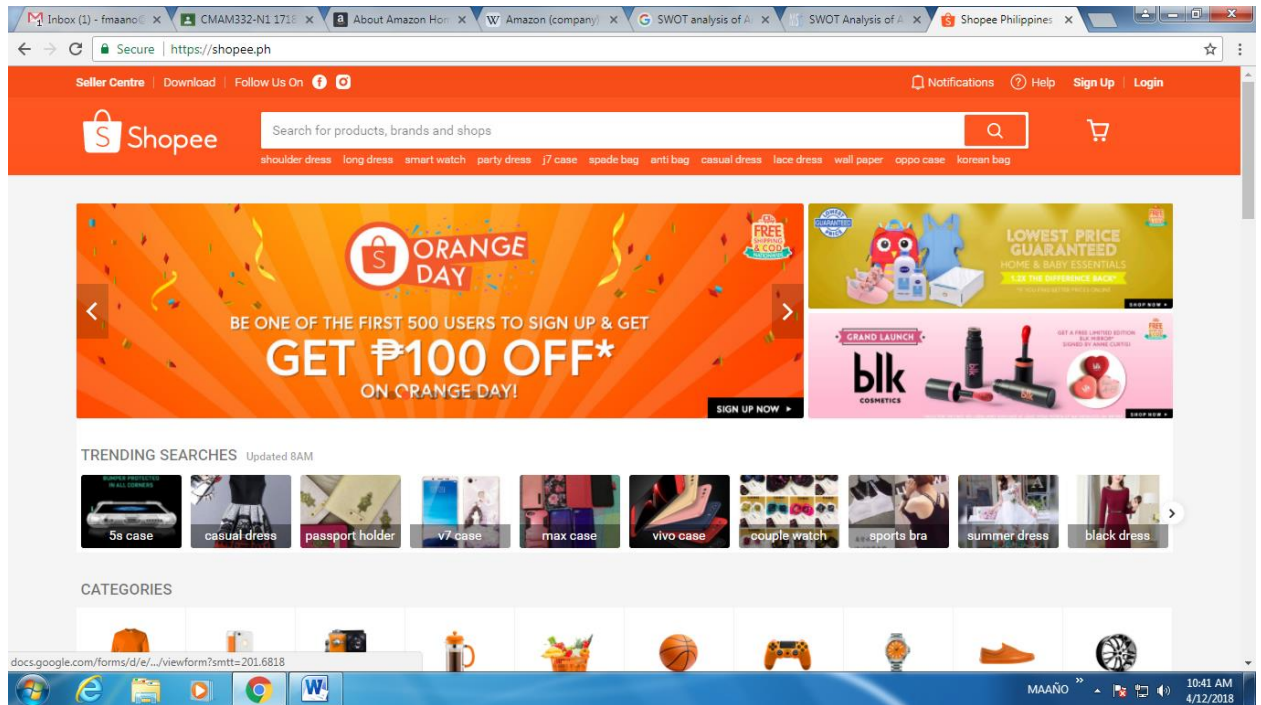
PART 1

- 1.) Electronic commerce or ecommerce is a term for any type of business, or commercial transaction that involves the transfer of information across the Internet. It covers a range of different types of businesses, from consumer based retail sites, through auction or music sites, to business exchanges trading goods and services between corporations. It is currently one of the most important aspects of the Internet to emerge.

Ecommerce allows consumers to electronically exchange goods and services with no barriers of time or distance. Electronic commerce has expanded rapidly over the past five years and is predicted to continue at this rate, or even accelerate. In the near future the boundaries between "conventional" and "electronic" commerce will become increasingly blurred as more and more businesses move sections of their operations onto the Internet.

The screenshot shows a web browser window with the address bar displaying www.networksolutions.com/education/what-is-ecommerce/. The main content area features an article titled "What is Ecommerce?". Above the article title is a "Rate this Article" section with a star rating of 3/5 and 926 votes. Below the title is a category link: "Category: Sell Online , Developing An Ecommerce Strategy". The article text begins with: "Electronic commerce or ecommerce is a term for any type of business, or commercial transaction, that involves the transfer of information across the Internet. It covers a range of different types of businesses, from consumer based retail sites, through auction or music sites, to business exchanges trading goods and services between corporations. It is currently one of the most important aspects of the Internet to emerge." The text continues to describe how ecommerce allows consumers to exchange goods and services without time or distance barriers, and how it has expanded rapidly over the past five years. It also mentions that in the near future, the boundaries between "conventional" and "electronic" commerce will become increasingly blurred. The article further discusses Business to Business (B2B) commerce and Electronic Data Interchange (EDI). At the bottom of the article, it states: "The road to creating a successful online store can be a difficult if unaware of ecommerce principles and what ecommerce is supposed to do for your online business. Researching and understanding the guidelines required to properly implement an e-business plan is a crucial part to becoming successful with online store building." To the right of the article is a "Filter by Topic:" section with a dropdown menu showing "View All", "Developing An Ecommerce Strategy", "Creating an Online Shopping Cart", "Videos", and "Solutions Guides". Below this is a "Search Education" box with a search input field and a "Search" button. At the bottom of the page, there is a "7 DAY FREE TRIAL!" advertisement for a search engine, and a "Finally" advertisement for an e-commerce store.

2.) B2C – Shopee Ph



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PART 2

1.) Name / Logo



2.) Description

Amazon.com, Inc. is considered as a B2B and B2C in category. Amazon provides business to transact with other business and at the same time from business to customer. It is an American electronic commerce and cloud computing company based in Seattle, Washington that was founded by Jeff Bezos on July 5, 1994. The tech giant is the largest Internet retailer in the world as measured by revenue and market capitalization, and second largest after Alibaba Group in terms of total sales. The amazon.com website started as an online bookstore and later diversified to sell video downloads / streaming, MP3 downloads / streaming, audiobook downloads / streaming, software, video games, electronics, apparel, furniture, food, toys, and jewelry. The company also produces consumer electronics—Kindle e-readers, Fire tablets, Fire TV, and Echo—and is the world's largest provider of infrastructure services. Amazon also sells certain low-end products under its in-house brand AmazonBasics.

Amazon has separate retail websites for the United States, the United Kingdom and Ireland, France, Canada, Germany, Italy, Spain, Netherlands, Australia, Brazil, Japan, China, India, and Mexico. In 2016, Dutch, Polish, and Turkish language versions of the German Amazon website were also launched. Amazon also offers international shipping of some of its products to certain other countries.

3.) SWOT Analysis

Strengths

- Being the world's leading online retailer, Amazon derives its strengths primarily from a three-pronged strategic thrust on cost leadership, differentiation, and focus. This strategy has resulted in the company reaping the gains from this course of action and has helped its shareholders derive value from the company.
- Amazon primarily derives its competitive advantage from leveraging IT (Information Technology) and its use of e-Commerce as a scalable and an easy to ramp up platform that ensures that the company is well ahead of its competitors.

- One of the key strengths of Amazon is that it enjoys top of the mind recall from consumers globally and this recognition has helped it enter new markets, which were hitherto out of bounds for many e-Commerce companies.
- Using superior logistics and distribution systems, the company has been able to actualize better customer fulfilment and this has resulted in Amazon deriving competitive advantage over its rivals.

Weaknesses

- In recent years, Amazon as part of its diversification strategy has been “spreading itself too thin” meaning that it has allowed its focus to waver from its core competence of retailing books online and allowed itself to venture into newer focus areas. While this might be a good strategy from the risk diversification perspective, Amazon has to be cognizant of losing its strategic advantage as it moves away from its core competence.
- As Amazon offers free shipping to its customers, it is in the danger of losing its margins and hence, might not be able to optimize on costs because of this strategy.
- Considering the fact that Amazon is an online only retailer, the single-minded focus on online retailing might “come in the way” of its expansion plans particularly in emerging markets.
- One of the biggest weaknesses and something that has been oft commented upon by analysts and industry experts is that Amazon operates in near zero margin business models that have severely dented its profitability and even though the company has high volumes and huge revenues, this has not translated into meaningful profits for the company.

Opportunities

- By rolling out its online payment system, Amazon has the opportunity to scale up considerably considering the fact that concerns over online shopping as far as security and privacy are concerned are among the topmost issues on the minds of consumers. Further, this would improve the company’s margins as it lets it reap the advantages of using its own payment gateway.
- Another opportunity, which Amazon can capitalize on, relates to it rolling out more products under its own brand instead of being a forwarding site for third party products. In other words, it can increase the number of products under its own brand instead of merely selling and stocking products made by its partners.
- Amazon can increase the portfolio of its offerings wherein it stocks more products than the norm currently which places it in a position of strength and comfort as this can translate into higher revenues.
- The fourth opportunity, which Amazon has, is in terms of expanding its global footprint and open more sites in the emerging markets, which would certainly give it an edge in the uber-competitive online retailing market.

Threats

- One of the biggest threats to Amazon’s success is the increasing concern over online shopping because of identity theft and hacking which leaves its consumer data exposed. Therefore, Amazon has to move quickly to allay consumer concerns over its site and ensure that online privacy and security are guaranteed.

- Because of its aggressive pricing strategies, the company has had to face lawsuits from publishers and rivals in the retailing industry. The obsessive focus on cost leadership that Amazon follows has become a source of trouble for the company because of the competitors being upset with Amazon taking away the business from them.
- Finally, Amazon faces significant competition from local online retailers who are more agile and nimble when compared to its behemoth type of strategy. This means that the company cannot lose sight of its local market conditions in the pursuit of its global strategy.

A PESTEL Analysis of Amazon

Political:

The hurdles before e-businesses are not the same as the traditional businesses. Still, there are risk factors that affect the e-retail sector. Amazon is the leader in this sector and it is affected by several political factors. Even for the E-businesses like Amazon and E-bay red tape in the Asian countries can be a big problem. A news report published by Hindustan times highlighted that for any foreign firm trying to do business in India, Red tape and regulatory issues could be a major headache. Taxes and other political issues too are a costly affair. The EU has started targeting the American technological firms and for disputable reasons. While Google was targeted by the EU on anti-trust related issues, Amazon is also being targeted over its e-book deals with EU publishers. These political issues are not limited because there are other problems too that have a political origin. Political stability also leads to economic stability. On the other hand political disruption can disrupt the supply chain and result in reduced sales.

Economic:

Economic factors are always an important influence on the market and market condition. If the economic condition in a market is good, it will result in better sales and higher profits. The world has recently been out of an economic turmoil. Even in the times of recession, the retail industry was doing well. It is because people will always buy the regular items whether the economy is doing well or not. Now that the condition of the labor market and the world economy is better customers' confidence is also boosted. People have more disposable income and these economic trends are going to benefit the retail industry. E-retail grew by a whopping 23% in 2015 and much more growth is expected in this sector in the coming years. However, better economic conditions are also going to add to the existing competition in the market. All these factors indicate that in the coming years Amazon could see much more growth and an increase in profits.

Social:

Social and cultural trends are also an important factor behind the growth of e-retail. Online shopping trends have received a boost in the recent years. The increased use of mobile technology and growth in digital technology both has boosted online sales. Now a larger number of people are having smartphones across the world. A large number of people have smartphones with internet connections and they do a lot from their phones including social media and online shopping. Availability of 4G and growth in digital technology has also boosted the sales of the retailers like Amazon and e-bay. Changing consumer demographics are also going to affect the e-retail sector positively. Millennial like to do most of their shopping online. They want the best products, available

at least prices and delivered to their doors. This type of convenience is offered only by the e-retailers. So, Amazon has to benefit a lot from the changing consumer demographics and shopping trends. In those regions of globe, where it has not still deeply penetrated the market, the brand must focus on cultural factors to market itself better and to strike a deeper connection with the customers.

Technological:

Technological factors have grown highly important in the 21st century. Whether it is a traditional business or an online business each has to depend on IT and other forms of technology to deliver better services. Technological innovation has become the key to success in the modern era. Now, apart from internet, Artificial intelligence and cognitive intelligence have also become important to better serve the customers. Customer service is particularly important to keep the customers engaged and better use of technology in this area is even important. The millennial generation cannot be engaged without good customer service. It has also become the key to building customer loyalty. Growth cannot be achieved either without using technology for marketing, sales and customer relationship management. Social media is another area where retail businesses have to focus to better engage their customers.

Environmental:

Sustainability is also a very important concern for the businesses worldwide. Even the e-retailers have to focus on several areas like packaging, waste reduction, and energy consumption to do business sustainably. Amazon has also invested a lot in CSR and sustainability. It has invested in sustainable packaging, waste reduction, and renewable energy. Apart from that it has also invested in engaging the community in sustainability projects. Renewable energy is a key focus area at Amazon. It has made major investments in this area to acquire complete freedom from dependence on non-renewable energy in the long term.

Legal:

Legal compliance is also just as important for businesses globally. In any aspect of business, it is important for big brands like Amazon to remain compliant with law. Amazon has a separate legal team to oversee the legal issues and challenges. Apart from labor laws, there are other several areas where legal compliance is essential. Any tussle with law can be very costly for big companies like Amazon. Any mistake can result in big fines and a loss of image. As a result from labor to sustainability, there are several areas where Amazon has to deal with significant legal challenges. Laws can differ from nation to nation and companies have to remain compliant without any excuse. So, law can be a major pressure for any company that is operating internationally. Amazon too has to remain cautious.

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