



JOHN R. WELLS
BENJAMIN WEINSTOCK
GALEN DANSKIN
GABRIEL ELLSWORTH

Amazon.com, 2019

In January 2019, Amazon.com Inc (Amazon) became the most valuable company in the world, above Microsoft, Apple, and Alphabet (Google).¹ Jeff Bezos, Amazon's founder and CEO was now the world's richest man.² On January 31st, 2019, Amazon announced 2018 operating profits of \$12.4 billion, up from \$178 million in 2014, on sales of \$232 billion, up from \$89 billion four years earlier (see **Exhibit 1**).³ The shareholders expressed their satisfaction (see **Exhibit 2**), but not all were happy with Amazon's meteoric rise. Many traditional retailers in the United States were going bankrupt, while major competitors such as Walmart and Best Buy were forced to invest aggressively in online retailing to prevent their market share from eroding. Every retail sector appeared to be under threat, fueling anxieties that Amazon and America's other tech giants were becoming too big and powerful. In the United States, Amazon was drawing criticism from across the political spectrum, with calls for it to be broken up.⁴ Meanwhile, the European Union was also investigating its practices.⁵ Did Amazon's success threaten its very existence?

History

Bezos began his career as a programmer for Wall Street trading firms and hedge funds. After working for hedge fund D. E. Shaw on investments in technology companies, Bezos began exploring the idea of founding an Internet retailer. He considered over 20 categories of products for his venture and ultimately chose to focus on books.

The Book Business

In the 1990s, the book retailing business was highly fragmented, complicated, and prone to inventory and return problems. The traditional book retail market was composed of national chains and independent booksellers. The two major chains were Barnes & Noble and Borders. These chains collectively had more than 2,000 stores across the United States and typically offered discounts of 10% to 30% off popular books. There were also 5,500 independent booksellers in the United States operating 7,000 stores.⁶ This number had been falling through the 1990s, partly as a result of price competition from chain stores. Mass merchants (e.g., Wal-Mart and Kmart), wholesale clubs (e.g., Sam's Club and

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Costco), grocery stores, and other non-bookstore outlets were another major source of competition, accounting for almost half of book sales.⁷

For an author's book to reach a retail store, the book typically had to go through four intermediaries: agents, publishers, distributors, and wholesalers.¹ First, an agent would accept a book and market it to a publisher. Some of the major publishers in the 1990s were Penguin Books, Harper Collins, Random House, and Simon & Schuster. The top 20 publishers accounted for 88% of sales in North America. If a publisher accepted the book, it would manage publication, marketing, and sales.

In order to distribute the book, the publisher would contract with a distributor. A distributor's primary responsibility was to act as a middleman between the wholesaler and the publisher. Distributors would ship and return books from the wholesaler to the publisher, and they would give smaller publishers the bargaining power to get their books stocked by a major wholesaler.

Wholesalers were the key link between retailers and the publishing world. Ingram was the largest wholesaler and controlled 50% of the US market. Wholesalers would distribute catalogues to bookstores and fulfill book orders placed by retailers. To ensure that they could meet retail demand, wholesalers would maintain inventories of publishers' books and ship them out to bookstores on demand. If a retailer misjudged the number of copies that would sell, a bookstore could return the book to the wholesaler (who would then return it to the publisher) for a full refund (minus shipping costs). In this way, books were sold on consignment and had high return rates and high inventory costs to the publisher. Publishers typically received back over 30% of their initial book run.⁸

Barnes & Noble and Borders sourced much of their inventory directly from publishers, cutting out wholesalers and distributors, and stored their inventory in company-owned distribution centers. In 1996, 40% of Barnes & Noble's inventory was pushed directly from publishers, and the company expected this figure to increase to 50% by 1998. It took several weeks to source a book directly from the publisher, and Barnes & Noble and Borders could ship a book from their own distribution centers to a retail store in two to three days.⁹

Amazon's Entry

In 1994, Bezos quit his job at D. E. Shaw and drove across the country to Seattle, Washington. Bezos chose Seattle for three reasons: its technology cluster; its proximity to Ingram, the largest book wholesaler; and its lack of sales tax.¹⁰ Wherever Bezos shipped a book in the United States, he would not have to levy sales tax, which put him at an immediate advantage over local bookstores. Sales tax varied from state to state but averaged about 6% of sales. Bezos began Amazon out of his garage. The company name reflected his ambitions for the firm: like the Amazon River, he intended to be the biggest in the world. After a year of software development with a team of 10 employees, Amazon's website was launched in July 1995 (see **Exhibit 3a**).¹¹

From the start, Amazon was focused on making e-commerce attractive, secure, and easy for first-time online buyers. Customers needed only an email address, a credit card, and a password to place an order. Amazon listed over 1 million titles in its database, and prices were often deeply discounted compared to physical retailers'.¹² The goal was to offer "much more selection than was possible in a physical store . . . and presented it in a useful, easy-to-search, and easy-to-browse format in a store open 365 days a year, 24 hours a day."¹³

¹ Reviewers also played an important part in the success of a book

By September 1995, Amazon was generating weekly sales of \$20,000.¹⁴ For 1995, annual sales were \$511,000.¹⁵ To accommodate the rapidly increasing demand, the company moved out of Bezos' basement into headquarters in Seattle and built a 50,000-square-foot distribution center.¹⁶

In July 1996, the company launched Amazon Associates, which allowed individuals to embed links to Amazon within their own websites, write reviews or recommendations, and gain a 3% to 8% commission on books purchased through these links. There was no cost to join the program, and associates could enroll through Amazon and begin selling products through their site within hours. This network of sellers helped to drive traffic to the Amazon site. While the typical newly launched Internet company spent 119% of sales on advertising during the late 1990s, Amazon's marketing was 10% of sales.¹⁷ In 1996, Amazon recorded sales of \$15.7 million and an operating loss of \$6.0 million.¹⁸

Going Public and Growth (1997-1999)

In May 1997, Amazon went public at \$18 a share, raising \$54 million, valuing the company at \$438 million.¹⁹ By December of 1997, Amazon's stock had risen to \$59 per share. The company recorded sales of \$148 million in 1997 and operating losses of \$29 million.²⁰

Amazon's IPO success was not unusual at the time. Starting in January 1997, Internet companies began achieving sky-high valuations. According to CNN, "Investors would buy almost anything even vaguely associated with the Internet, regardless of valuation."²¹ In total, web companies raised \$1 billion through 34 IPOs in 1997, \$2 billion through 45 IPOs in 1998, and \$24.1 billion through 292 IPOs in 1999.²² In January 1999, Amazon took advantage of this continued optimism to issue \$1.25 billion of bonds, which gave the company a substantial cash cushion.²³

Amazon's rapid expansion in 1997 was partly fueled by several major Amazon Associates, including Yahoo, American Online, and Netscape. In 1998, Amazon launched Amazon.com Advantage, which focused on the sales of independent authors and publishers. The same year, Amazon released Amazon.com Kids, which marketed titles for younger children and teenagers.²⁴ Amazon also began to expand internationally, acquiring Bookpages (UK) and Telebook (Germany) in 1998.

In 1998, Amazon moved beyond the book category with the acquisition of IMDb (the Internet Movie Database), an online database of information and reviews about movies and television shows.²⁵ Before year-end, Amazon became the leading online video retailer. The same was true of music CDs. Amazon made 125,000 titles available in 1998 and soon led the category.

In 1999, the company entered more categories, including toys and electronics (July), home improvement and tools (November), video games and software (November), and patio furniture and kitchenware (December).²⁶ In addition to these category entries, Amazon also released a new online marketplace called zShops in 1999. On this site, Amazon rented space at a fixed rate (\$9.99 per month) to smaller merchants who sold items and paid a sliding commission based on the final sale price, generally between 2.5% and 5%. Sellers managed stocking and shipping, while Amazon processed transactions through its 1-Click payment system, guaranteed refunds to protect buyers against fraud, and hosted reviews for the products.²⁷

During this time, Amazon also made significant investments in its distribution and warehouse infrastructure. By early 2000, Amazon operated 10 distribution centers (in Seattle, Delaware, Georgia, Kansas, Kentucky, Nevada, North Dakota, the United Kingdom, and Germany) totaling 4.5 million square feet of space, with capacity of \$10 billion worth of sales—more than five times Amazon's 1999

revenues.²⁸ The company also operated six customer service centers across the United States, the United Kingdom, and Germany.

Amazon's distribution centers and customer service centers were tied together with a digital infrastructure that linked operations throughout the world.²⁹ In the December holiday season, more than 99% of orders were shipped on time. In Amazon's 1999 Annual Report, Bezos noted that Amazon's investments in digital and physical infrastructure had put the company at a "'tipping point' where this platform allows us to launch new e-commerce businesses faster, with a higher quality of customer experience, a lower incremental cost, a higher chance of success, and a clearer path to scale and profitability than perhaps any other company."³⁰

In 1999, sales reached \$1.6 billion with an operating loss of \$606 million. Bezos was named *Time's* "Person of the Year." However, investors were wary about Bezos's focus on market share and revenue growth over profitability. The article announcing Bezos's award described how "naysayers referred to it as 'Amazon.org.'"³¹ (The .org domain was reserved for nonprofits).

Dot.com Bust and the Route to Profitability (2000–2003)

In February 2000, Amazon signed a five-year agreement with Living.com that guaranteed the company as the exclusive supplier for the Amazon.com Home Living store. Through this agreement, Amazon acquired an 18% stake in Living.com for \$10 million.³² Amazon made similar deals with numerous other new, high-potential start-ups. *The Wall Street Journal* described Amazon as "the granddaddy of Internet shopping" and said that the company had "played patron to other electronic retailers, funneling hundreds of millions of dollars and throngs of its customers to the start-ups."³³

In August 2000, Living.com filed for Chapter 7 bankruptcy and closed its website. Other e-retailers were also in trouble. Many renegotiated contracts with Amazon that had been signed only months before. Greenlight negotiated payments of \$15.25 million over two years rather than \$82.5 million over the next five. Bezos noted, "What good partners do is when circumstances change, they try to help each other."³⁴ Tom Courtney, an analyst at Bank of America, noted, "We don't think they're going to end up with much of a return on those investments."³⁵

In June 2000, Ravi Suria, a Lehman Brothers bond analyst, published a report that questioned Amazon's ability to survive, and Amazon's stock price fell by one-fifth.³⁶ By the end of 2000, the company's share price fell below \$20, down from a high of over \$100 at the beginning of the year. Bezos lost 80% of his net worth, but he remained optimistic about the future of the company. He noted, "It has been a great business year."³⁷

Despite the 2000 dotcom collapse, Amazon expanded its customer base from 13 million to 25 million and its operations into Japan and France.³⁸ In November 2000, Amazon launched Amazon Marketplace, which allowed sellers to sell new and used items next to Amazon's product selection rather than separately through zShops.³⁹ Amazon also began offering free shipping for orders over \$100.⁴⁰ In addition, the company strengthened the management team, hiring Joseph Galli from Black & Decker as president, Jarren Kesnon from Delta Air Lines as CEO, and Jeffrey Wilker from AlliedSignal as chief logistics officer.⁴¹ Bezos remarked that prior to 2000, he had failed to create a more formal strategic planning process. He noted, "We have done a reasonable job in that area, but it's been by the seat of our pants. Not with finesse, but because we have tons of smart people who care, which is great, but [it] needs to be much more of a process."⁴² Amazon's cash balance at the end of 2000 stood at \$1.1 billion.

The new team began structuring operations. In early 2001, Amazon laid off 1,300 employees (around 15% of its workforce), closed a distribution facility, and initiated a policy of “Get the Crap Out.” This was designed to cut unprofitable products.⁴³ The company found that “more than 10 percent of the products sold from the electronic, kitchen, and tool departments lost money, while 5 percent of the book, music, and video products were losers.”⁴⁴ Bezos noted, “We’ll ferociously manage the products we carry so that we sell only products that are profitable. . . . The thirty-pound box of nails isn’t long for our world.”⁴⁵ Amazon also focused on alternative ways of making product lines profitable—for example, selling items in packs to save on shipping, reducing inventory levels, pressing vendors for more discounts, or raising prices.⁴⁶

In 2001, the company was re-organized into four operating segments: US Books, Music, and DVD/Video accounted for 54% of sales; **US Electronics, Tools, and Kitchen for 17%**; Services for 7%; and International for 22% of sales.⁴⁷ The company reported financial information for these four segments for two years only. Beginning in 2003, it reported only for two segments: North America and International.

Amazon also began offering “e-commerce solutions” to traditional retailers through three programs: Merchant@amazon.com, the Merchant Program, and the Syndicated Stores Program. In Merchant@amazon.com, a company’s products were integrated into Amazon’s website, and customers purchased products through Amazon’s one-click process. The third party would pay Amazon a fixed fee and sales commission, and Amazon offered the option of delivering and storing products for the merchant. Toys “R” Us, Target, Circuit City, Gap, and Land’s End were all part of this program. In the Merchant Program, a third party used Amazon’s software and technology, but the website was located under its own URL. Target migrated to this system in 2002. In the Syndicated Stores Program, a third-party seller’s site would use Amazon’s e-commerce services and offer Amazon’s product selection, with Amazon controlling all fulfillment and payment. This program was an outgrowth of Amazon Associates, and bookseller Borders used it for its website.⁴⁸

Amazon did not disclose revenue from these relationships, but analysts estimated that 14% of products sold in 2002 were by third parties. Jeetil Patel, a Deutsche Bank analyst, estimated that Amazon charged a commission of 10% to 15% on third-party products and that most of this commission was profit, resulting in an estimated gross margin of more than 70% for the third-party services segment.⁴⁹ In contrast, estimated margins for products that Amazon had to stock and ship were around 22%.⁵⁰

When Amazon had come under pressure in 2000, the company reduced its discounting on books. Prices were raised again in 2001, bringing growth to a halt. To revive sales, in April 2002, the company discounted all books over \$15 by 30%. In June, it dropped its Free Shipping sales minimum to \$49. Third-quarter 2002 sales for its book, music, and video unit were up 17%.⁵¹ The Free Shipping minimum was dropped again in August to an order size of \$25.⁵²

In 2002, sales reached \$3.9 billion, and Amazon posted its first yearly operating profit of \$106 million. Amazon’s shares rose 75% in 2002, while markets were generally falling.⁵³

As it turned to profitability, Amazon continued to add new categories including Apparel and Accessories (2002), Sports and Outdoor (2003), and Health and Personal Care (2003).⁵⁴

Amazon Prime

In 2005, Amazon launched Amazon Prime, a two-day delivery service for 1 million eligible products for an annual flat fee of \$79, with a one day delivery upgrade for \$3.99 (see **Exhibit 3b**).⁵⁵ Free video streaming was added to the Prime offering in 2011 (see Digital Media below).⁵⁶ Prime membership grew rapidly, reaching “tens of millions” by 2013, by which time more than 20 million items were eligible.⁵⁷ The fee was raised to \$99 in 2014, and free music streaming was added.⁵⁸ By 2015, 10 years after launch, over 30 million items sold on Amazon’s website were eligible for Prime delivery, Sunday delivery had been added, and Free Same-Day Delivery was offered on hundreds of thousands of items in 35 cities worldwide.⁵⁹ Scot Wingo of consultants ChannelAdvisor estimated that Prime members spent four times the amount of non-Prime members and accounted for half of all spending at Amazon.⁶⁰

In December 2014, Amazon launched Prime Now in Manhattan, New York, offering Prime members a range of 25,000 daily essentials for delivery in two hours for free or one hour for a charge of \$7.99. It was rolled out rapidly to major cities around the world. By the end of 2015, it was offered in more than 30 cities.⁶¹ Independent drivers made the deliveries using their own vehicles, summoned on a mobile app in much the same way as Uber offered taxi rides.⁶²

After Amazon’s acquisition of luxury grocer Whole Foods in 2017, Prime members were offered special discounts when shopping at the store, adding another benefit to the long list of benefits available.⁶³

By the end of 2017, Prime members exceeded 100 million worldwide, and they acquired 5 billion items during the year. Over 100 million items were eligible for Prime delivery in the United States. Prime Free Same-Day and Prime Free One-Day delivery were available in 8,000 cities, and Prime Now in 50 cities.⁶⁴ In May 2018, the annual fee was raised again to \$119.⁶⁵ This move triggered much debate on what the package of services was worth. Creditcards.com estimated the annual benefits at \$1,166.⁶⁶

In February 2019, market research firm Consumer Intelligence Research Partners (CIRP) reported that Prime members had reached 100 million in the US at the end of 2018, up from 90 million the year before. Prime members spent \$1,400 per year on average compared to \$600 for non-Prime members.⁶⁷

Digital Media

In 2005, Amazon moved into digital content by releasing an online service that allowed users to browse and purchase specific pages or chapters of books before physical publication (see **Exhibit 3c**).⁶⁸ This service evolved into a preliminary e-book purchasing service which allowed users to buy short stories and chapters of books.⁶⁹ In 2007, Amazon launched its Digital Text Platform which provided authors with the ability to self-publish.⁷⁰ Authors received 70% of the royalties from the sale of these e-books, retained rights control, and could see their e-books available on Amazon’s site within 24 to 48 hours of submission. Amazon also operated its own publishing arm, Amazon Publishing, started in 2009, with 14 imprints focusing on diverse genres. By 2011, Amazon was selling more digital books than physical books.⁷¹ By 2017, Amazon accounted for 83% of the US e-book market.⁷²

In 2006, Amazon partnered with all of Hollywood’s major film studios except Walt Disney and released a service called Amazon Unbox that sold movies for download for \$7.99 to \$14.99. This offering included new releases and popular television shows.⁷³ In 2011, Amazon launched Prime Instant Video, a video streaming service with 5,000 titles free to Prime members.⁷⁴ The same year, Amazon completed the acquisition of Lovefilm, a UK-based DVD rental and online video company in

which it had first invested in 2008.⁷⁵ In 2018, Amazon Prime's Instant Video was the second most popular video streaming service in the United States, behind Netflix and ahead of Hulu.⁷⁶

In May 2007, Amazon purchased Brilliance Audio, the largest independent publisher of audiobooks in the United States.⁷⁷ Amazon also began negotiating copyright contracts and developing a digital-music store, which was launched in September 2007.⁷⁸ The Prime Music streaming service, free to Prime members, was launched in 2014.⁷⁹ In March 2018, Amazon Music was the seventh largest music streaming service in the United States with 12.7 million monthly users. The leaders were Apple Music with 49.5 million users and Spotify with 47.7 million.⁸⁰ In March 2019, *eMarketer* reported that Amazon Music was on pace to grow faster than any other audio streaming service and cross the 35 million monthly listener threshold by the end of the year.⁸¹

In 2010, Amazon launched Amazon Studios to begin producing its own content. In 2013, it released 14 original pilots of television shows.⁸² The next year, it released *Transparent*, an original series that garnered Amazon Studios its first Golden Globe awards.⁸³ The 2016 Amazon Studios film *Manchester by the Sea* became the first movie from a streaming service to receive an Academy Award nomination for Best Picture.⁸⁴ In November 2017, Amazon Studios made headlines again, when it purchased the rights to a *Lord of the Rings* spinoff for \$250 million.⁸⁵ Amazon also released the hit comedy *The Marvelous Mrs. Maisel* in 2017, which went on to receive 8 Emmy Awards, including the 2018 Emmy Award for best comedy series. In 2019, Amazon was set to spend nearly \$6 billion on original content, compared to Netflix's \$15 billion.⁸⁶

In 2011, Amazon launched the Amazon Appstore for Android with 3,800 apps. The Google Android Market offered 200,000 apps at the time.⁸⁷ By early 2019, Amazon's offering had expanded to 475,000 apps. The Google Play Store offered 2.1 million. Apple offered 1.8 million.⁸⁸

In 2014, Amazon acquired Twitch, the world's leading gameplay streaming site, for \$970 million in cash.⁸⁹ The site allowed gamers to share videos of their more interesting game moments and even earn a living from doing so. Competitors included HitBox, Beam, Azubu, Bio Live, and YouTube Gaming.⁹⁰ Twitch was founded in 2011. Google's response, YouTube Gaming, was launched in 2015.⁹¹ In 2019, Twitch attracted 15 million daily users, with an average of 1.27 million concurrent viewers.⁹²

Digital Devices

Amazon's entry into digital devices came in November 2007 with the release of the Kindle, a device that allowed users to download and read books, newspapers, and magazines (see **Exhibit 3d**). The Kindle was initially priced at \$399, and the first run sold out within six hours.⁹³ By the end of 2008, Amazon had 125,000 digital books available,⁹⁴ and by 2009 this had risen to 290,000. Most were priced at or below \$9.99, sometimes less than what Amazon paid publishers.⁹⁵

In 2011, Amazon introduced the Kindle Fire, a smart tablet that offered video, gaming, and Internet capabilities, directly competing with Apple's iPad. After a series of price reductions and spec improvements, the Fire became the most popular item on Amazon.com.⁹⁶ A brand study from Consumer Intelligence Research Partners found that Amazon customers who owned a Kindle spent \$443 more per year than customers without a Kindle product.⁹⁷ In Q1 2019, Kindle accounted for 8% of global tablet sales, behind Apple (27%), Samsung (13%), and Huawei (10%).⁹⁸

Amazon continued to expand its offering, with new devices ranging from the poorly received Fire Phone – a low-priced smart phone – to the Fire TV Stick, which competed with Apple TV, Roku, and Google Chromecast, to Ring, a video-doorbell device. Most notable, however, was the suite of Alexa-

enabled devices. Alexa, a digital personal assistant that could answer questions, play music, and help with various other tasks, was first introduced with the voice-command Amazon Echo in November 2014. By 2017, Alexa-enabled devices were some of the best-selling items on Amazon, making the year a record for Amazon hardware sales. Third-party developers had created more than 30,000 skills for Alexa, and customers could control over 4,000 smart home devices using the system.⁹⁹ In September 2018, Amazon introduced a suite of upgraded and new Alexa-enabled devices for the home and, for the first time, for the car. Tom Taylor, Senior Vice President, Amazon Alexa, commented, “We want you to have access to Alexa everywhere – in your kitchen, in your living room, in your office, and now in your car or truck.”¹⁰⁰

New Categories

Fashion

In 2002 Amazon launched an Apparel & Accessories Store with merchandise from 400 labels (see **Exhibit 3e**). Amazon did not own the inventory. Two years later, it began to manage inventory for itself and began offering fine jewelry. In 2006, Amazon acquired online fashion retailer Shopbop.¹⁰¹ This was followed in 2007 with the launch of Endless, a shoe and handbag website. In 2009, it purchased Zappos, an online footwear retailer, for \$1.1 billion.¹⁰²

In 2011, the company launched MyHabit, selling heavily discounted designer fashions in competition with several other sites and added its own private-label lines. Meanwhile, it tried to woo a number of leading brands who were reluctant to sell on Amazon. Eventually, in 2016, Amazon closed MyHabit. In 2017, marking a major turning point, leading brand Nike finally agreed to sell apparel on Amazon.¹⁰³ Subsequently, a number of other major brands, including Calvin Klein, Kate Spade, and Levi Strauss, began selling on Amazon.¹⁰⁴

In April 2017, to support its fashion ambitions, Amazon began testing the Echo Look, a device with a full-length camera that allowed customers to access expert advice on their fashion choices.¹⁰⁵ Two months later, Amazon introduced a beta service called Prime Wardrobe, which let users try on clothes and return the ones they didn’t want, paying only for those they wanted to keep. Amazon offered discounts for customers who kept more items.¹⁰⁶ Meanwhile, Amazon continued to expand its private-label offerings, with a particular focus on apparel. In June 2018, 66 of Amazon’s 74 private labels included at least one apparel or fashion accessory item.¹⁰⁷ According to Morgan Stanley, Amazon would end 2018 as the biggest retailer of apparel in the US.¹⁰⁸

Groceries

In 2006, Amazon opened the Grocery Store, marking its entry into the dry grocery business, competing with the likes of Kroger and Walmart (see **Exhibit 3f**). The following year, it launched AmazonFresh in Seattle, offering perishable as well as nonperishable food deliveries. AmazonFresh expanded to Los Angeles and San Francisco in 2013.

Meanwhile, in 2010, Amazon acquired Diapers.com (Quidsi), an online baby supplies company, for \$540 million, after a brutal price war in which Amazon cut its diaper prices by 30% and launched Amazon Mom, which offered free shipping on diapers and other baby supplies.¹⁰⁹

In June 2017, Amazon acquired natural-foods retailer Whole Foods Market for \$13.7 billion. Walmart’s and Kroger’s stock prices fell sharply on the news. Whole Foods operated 460 upmarket natural-food stores, many in wealthy neighborhoods. At the time of the purchase, Whole Foods worked

with Instacart on home delivery.¹¹⁰ In February 2018, Amazon began offering free two-hour delivery of groceries from Whole Foods on orders over \$35 for its Prime customers in select cities. Prime members could also pay \$7.99 to receive their groceries within one hour.¹¹¹

As of 2018, AmazonFresh was available only to Prime members in certain markets who paid \$14.99 per month for same-day and early-morning delivery of fresh grocery items and over 500,000 other items (from toys through household goods). Amazon fulfilled part of the offering itself and partnered with local merchants to provide the rest.¹¹² In 2018, competitors included Instacart (a national grocery delivery service targeting 150 US markets) and Peapod, a Stop & Shop-centered delivery service.

Healthcare and Beauty

Amazon expanded into the healthcare space in January 2018, announcing that it was joint-venturing with JPMorgan Chase & Co. and Berkshire Hathaway to reduce healthcare costs (see **Exhibit 3g**). The announcement sent shockwaves through the industry.¹¹³ Then, in June 2018, Amazon announced that it was acquiring the online pharmacy PillPack, which provided pre-sorted and dose packaging for customers with multiple daily prescriptions. The company also coordinated prescription renewals and ordering and shipping.¹¹⁴ The acquisition was completed in September for \$753 million.¹¹⁵

In September 2019, Amazon launched a “virtual medical clinic” for its employees called Amazon Care. The program promised faster access to healthcare, giving employees the option of meeting with doctors over video or in-person. They could also pick up medicines prescribed through the service.¹¹⁶

Amazon had also become a major player in retailing beauty products online. It offered a wide range of third-party cosmetics and personal care items across three differentiated categories: luxury beauty, professional beauty, and indie beauty. In March 2019, Amazon introduced Belei, a private label focused on skin-care products.¹¹⁷ Meanwhile, beauty and personal care products had become the second most shopped category on Amazon.¹¹⁸

Amazon Marketplace

Started for third-party sellers in 2000, Amazon Marketplace accounted for 5% of units sold on Amazon within a year.¹¹⁹ By the end of 2005, analysts estimated that Amazon listed products from more than 1 million third-party retailers.¹²⁰ In 2006, Amazon launched a service to stock and fulfill orders for Marketplace users called Fulfillment by Amazon (FBA), which proved popular. FBA products were usually eligible for Prime free two-day shipping. According to an Amazon survey, 71% of FBA members reported that unit sales increased by more than 20% after they joined.¹²¹ By 2009, there were 1.9 million active sellers on Amazon Marketplace, and they accounted for 30% of all units sold.¹²² By 2014, this figure had risen to more than 40% of all units sold, over 2 billion during the year.¹²³ In 2015, Amazon began offering loans to help sellers grow.¹²⁴ In 2017, Marketplace units exceeded 50% of all unit sales on Amazon for the first time.¹²⁵

According to some analysts, Amazon’s profit margins on third-party sales were higher than on its own sales.¹²⁶ Upstream Commerce, a research company, claimed that Amazon monitored third-party sales and used the information to sell popular products and undercut sellers.¹²⁷

Amazon Web Services

In 2006, the company launched Amazon Web Services (AWS). Amazon had first become interested in developer support in July 2002, when it released product data to its third-party affiliates, who

responded very positively.¹²⁸ In 2003, Andy Jassy (Harvard Business School MBA, 1997) was tapped to begin developing a business plan for what would become AWS. In March 2006, AWS was officially launched with one product, Simple Storage Service (S3). S3 allowed users to store and retrieve data for around \$0.12 to \$0.15 per gigabyte per month. In August, AWS released the Elastic Compute Cloud (EC2), a service that allowed developers to run on Amazon's computing environment. This allowed websites to use Amazon's server and computing space on an as-needed basis for a much lower price than was traditionally available.¹²⁹ Other parts of AWS included Simple DB (database storage), Simple Queue Service, Amazon Flexible Payment Service, Amazon Premium Support, and Amazon Elastic Block Store.¹³⁰

AWS added hundreds of new service features every year and cut prices aggressively – 51 times in the first 10 years of operation.¹³¹ In recognition of its larger role in the portfolio, in 2015 Amazon started publishing separate financials for AWS. Revenues grew rapidly, reaching \$25.7 billion in 2018 (11.0% of total sales, up from 9.8% in 2017). More than half of Amazon's operating profit (\$12.4 billion) came from AWS (\$7.3 billion).¹³² By one estimate, Amazon owned more than one third of the world's cloud storage business.¹³³ Major competitors in this sector were Microsoft, Google, IBM, and Alibaba.¹³⁴

Logistics

To reach customers more quickly, Amazon continued to invest in fulfillment centers and other facilities around the world (see **Exhibit 3b**). It had also acquired robot maker Kiva Systems in 2012 to improve productivity. By October 2019, Amazon operated 342 fulfillment centers in 20 countries and was planning 58 more. It also operated 457 other materials handling facilities. One of its biggest commitments was India, where it operated 52 fulfillment centers, 18 sorting centers, and 250 delivery stations.¹³⁵ In India, Amazon competed with local leader Flipkart. In May 2018, Walmart acquired 77% of Flipkart for \$16 billion. Flipkart was founded in 2007 by two former Amazon employees.¹³⁶

As it expanded in the United States, Amazon lost its advantage of not being required to levy sales tax on customer purchases. Starting April 1, 2017, it collected taxes in all US states that had a sales tax. This change did not affect third-party sellers on Marketplace.¹³⁷

In late 2015, *The Wall Street Journal* reported that Amazon was in discussions to lease aircraft to supply its own air freight in competition with UPS, FedEx, and the US Postal Service, who counted Amazon among their biggest customers.¹³⁸ In August 2016, Amazon revealed its first aircraft, branded Prime Air, and announced that it would lease a total of 40.¹³⁹ In February 2017, Amazon announced it was to build an air cargo hub in Kentucky for \$1.5 billion.¹⁴⁰ A year later, *The Wall Street Journal* reported that Amazon was preparing to launch a new B2C service called Shipping with Amazon (SWA), directly competing with UPS and FedEx.¹⁴¹

Physical Stores

In an unexpected twist, Amazon started opening physical bookstores in 2015, with the first in Seattle (see **Exhibit 3f**). The stores displayed a limited range of books along with Amazon hardware. The seventh physical store was opened in New York in May 2017.¹⁴² The company added a number of "bookless" bookstores on college campuses where students could order textbooks and items for furnishing dorm rooms to be picked up later in the store. Students received a 50% discount on Prime membership.¹⁴³

The purchase of Whole Foods in mid-2017 marked a significant increase in Amazon's commitment to physical stores, adding 460 locations to its portfolio.¹⁴⁴

In January 2018, the company opened to the public an Amazon Go convenience store with no cash registers. This store introduced the concept of Just Walk Out (JWO) shopping. Customers simply removed products from the shelves and walked out; sensors were used to charge them automatically for their purchases.¹⁴⁵ In September 2018, *Bloomberg* reported that Amazon would open up to 3,000 Go stores by 2021.¹⁴⁶ That month, Amazon also opened a store in Manhattan called 4-Star, which sold products from Amazon with more than 4 out of 5 stars.¹⁴⁷

Physical store sales were \$4.5 billion in the final quarter of 2017, falling to \$4.4 billion in the final quarter of 2018, and \$4.3 billion in the first quarter of 2019.¹⁴⁸

Employees

To support the buildout of its logistics infrastructure, Amazon added over 81,000 new jobs in 2018, bringing the total workforce up to 647,500 full-time and part-time employees. Amazon had a number of programs in place to attract high-quality employees. The company pre-paid 95% of tuition for employees to take courses in in-demand fields in order to help employees find long-term, fulfilling career paths. The company also adopted a policy called Pay to Quit, which offered employees between \$2,000 and \$5,000 (depending on length of employment) to quit. The program was meant to encourage dissatisfied employees to leave. Amazon also began pioneering a concept called the Virtual Contact Center, which would allow employees to work from home.¹⁴⁹

In August 2015, *The New York Times* published an exposé on Amazon, suggesting that the company was "conducting a little-known experiment in how far it can push white-collar workers."¹⁵⁰ Employees were held to standards that Amazon itself described as "unreasonably high," and the internal phone directory showed employees how to send confidential feedback to each other's bosses. One ex-employee recalled, "Nearly every person I worked with, I saw cry at their desk." Bezos refuted the story and said Amazon would not tolerate the "shockingly callous management practices" it portrayed.¹⁵¹

Criticisms of Amazon's employment practices grew louder in 2018, as many decried poor working conditions in the company's warehouses, including the failure to pay its employees a living wage. In September 2018, Senator Bernie Sanders (I-Vt.) introduced a bill in the Senate called the Stop BEZOS Act, which stood for "Stop Bad Employers by Zeroing Out Subsidies Act."¹⁵² The following month, Amazon received more positive press coverage, when the company announced that it would raise its minimum wage for all US employees - including part-time and seasonal employees - to \$15 per hour.¹⁵³

Finance

Apart from the May 1997 IPO, when Amazon raised \$54 million in equity, the company had not turned to the equity markets to fund its growth. Instead, Amazon had occasionally raised debt (in 1999, 2002, 2012, and 2017), but the majority of its expansion had been funded from operating cash flows. Indeed, Amazon's cash flows were sufficiently strong to allow it to provide loans to some of its suppliers and offer significant rewards through various consumer credit offerings.

In March 2015, Amazon introduced the Prime Store Card. The card, which was administered through Synchrony Financial, was available to Prime members with no annual fee and offered 5% cash

back for all purchases on Amazon.com.¹⁵⁴ It could only be used on Amazon.com. In January 2017, Amazon launched the Prime Rewards Visa Card in partnership with JPMorgan Chase & Co. Like the Prime Store Card, this card came with no annual fee and offered 5% cash back on Amazon.com purchases, but it could also be used elsewhere for 1-2% cash back.¹⁵⁵ Consumer Intelligence Research Partners reported that owners of Amazon credit cards spent on average 16% more on the site than Prime members without a card.¹⁵⁶ More recently, in June 2019, Amazon partnered again with Synchrony Financial to launch the Amazon Credit Builder program, which offered similar perks as its other cards – though with lower credit limits – to consumers with little or poor credit history.¹⁵⁷

The Path Ahead

In early 2019, Amazon's shareholders were delighted with the company's performance (see **Exhibits 4-10**), but, for some time, Amazon had been drawing criticism at the highest level in the United States: the White House. On March 29, 2018, President Trump attacked Amazon by tweeting that the company did not pay enough taxes and implied that he might use the power of the presidency to intervene in the company's success. He also accused Amazon of driving retailers out of business and using its bargaining power to pay the US Postal Service less than cost for delivering parcels. This was not the first attack from President Trump, who had been signaling his displeasure with the company since 2015. Some suggested that Trump was motivated by Bezos's ownership of *The Washington Post*, which had publicly criticized the President.¹⁵⁸ The March attack triggered a 6% fall in the share price.¹⁵⁹

Whatever President Trump felt about Amazon, his arguments were not without merit. Amazon was not collecting sales taxes from Marketplace suppliers, even those using Fulfillment by Amazon, putting them at an advantage to both Amazon itself and all other retailers; retailers were going bankrupt around the world in the face of Amazon's onslaught; and some Wall Street analysts estimated that Amazon paid the US Postal Service 50% of what they would have to pay to UPS to deliver the same parcel.¹⁶⁰

The City of Seattle was also taking exception to Amazon's success because of the rapid rise in local rents to accommodate its burgeoning employee base. In 2018, the city proposed a \$500 per employee tax on all large employers to fund affordable housing.¹⁶¹

Meanwhile, Amazon was attracting heavy criticism for its process of choosing a city to host its second headquarters. In September 2017, Amazon announced that it was looking to build a \$5 billion second headquarters (HQ2) in North America. In response, 238 cities began competing for the honor, offering billions in tax breaks and exemptions.¹⁶² In November 2018, Amazon decided that HQ2 would be split between New York City and Arlington, Virginia.¹⁶³ Community organizers and lawmakers in New York City criticized the decision, arguing that Amazon's presence would accelerate gentrification and negatively impact the city's poor.¹⁶⁴ Facing this pressure, in February 2019, Amazon abandoned its plans for a New York City campus.¹⁶⁵

In March 2019, Amazon found itself in the crosshairs again, as US Senator and presidential candidate Elizabeth Warren called for the breakup of the United States' tech giants, including Amazon.¹⁶⁶ Then, in July 2019, the European Union launched an investigation into Amazon's use of third-party data on its platform.¹⁶⁷

Despite growing criticism, Amazon was popular with customers.¹⁶⁸ But it was clear that Amazon would continue to face scrutiny from lawmakers and regulators in the United States and abroad. Did the company's dominance threaten its very existence? Was this the opportunity for competitors to challenge the tech giant? What might happen next? And how should Amazon respond?

Exhibit 1a Amazon Financials, 1997-2004 (\$' millions)

	1997	1998	1999	2000	2001	2002	2003	2004
Total revenue	148	610	1,640	2,762	3,122	3,933	5,264	6,921
Cost of goods sold	119	476	1,349	2,106	2,324	2,940	4,007	5,319
Gross income	29	134	291	656	799	993	1,257	1,602
SG&A expense	46	149	488	700	604	630	726	887
R&D expense	12	47	185	298	244	252	257	283
Other operating expense	-	-	215	322	181	5	3	1
Operating profit	(29)	(62)	(598)	(664)	(231)	106	271	431
Interest/investment income (loss)	2	(13)	(39)	(90)	(110)	(119)	(108)	(79)
Other non-operating gains (loss)	(0)	(50)	(83)	(658)	(216)	(136)	(127)	3
EBIT	(28)	(125)	(720)	(1,411)	(557)	(150)	35	356
Income tax expense (benefit)	-	-	-	-	-	-	-	(233)
Extraordinary items	-	-	-	-	(11)	1	-	-
Net income	(28)	(125)	(720)	(1,411)	(567)	(149)	35	588
Total cash & ST investments	125	373	706	1,101	997	1,301	1,395	1,779
Total receivables	-	-	-	-	-	110	130	187
Total current assets	137	424	1,012	1,361	1,208	1,616	1,821	2,539
Net property, plant & equipment	9	30	318	366	272	239	191	199
Total assets	149	648	2,472	2,135	1,638	1,990	2,162	3,249
Total current liabilities	44	162	739	975	921	1,066	1,253	1,620
Total liabilities	121	510	2,205	3,102	3,078	3,343	3,198	3,476
Total equity	28	139	266	(967)	(1,440)	(1,353)	(1,036)	(227)
Working capital	94	263	273	386	287	550	568	919
Cash from operations	4	31	(91)	(130)	(120)	174	392	567
Cash from investing	(23)	(262)	(922)	164	(253)	(122)	237	(318)
Net debt issued	75	248	1,075	665	(10)	(15)	(495)	(157)
Net stock issued and repurchased	50	14	64	45	116	122	163	60
Other financing activities	(2)	(8)	(35)	(16)	-	-	-	-
Foreign exchange rate adjustment	-	-	-	(38)	(16)	38	67	49
Net change in cash	104	24	91	689	(282)	198	364	200
Full-time and part-time employees	614	2,100	7,600	9,000	7,800	7,500	7,800	9,000
Revenue per employee (\$'000)	241	290	216	307	400	524	675	769
Inventory turnover (turns per year)	24.9	24.8	10.8	10.7	14.6	17.0	16.1	13.8
Gross income (% of revenue)	19.5%	21.9%	17.7%	23.7%	25.6%	25.2%	23.9%	23.1%
SG&A expense (% of revenue)	30.8%	24.4%	29.8%	25.3%	19.4%	16.0%	13.8%	12.8%
R&D expense (% of revenue)	8.4%	7.7%	11.3%	10.8%	7.8%	6.4%	4.9%	4.1%
Operating profit (% of revenue)	(19.8%)	(10.1%)	(36.4%)	(24.0%)	(7.4%)	2.7%	5.1%	6.2%
Net income (% of revenue)	(18.7%)	(20.4%)	(43.9%)	(51.1%)	(18.2%)	(3.8%)	0.7%	8.5%
Working capital (% of revenue)	63.3%	43.1%	16.7%	14.0%	9.2%	14.0%	10.8%	13.3%
Diluted EPS	(\$0.11)	(\$0.42)	(\$2.20)	(\$4.02)	(\$1.56)	(\$0.39)	\$0.08	\$1.39

Source: Casewriter, based on Amazon financials, Capital IO, Inc., a division of Standard & Poor's.

Note: Amazon's fiscal years ended on December 31. Inventory turnover calculated using COGS.

Exhibit 1b Amazon Financials, 2005-2011 (\$'millions)

	2005	2006	2007	2008	2009	2010	2011
Total revenue	8,490	10,711	14,835	19,166	24,509	34,204	48,077
Cost of goods sold	6,451	8,255	11,482	14,896	18,978	26,561	37,288
Gross income	2,039	2,456	3,353	4,270	5,531	7,643	10,789
SG&A expense	1,109	1,395	1,871	2,419	3,060	4,397	6,864
R&D expense	451	662	818	1,033	1,240	1,734	2,909
Other operating expense	7	10	9	29	51	106	154
Operating profit	472	389	655	789	1,180	1,406	862
Interest/investment income (loss)	(48)	(19)	13	12	3	12	(4)
Other non-operating gains (loss)	4	7	(8)	91	(28)	86	64
EBIT	428	377	660	892	1,155	1,504	922
Income tax expense (benefit)	95	187	184	247	253	352	291
Extraordinary items	26	-	-	-	-	-	-
Net income	359	190	476	645	902	1,152	631
Total cash & ST investments	2,000	2,019	3,112	3,727	6,366	8,762	9,576
Total receivables	259	382	682	827	988	1,587	2,571
Total current assets	2,929	3,373	5,164	6,157	9,797	13,747	17,490
Net property, plant & equipment	261	335	404	682	1,099	2,182	4,068
Total assets	3,696	4,363	6,485	8,314	13,813	18,797	25,278
Total current liabilities	1,929	2,532	3,714	4,746	7,364	10,372	14,896
Total liabilities	3,450	3,932	5,288	5,642	8,556	11,933	17,521
Total equity	246	431	1,197	2,672	5,257	6,864	7,757
Working capital	1,000	841	1,450	1,411	2,433	3,375	2,594
Cash from operations	733	702	1,405	1,697	3,293	3,495	3,903
Cash from investing	(778)	(333)	42	(1,199)	(2,337)	(3,360)	(1,930)
Net debt issued	(259)	(285)	(50)	(268)	(385)	(78)	(267)
Net stock issued and repurchased	66	(217)	(157)	(89)	-	-	(277)
Other financing activities	-	102	257	159	105	259	62
Foreign exchange rate adjustment	(52)	40	20	(70)	(1)	17	1
Net change in cash	(290)	9	1,517	230	675	333	1,492
Full-time and part-time employees	12,000	13,900	17,000	20,700	24,300	33,700	56,200
Revenue per employee (\$'000)	708	771	873	926	1,009	1,015	855
Inventory turnover (turns per year)	12.3	11.4	11.1	11.5	10.6	9.9	9.1
Gross income (% of revenue)	24.0%	22.9%	22.6%	22.3%	22.6%	22.3%	22.4%
SG&A expense (% of revenue)	13.1%	13.0%	12.6%	12.6%	12.5%	12.9%	14.3%
R&D expense (% of revenue)	5.3%	6.2%	5.5%	5.4%	5.1%	5.1%	6.1%
Operating profit (% of revenue)	5.6%	3.6%	4.4%	4.1%	4.8%	4.1%	1.8%
Net income (% of revenue)	4.2%	1.8%	3.2%	3.4%	3.7%	3.4%	1.3%
Working capital (% of revenue)	11.8%	7.9%	9.8%	7.4%	9.9%	9.9%	5.4%
Diluted EPS	\$0.84	\$0.45	\$1.12	\$1.49	\$2.04	\$2.53	\$1.37

Source: Casewriter, based on Amazon financials, Capital IO, Inc., a division of Standard & Poor's.

Note: Amazon's fiscal years ended on December 31. Inventory turnover calculated using COGS.

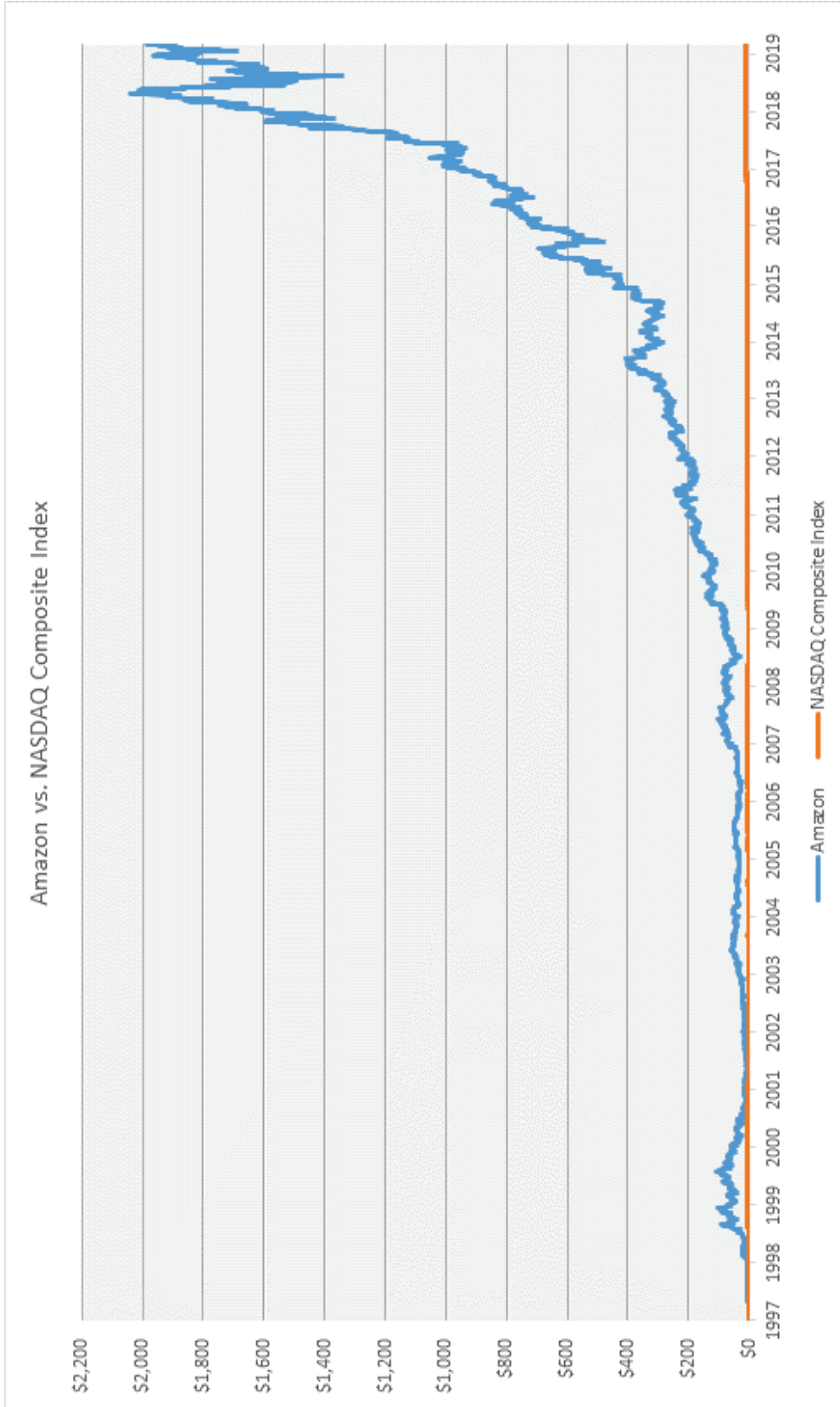
Exhibit 1c Amazon Financials, 2012-2018 (\$' millions)

	2012	2013	2014	2015	2016	2017	2018
Total revenue	61,093	74,452	88,988	107,006	135,987	177,866	232,887
Cost of goods sold	45,971	54,181	62,752	71,651	88,265	111,934	139,156
Gross income	15,122	20,271	26,236	35,355	47,722	65,932	93,731
SG&A expense	9,723	12,847	16,650	20,411	27,284	38,992	52,177
R&D expense	4,564	6,565	9,275	12,540	16,085	22,620	28,837
Other operating expense	159	114	133	171	167	214	296
Operating profit	676	745	178	2,233	4,186	4,106	12,421
Interest/investment income (loss)	(52)	(103)	(171)	(409)	(384)	(646)	(977)
Other non-operating gains (loss)	(235)	(207)	(81)	(278)	(6)	342	(174)
EBIT	389	435	(74)	1,546	3,796	3,802	11,270
Income tax expense (benefit)	428	161	167	950	1,425	769	1,197
Extraordinary items	-	-	-	-	-	-	-
Net income	(39)	274	(241)	596	2,371	3,033	10,073
Total cash & ST investments	11,448	12,447	17,416	19,808	25,981	30,986	41,250
Total receivables	3,364	4,767	5,612	6,423	8,339	13,164	16,259
Total current assets	21,296	24,625	31,327	36,474	45,781	60,197	75,101
Net property, plant & equipment	7,060	10,949	16,967	21,838	29,114	48,866	61,797
Total assets	32,555	40,159	54,505	65,444	83,402	131,310	162,648
Total current liabilities	19,002	22,980	28,089	33,899	43,816	57,883	68,391
Total liabilities	24,363	30,413	43,764	52,060	64,117	103,601	119,099
Total equity	8,192	9,746	10,741	13,384	19,285	27,709	43,549
Working capital	2,294	1,645	3,238	2,575	1,965	2,314	6,710
Cash from operations	4,180	5,475	6,842	11,920	16,443	18,434	30,723
Cash from investing	(3,595)	(4,276)	(5,065)	(6,450)	(9,876)	(27,819)	(12,369)
Net debt issued	2,790	(617)	4,426	(3,882)	(3,740)	9,860	(7,686)
Net stock issued and repurchased	(960)	-	-	-	-	-	-
Other financing activities	429	78	6	119	829	-	-
Foreign exchange rate adjustment	(29)	(86)	(310)	(374)	(212)	713	(351)
Net change in cash	2,815	574	5,899	1,333	3,444	1,188	10,317
Full-time and part-time employees	88,400	117,300	154,100	230,800	341,400	566,000	647,500
Revenue per employee (\$'000)	691	635	577	464	398	314	360
Inventory turnover (turns per year)	8.3	8.1	8.0	7.7	8.1	8.1	8.4
Gross income (% of revenue)	24.8%	27.2%	29.5%	33.0%	35.1%	37.1%	40.2%
SG&A expense (% of revenue)	15.9%	17.3%	18.7%	19.1%	20.1%	21.9%	22.4%
R&D expense (% of revenue)	7.5%	8.8%	10.4%	11.7%	11.8%	12.7%	12.4%
Operating profit (% of revenue)	1.1%	1.0%	0.2%	2.1%	3.1%	2.3%	5.3%
Net income (% of revenue)	(0.1%)	0.4%	(0.3%)	0.6%	1.7%	1.7%	4.3%
Working capital (% of revenue)	3.8%	2.2%	3.6%	2.4%	1.4%	1.3%	2.9%
Diluted EPS	(\$0.09)	\$0.59	(\$0.52)	\$1.25	\$4.90	\$6.15	\$20.14

Source: Casewriter, based on Amazon financials, Capital IO, Inc., a division of Standard & Poor's.

Note: Amazon's fiscal years ended on December 31. Inventory turnover calculated using COGS.

Exhibit 2 Amazon Stock Price



Source: Casewriter, based on data from Capital IQ Inc., a division of Standard & Poor's.

Note: Values are show from May 15, 1997, through July 9, 2019. NASDAQ figures are indexed to Amazon's split-adjusted stock price at its IPO (May 15, 1997=\$1.96).

Exhibit 3a Selected Events: Early Years (1995-2004)

Year	Event
1995	July - Amazon officially launches on July 16, 1995. Amazon.com sells first book: <i>Fluid Concepts and Creative Analogies: Computer Models of the Fundamental Mechanisms of Thought</i> , by Douglas Hofstadter.
1996	July - Amazon.com launches Associate Program, which allows users to link to the Amazon site and earn a commission on the sales generated.
1997	May - Amazon announces IPO. Amazon starts trading on the NASDAQ stock exchange under the symbol AMZN at a price of \$18 per share. September - Amazon introduces 1-Click Shopping.
1998	February - Amazon launches Advantage Program, focusing on sales of independent authors and publishers. October - First international sites are launched: Amazon.co.uk (UK) and Amazon.de (Germany). November - Opens DVD/Video Store.
1999	March - Amazon.com Auctions is launched. July - Amazon begins offering toys and electronics. September - Amazon.com launches zShops. October - Launches Camera & Photo Store. November - Expands into home improvement category. December - Expands into patio furniture and kitchenware categories. Jeff Bezos is named <i>Time Magazine</i> "Person of the Year."
2000	May - Opens Kitchen Store. August - Amazon announces Toys "R" Us Alliance. November - Amazon Marketplace is launched. Introduces first Super Saver Shipping offer (orders over \$100).
2001	April - Announces Borders Group Alliance, fulfilling orders placed at Borders.com August - Introduces In-Store Pick Up (for Toys "R" Us, Borders, and other alliance members) September - Travel Store is opened. Announces Target Stores Alliance.
2002	June - Amazon.ca (Canada) is launched. Free shipping threshold lowered to \$49. July - Amazon begins releasing product data to third-party affiliates. August - Super Saver Shipping offer threshold lowered to \$25. November - Opens Apparel & Accessories Store.
2003	September - Opens Sports & Outdoor Store. December - Opens Health & Personal Care Store.
2004	April - Opens Jewelry Store. September - Acquires Joyo.com Limited as first entry into China.

Source: Casewriter chart modified from "History & Timeline," Amazon Press Room, accessed online June 2015; and Amazon.com annual reports.

Exhibit 3b Selected Events: Distribution, International Expansion, and Prime

Year	Event
1997	November - Opens second distribution facility in New Castle, Delaware.
1998	October - First international sites are launched: Amazon.co.uk (UK) and Amazon.de (Germany).
2000	August - Enters France. November - Enters Japan. Introduces Super Saver Shipping offer (orders >\$100).
2002	June - Amazon.ca (Canada) is launched. Free shipping threshold lowered to \$49. August - Lowers Super Saver Shipping offer threshold to \$25.
2004	September - Acquires Jjoy.com Limited as first entry into China.
2005	February - Introduces Amazon Prime (unlimited express shipping for \$79/year).
2006	September - Launches Fulfillment by Amazon for SMEs.
2009	October - Launches Local Express Delivery. November - Expands Amazon Web Services into Asia.
2010	November - Enters Italy.
2011	February - Announces Prime Instant Video. September - Enters Spain. October - Amazon rolls out its first Amazon Lockers, pick-up and drop-off points initially located in convenience stores.
2012	March - Acquires warehouse robot specialist Kiva for \$775 million. December - Enters Brazil.
2013	June - Launches Amazon.in (India). November - Begins delivering packages on Sundays.
2014	March - Prime membership fee raised from \$79 to \$99 per year. June - Launches Prime Music streaming service. November - Introduces Prime Photos, offering unlimited in-app photo storage. December - Launches Prime Now: one-hour delivery of certain daily essentials.
2015	July - First Amazon Prime Day for company's 20th anniversary, offering deals across many of the site's categories.
2016	August - Unveils first Prime Air aircraft. October - Prime launches in China. December - Prime Air makes its first delivery to a customer by drone in Cambridgeshire, England.
2017	January - Introduces Amazon Prime Rewards Visa Signature Card. February - Announces the construction of an air cargo hub in Kentucky. June - Launches Prime Wardrobe.
2018	February - Introduces free two-hour delivery from Whole Foods through Prime Now. Launches Shipping with Amazon to compete directly with UPS and FedEx. April - Prime membership fee raised from \$99 to \$119 per year. Amazon announces that it has over 100 million Prime members. September - Launches Amazon.com.tr (Turkey).
2019	June - Begins to roll-out Prime Free One-Day Shipping. August - FedEx ends ground deliveries for Amazon. October - Operates 342 fulfillment centers in 20 countries.

Source: Casewriter chart modified from "History & Timeline," Amazon Press Room, accessed online June 2015; Amazon.com annual reports; Lydia DePillis and Ivory Sherman, "Amazon's Extraordinary 25-Year Evolution," *CNN Business*, October 4, 2018, accessed online October 2019; Kaya Yurieff, "Everything Amazon has added to Prime over the years," *CNN Business*, April 28, 2018, accessed online October 2019; Josh Holder and Alex Hern, "Bezos's empire: how Amazon became the world's most valuable retailer," *The Guardian*, April 24, 2018, accessed online October 2019; Lauren Feiner, "Amazon starts to roll out free one-day delivery for Prime members," *CNBC*, June 3, 2019, accessed online October 2019; Laura Stevens, "Amazon to Launch Delivery Service That Would Vie With FedEx, UPS," *Wall Street Journal*, February 9, 2018, accessed online October 2019; Paul Ziobro and Dana Mattioli, "FedEx to End Ground Deliveries for Amazon," *Wall Street Journal*, August 7, 2019, accessed online October 2019; "Amazon Locker pilot program goes live," *The Verge*, October 14, 2011, accessed online October 2019; and MWVPL International, "Amazon Global Fulfillment Center Network," accessed online October 2019.

Exhibit 3c Selected Events: Digital Media

Year	Event
2005	November - Allows users to browse and purchase specific pages or chapters of a book online before physical publication.
2006	September - Amazon Unbox service is available, a digital video download service with DVD-quality picture.
2007	May - Acquires Brilliance Audio, the largest independent audiobook publisher in the US. September - Public beta of Amazon MP3 is launched. November - Launches Digital Text Platform (later renamed Kindle Direct Publishing), allowing authors to self-publish their books on Amazon.
2008	January - Buys Audible.com for \$300 million.
2009	November - Amazon Publishing launches.
2010	June - Begins offering 70% royalty option for publishers on the Kindle Digital Text Platform. November - Launches Amazon Studios.
2011	January - Acquires LoveFilm International Limited. February - Announces Prime Instant Video. March - Launches Amazon Appstore for Android. May - Amazon.com now selling more Kindle books than print books. September - Introduces Amazon Silk, a web browser developed for Kindle Fire. November - Introduces The Kindle Owners' Lending Library.
2014	June - Launches Prime Music. July - Launches Kindle Unlimited, an e-book subscription, for \$9.99 per month. August - Acquires Twitch, a video-game streaming service. September - Launches first television series, <i>Transparent</i> . October - Releases Amazon Fire TV Stick, a streaming media stick.
2015	December - Amazon Studios releases its first original movie, <i>Chi-Raq</i> , in theaters.
2017	January - Amazon Studios film <i>Manchester By the Sea</i> becomes the first movie from a streaming service to receive an Academy Award nomination for Best Picture. November - Acquires rights to a spinoff of <i>Lord of the Rings</i> for \$250 million.
2018	September - Amazon Studios show <i>The Marvelous Mrs. Maisel</i> wins 8 Emmy Awards, including Best Comedy.
2019	January - Amazon Publishing has 15 different imprints. September - Amazon Studios show <i>Fleabag</i> wins Best Comedy at the Emmys.

Source: Casewriter chart modified from "History & Timeline," Amazon Press Room, accessed online June 2015; Amazon.com annual reports; Amazon website, "Amazon.com Announces Plans for Innovative Digital Book Programs That Will Enable Customers to Purchase Online Access to Any Page, Section, or Chapter of a Book, as Well as the Book in Its Entirety," press release, November 3, 2005, accessed online October 2019; Kaya Yurieff, "Everything Amazon has added to Prime over the years," *CNN Business*, April 28, 2018, accessed online October 2019; and Josh Holder and Alex Hern, "Bezos's empire: how Amazon became the world's most valuable retailer," *The Guardian*, April 24, 2018, accessed online October 2019.

Exhibit 3d Selected Events: Digital Devices

Year	Event
2007	November - Amazon introduces the first Kindle for \$399. The first run sells out in just six hours.
2009	February - Launch of 2nd generation Kindle for \$359. December - Kindle is the most gifted item on Amazon.com
2011	September - Amazon launches Kindle Fire for \$199, competing with Apple's iPad, which costs \$499. Also launches Kindle Touch, and Kindle Touch 3G. November - Releases first touch-screen Kindle device.
2012	September - Launches first Kindle Fire HD. October - Releases first Kindle Paperwhite device, with a built-in front light.
2014	April - Introduces Amazon Dash Wand, allowing customers to scan grocery items on their shelves and order them immediately through AmazonFresh. June - Launches Amazon Fire Phone. September - New Kindle Fire HD starts at \$99. October - Releases Amazon Fire TV Stick, a streaming media stick. New Kindle 7 is the first basic Kindle device without any buttons. November - Unveils the Amazon Echo for Prime members, a voice-command device that answered questions, played music, and acted as a personal assistant named Alexa; costs \$99. Releases Amazon Dash Button, a one-click ordering button that users could put around their home to order household staples.
2015	March - Introduces the Alexa-enabled Amazon Tap - a Bluetooth speaker - for \$130 and the Echo Dot - a smaller version of the Echo - for \$90. June - Launches the Alexa-enabled Echo to the general public for \$149. Amazon introduces its own font - called Bookerly - for its digital reading devices.
2016	April - Launches new Kindle Oasis device - the thinnest Kindle yet; comes with dual-battery system and compatible for one-handed reading; starting at \$290. September - Alexa launches in the UK and Germany
2017	March - Alexa has over 10,000 skills. April - Introduces the Echo Look, with an Alexa-enabled camera; designed to help users curate their fashion choices. May - Introduces the Echo Show; capable of video calling and media streaming. October - Introduces Kindle Oasis 2, the first waterproof Kindle device.
2018	April - Completes acquisition of doorbell-camera startup Ring for \$839 million. September - Launches a suite of upgraded Alexa-enabled devices, including the first Echo Auto, which hooked up to a user's smartphone.

Source: Casewriter chart modified from "History & Timeline," Amazon Press Room, accessed online June 2015; Amazon.com annual reports; Piotr Kowalczyk, "A timeline of Kindle devices and services," *Ebook Friendly*, July 14, 2019, accessed online October 2019; Sarah Buhr, "Amazon adds the \$130 Tap and the \$90 Dot to the Echo family," *TechCrunch*, March 3, 2016, accessed online October 2019; and Ava Mutchler, "Amazon Alexa Turns Four Today," *Voicebot.ai*, November 6, 2018, accessed online October 2019.

Exhibit 3e Selected Events: Fashion

Year	Event
1998	December - Launches Shop the Web Service, allowing customers to find categories not sold on Amazon.com.
1999	September - Launches zShops for third-party merchants.
2000	November - Amazon Marketplace is launched.
2001	September - Announces Target Stores Alliance.
2002	November - Opens Apparel & Accessories Store; includes 400 labels.
2004	Amazon begins holding stock. April - Opens Jewelry Store.
2006	February - Acquires Shopbop.com, a website selling women's apparel and accessories from 75 designers.
2007	January - Launches Endless.com, a shoe and handbag website that offers over 15,000 styles and free overnight shipping on all products.
2008	June - Acquires Fabric.com, a craft supplies retailer.
2009	July - Acquires Zappos.com for \$1.2 billion.
2011	May - Launches MyHabit, selling deeply discounted premium designer fashions.
2012	May - Co-sponsors the Costume Institute Gala at the New York Met. October - Amazon considers making a bid for UK online clothing retailer ASOS.
2013	March - Partners with designer Derek Lam for his 10 Crosby line of apparel. October - Launches Amazon Fashion Studio Sessions, a contest for students from top design schools.
2014	Amazon ends partnership with Derek Lam.
2015	Amazon begins hiring employees to develop private-label fashion brands. October - Acquires rights to the Conde Nast TV Show <i>The Fashion Fund</i> , a 10-episode, weekly unscripted series which follows the Council of Fashion Designers of America (CFDA)/Vogue Fashion Fund competition
2016	February - Analysts report that Amazon had trademarked seven brands and introduced 1,800 SKUs of private-label apparel March - Introduces <i>Style Code Live</i> , a fashion program that streamed live for 30 minutes daily from Monday through Thursday. April - Closes MyHabit.
2017	April - Launches Echo Look, a new "smart" speaker device that included a camera and a program called Style Check which helped users select clothing items. May - Cancels <i>Style Code Live</i> June - Nike begins selling products directly to Amazon. Introduces Prime Wardrobe, which let customers try on and return clothes for free. December - Announces new private label - Buttoned Down - focusing on men's dress shirts starting at \$39; available to Prime members only.
2018	Analysts suggest that Amazon would become the largest retailer of apparel in the United States in 2018.
2019	February - Introduces <i>Amazon Live</i> , a live-stream video program featuring panel discussions of Amazon's private-label products.

Source: Casewriter chart modified from "History & Timeline," Amazon Press Room, accessed online June 2015; Amazon.com annual reports; Jason Kincaid, "Amazon Gets Some New Threads, Acquires Fabric.com," *TechCrunch* June 25, 2008, accessed online October 2019; "Amazon Announces Myhabit.com, a New Private Sale Site Featuring Hand-Picked Styles from Top Designer and Boutique Brands," *BusinessWire*, May 3, 2011, accessed online October 2019; Evan Clark, "Amazon Shuttering Myhabit.com," *WWD*, April 21, 2016, accessed online October 2019; Lauren Levinson, "Amazon Fashion Welcomes 10 Crosby Derek Lam," *Elle*, March 7, 2013, accessed online October 2019; Katherine Rushton, "Amazon weighs bid for online fashion retailer Asos," *The Telegraph*, October 20, 2012, accessed online October 2019; Vanessa Friedman, "Will the Met Gala Make Fashion Love Yahoo?" *New York Times*, May 4, 2015, accessed online October 2019; Todd Spangler, "Amazon Buys 'Fashion Fund' Reality Series from Conde Nast," *Variety*, October 2, 2015, accessed online October 2019; Sarah Perez, "Amazon cancels its QVC-like shopping show 'Style Code Live,'" *TechCrunch*, May 30, 2017, accessed online October 2019; and Sarah Perez, "'Amazon Live' is the retailer's latest effort to take on QVC with live-streamed video," *TechCrunch*, February 8, 2019, accessed online October 2019.

Exhibit 3f Selected Events: Groceries and Physical Stores

Year	Event
2006	July - Opens Grocery Store online, offering dry goods from over 1,200 brands.
2007	August - Announces beta testing of AmazonFresh, delivering groceries directly to consumers in Seattle.
2010	November - Acquires Diapers.com (Quidsi) for \$545 million.
2013	June - AmazonFresh expands to Los Angeles, its first market outside of Seattle; the service would cost \$299 per year and would cover the cost of Prime membership.
2014	October - Amazon opens its first in-mall pop-up store in Westfield San Francisco Center, featuring upscale Amazon digital devices.
2015	November - Amazon opens its first physical bookstore in Seattle; called Amazon Books, the store would also sell Amazon digital devices like the Kindle, Echo, and Fire TV.
2016	June - AmazonFresh expands to London. December - Launches Amazon Go to Amazon.com employees; Go was a grocery store with no cashiers.
2017	March - Launches AmazonFresh Pickup, a drive-in grocery store for Prime members. May - Opens its seventh physical bookstore in New York. June - Acquires Whole Foods Market for \$13.7 billion, bringing 460 natural foods stores into its portfolio.
2018	January - Launches Amazon Go to the public in Seattle. February - Introduces free two-hour delivery from Whole Foods Market through Prime Now. September - Opens its first 4-Star store in New York, featuring products from Amazon.com with more than 4 out of 5 stars.
2019	March - Shuts down all 87 of its pop-up locations. May - Launches Presented by Amazon kiosks in four malls across the US; the kiosks offered "a themed selection of top brands, frequently updated and presented to you by Amazon." July - Opens three more Go stores in Seattle and Chicago, bringing the total to 17 locations in Seattle, Chicago, San Francisco, and New York.

Source: Casewriter chart modified from "History & Timeline," Amazon Press Room, accessed online June 2015; Amazon.com annual reports; Amazon website, "Amazon.com Announces the Launch of Its Grocery Store," press release, July 17, 2006, accessed online October 2019; Craig Harris and John Cook, "Amazon starts grocery delivery service," *Seattle Pi*, August 1, 2007, accessed online October 2019; "Confirmed: Amazon Spends \$545 Million On Diapers.com Parent Quidsi," *TechCrunch*, November 8, 2010, accessed online October 2019; Sarah Perez, "Amazon Bets On Web Groceries, Expands AmazonFresh to L.A.," *TechCrunch*, June 10, 2013, accessed online October 2019; Tricia Duryee, "Amazon slated to open pop-up retail store in upscale San Francisco mall," *GeekWire*, October 13, 2014, accessed online October 2019; Max Slater-Robins, "Amazon is opening a physical bookstore that has one key difference from traditional shops," *Business Insider*, November 3, 2015, accessed online October 2019; Matt Day, "Amazon Go cashierless convenience store opens to the public in Seattle," *Seattle Times*, January 21, 2018, accessed online October 2019; Darrell Etherington, "Amazon debuts AmazonFresh Pickup, drive-up groceries delivered to your truck," *TechCrunch*, March 28, 2017, accessed online October 2019; Lauren Thomas and Sarah Whitten, "Amazon just opened a new store that sells popular items from its website. Here's what it looks like inside," *CNBC*, September 27, 2018, accessed online October 2019; Esther Fung, "Amazon to Shut All U.S. Pop-Up Stores as It Rethinks Physical Retail Strategy," *Wall Street Journal*, March 6, 2019, accessed online October 2019; Chris Welch, "Amazon still hasn't fully given up on its mall kiosks," *The Verge*, May 24, 2019, accessed online October 2019; and Nat Levy, "3 More Amazon Go stores on the way in Seattle and Chicago, bringing total footprint to 17 locations," *GeekWire*, July 22, 2019, accessed online October 2019.

Exhibit 3g Selected Events: Other Categories

Year	Event
2005	May - Introduces Amazon Wedding.
2006	March - Launches Amazon Simple Storage Service (S3). September - Launches Fulfillment by Amazon for SMEs.
2008	October - Acquires gaming company Reflexive Entertainment.
2009	July - Introduces AmazonWireless and launches Outdoor Recreation Store. Also launches Pinzon, a private-label bedding and bath brand. September - Launches AmazonBasics private label, initially focused on consumer electronics products.
2010	November - Introduces Price Check by Amazon. December - Invests \$175 million in local deal site LivingSocial.
2011	March - Introduces Amazon Cloud Drive, Amazon Cloud Player for Web, and Amazon Cloud Player for Android. April - Announces Amazon Deals App. June - Launches AmazonLocal, a daily deal service.
2013	August - Launches Amazon Art.
2015	Launches Amazon Tickets in the UK, competing with online ticketing service Ticketmaster. January - Announces partnership to build wind farms to power Amazon Web Services. Launches Amazon WorkMail, a cloud-based business email and calendar service. March - Launches Amazon Home Services, a marketplace for professional services such as plumbing, landscaping, etc. April - Launches Amazon Business, an online marketplace tailored for business customers.
2016	January - Launches STEM Club, a subscription service that delivered educational toys to your home.
2017	November - Adds private-label furniture brands Rivet and Stone & Beam.
2018	January - Announces partnership with Berkshire Hathaway and JPMorgan Chase to improve health care for employees. March - Closes Amazon Tickets. May - Launches Wag, a private-label petcare brand. September - Completes acquisition of online pharmacy PillPack for \$753 million.
2019	March - Launches Belei, a private label focused on skin-care products. September - Tests Amazon Care, a healthcare app that promised easier access to health professionals, with its employees in Seattle.

Source: Casewriter chart modified from "History & Timeline," Amazon Press Room, accessed online June 2015; Amazon.com annual reports; "Amazon Snaps Up Video Game Provider Reflexive," *TechCrunch*, October 21, 2008, accessed online October 2019; Mark Brohan, "Amazon accelerates its private-label strategy," *Digital Commerce 360*, July 8, 2009, accessed online October 2019; Darren Murph, "AmazonBasics: Bezos and Co. starts private-label consumer electronics line," *Engadget*, September 20, 2009, accessed online October 2019; Jason Del Rey, "Amazon has big plans to expand its online tickets business," *Recode*, November 22, 2016, accessed online October 2019; Dave Smith, "Now you can book a plumber or housecleaner on Amazon in 60 seconds," *Business Insider*, March 30, 2015, accessed online October 2019; Chaim Gartenberg, "Amazon will now send your kids tech and science toys for \$20 a month," *The Verge*, January 24, 2017, accessed online October 2019; tickets.amazon.co.uk, accessed October 2019; Spencer Soper, "Amazon Launches Own Pet Product Brand, Wag; Starts With Food," *Bloomberg*, May 2, 2018, accessed online October 2019; and Christina Farr, "Amazon launches Amazon Care, a virtual medical clinic for employees," *CNBC*, September 24, 2019, accessed online October 2019.

Exhibit 4 Amazon Market Share in Select Categories

Category	Geography	Year	Amazon Share
Apparel and footwear internet retailing	United States	2018	45.2%
Apparel and footwear internet retailing	World	2018	15.2%
Supermarkets	United States	2018	3.0%
Supermarkets	World	2018	0.8%
Retailing	United States	2018	7.7%
Retailing	World	2018	3.1%
Internet retailing	United States	2018	52.5%
Internet retailing	World	2018	25.0%
Consumer electronics	United States	2018	7.5%
Consumer electronics	World	2018	1.6%
Cloud (PaaS)	World	2018	25.2%
Cloud (IaaS)	World	2017	41.5%
Digital assistant (i.e., Alexa)	World	2017	62.0%
E-books	United States	2017	83.3%

Source: Compiled from Amazon.com Inc Company Shares, Euromonitor International, accessed July 2019; "Distribution of cloud Platform as a Service (PaaS) market revenues worldwide from 2015 to June 2018, by vendor," via *Statista*, <https://www.statista.com/statistics/540521/worldwide-cloud-platform-revenue-share-by-vendor/>, accessed July 2019; Cameron Coles, "Cloud Market in 2018 and Predictions for 2021," *Skyhigh Networks*, <https://www.skyhighnetworks.com/cloud-security-blog/microsoft-azure-closes-iaas-adoption-gap-with-amazon-aws/>, accessed July 2019; "Worldwide intelligent/digital assistant market share in 2017 and 2020, by product," via *Statista*, <https://www.statista.com/statistics/789633/worldwide-digital-assistant-market-share/>, accessed July 2019; AuthorEarnings, "Distribution of e-book unit sales in the United States as of February 2017, by retailer," via *Statista*, accessed May 2018.

Exhibit 5 Size of the U.S. Retail Market and Its Primary Channels, 2004-2018 (\$'billions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Retailing	2,100	2,210	2,313	2,382	2,410	2,358	2,431	2,538	2,642	2,716	2,820	2,941	3,039	3,139	3,254
In-store retailing	1,910	2,002	2,086	2,135	2,157	2,104	2,154	2,230	2,301	2,351	2,419	2,489	2,529	2,572	2,620
Non-store retailing	190	209	227	247	253	254	277	307	341	365	401	452	510	567	634
Non-store breakdown															
Internet retailing	54	68	85	102	110	116	134	158	184	212	245	285	330	383	444
Home shopping	105	109	110	113	112	110	116	121	128	125	126	136	149	154	159
Direct selling	25	25	27	26	25	23	23	22	23	23	24	25	25	24	25
Vending	5	6	6	6	6	5	5	5	5	6	5	6	6	6	6

Source: Casewriter, based on data from Retailing Market Sizes, Euromonitor International, accessed July 2019.

Exhibit 6a Market Shares of Overall Retailing in the United States, 2009-2018 (%)

2018 Rank	Company	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	Walmart Inc	12.5	12.1	11.9	11.9	11.8	11.7	11.6	11.6	11.7	11.6
2	Amazon.com Inc	0.6	0.8	1.2	1.6	2.1	2.6	3.3	4.3	6.0	7.7
3	CVS Health Corp	-	-	-	-	-	3.5	3.6	3.8	3.9	3.9
4	Kroger Co	2.8	2.8	2.9	2.8	2.9	3.1	3.3	3.2	3.3	3.2
5	Walgreens Boots Alliance	-	-	-	-	-	2.7	2.7	2.7	2.9	2.9
6	Costco Wholesale Corp	1.8	1.8	1.9	2.0	2.0	2.1	2.2	2.2	2.3	2.4
7	Target Corp	2.7	2.7	2.7	2.7	2.6	2.6	2.5	2.3	2.3	2.3
8	Home Depot Inc, The	1.6	1.6	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.9
9	Albertsons Cos Inc	0.2	0.2	0.1	0.1	0.8	0.9	1.9	1.8	1.8	1.7
10	Lowe's Cos Inc	1.4	1.4	1.4	1.3	1.3	1.3	1.3	1.4	1.4	1.4
11	Express Scripts	-	-	-	1.5	1.4	1.4	1.4	1.4	1.4	1.3
12	Ahold Delhaize NV	-	-	-	-	-	-	-	1.4	1.4	1.3
13	Best Buy Co Inc	1.5	1.4	1.4	1.3	1.2	1.2	1.2	1.1	1.2	1.2
14	Publix Super Markets Inc	1.0	1.0	1.1	1.0	1.1	1.1	1.1	1.1	1.1	1.1
15	Apple Inc	0.4	0.5	0.7	0.8	0.8	0.9	0.9	0.9	0.9	1.0
16	TJX Cos Inc, The	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.9	0.9
17	eBay Inc	0.4	0.5	0.5	0.6	0.7	0.8	0.8	0.9	0.9	0.8
18	Dollar General Corp	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.8
19	Macys Inc	1.0	1.0	1.0	1.0	1.0	1.0	0.9	0.8	0.8	0.8
20	Rite Aid Corp	1.1	1.0	1.0	1.0	1.0	1.0	0.9	0.9	0.8	0.7

Source: Casewriter, based on Retailing Company Shares, Euromonitor International, accessed July 2019.

Note: This table includes all companies that were in the top 20 in 2018.

Exhibit 6b Market Shares of Internet Retailing in the United States, 2009-2018 (%)

2018 Rank	Company	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1	Amazon.com Inc	12.0	15.3	19.7	23.3	26.7	30.0	34.3	39.1	45.1	52.5
2	eBay Inc	8.4	8.4	8.3	8.6	9.1	9.3	8.7	7.8	7.3	6.2
3	Walmart Inc	2.3	2.5	2.5	2.9	3.0	3.1	3.0	3.2	3.9	4.5
4	Apple Inc	3.1	3.3	3.7	4.5	4.8	4.6	4.4	3.7	3.6	3.5
5	Macys Inc	0.8	0.9	1.0	1.3	1.6	1.9	2.1	2.0	1.9	1.9
6	Qurate Retail Inc	-	-	-	-	-	-	-	-	-	1.6
7	Best Buy Co Inc	1.5	1.5	1.5	1.4	1.4	1.4	1.4	1.5	1.6	1.5
8	Home Depot Inc, The	0.6	0.6	0.6	0.7	1.0	1.1	1.2	1.3	1.3	1.4
9	Wayfair LLC	-	-	0.2	0.2	0.3	0.4	0.7	0.9	1.0	1.3
10	Target Corp	0.7	0.7	0.7	0.7	0.7	0.8	0.9	0.9	1.0	1.1
11	Nordstrom Inc	0.5	0.5	0.7	0.8	0.9	1.0	1.0	1.0	1.0	1.0
12	Costco Wholesale Corp	1.5	1.4	1.2	1.1	1.0	1.0	0.9	0.9	0.9	1.0
13	Kohl's Corp	0.4	0.5	0.6	0.8	0.8	0.8	0.9	0.9	0.9	0.9
14	Wish	-	-	-	-	-	0.1	0.4	0.7	0.8	0.9
15	PetSmart Inc	-	-	-	-	-	-	-	-	0.5	0.7
16	Lowe's Cos Inc	0.1	0.2	0.2	0.3	0.4	0.4	0.5	0.5	0.6	0.7
17	L Brands Inc	-	-	-	-	0.8	0.7	0.7	0.6	0.6	0.7
18	Gap Inc, The	0.9	0.9	0.9	0.9	0.9	0.8	0.7	..7	0.6	0.6
19	Williams-Sonoma Inc	0.8	0.9	0.9	0.9	0.9	0.9	0.8	0.7	0.7	0.6
20	Newegg.com Inc	1.8	1.7	1.3	1.2	1.0	0.9	0.8	0.7	0.6	0.5

Source: Casewriter, based on Internet Retailing Company Shares, Euromonitor International, accessed July 2019.

Note: This table includes all companies that were in the top 20 in 2018.

Exhibit 6c Brand Shares of Portable Players in the United States, 2009-2018 (%)

Brand	Company	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Amazon Echo	Amazon.com Inc	-	-	-	-	-	0.1	7.3	12.6	27.7	34.7
Google Home	Alphabet Inc	-	-	-	-	-	-	-	0.7	9.8	10.0
Kindle	Amazon.com Inc	3.9	13.7	23.7	17.4	18.7	20.0	17.5	12.6	8.0	6.2
JBL	Samsung Corp	-	-	-	-	-	-	-	-	5.0	4.4
iPod	Apple Inc	41.6	37.6	30.4	32.8	25.9	17.9	13.5	9.0	5.7	4.3
Bose	Bose Corp	-	-	-	-	1.3	2.9	3.8	4.8	3.7	3.2
Ultimate Ears	Logitech Int'l	-	-	-	-	1.2	2.7	3.5	4.3	3.4	3.0
HomePod	Apple Inc	-	-	-	-	-	-	-	-	-	2.5
Sony	Sony Corp	4.8	5.9	5.8	6.4	7.1	6.6	5.4	4.4	3.0	2.5
Kobo	Rakuten Inc	-	-	1.3	2.4	4.2	4.2	3.5	2.5	1.4	1.0
SanDisk	Western Digital	-	-	-	-	-	-	-	1.9	1.2	0.9
Beats	Apple Inc	-	-	-	-	-	0.6	0.8	0.9	0.8	0.7
Sonos	Sonos Inc	-	-	-	-	0.3	0.5	0.6	0.7	0.6	0.6
Samsung	Samsung Corp	2.5	2.7	3.0	4.3	3.4	3.0	1.8	1.1	0.7	0.5
Nook	Barnes & Noble	0.5	3.2	3.7	4.7	3.5	2.0	0.9	0.5	0.2	0.2

Source: Casewriter, based on Portable Players Brand Shares, Euromonitor International, accessed July 2019.

Note: Euromonitor's "Portable Players" category included e-readers and portable media players.

Exhibit 7 Leading Online Retailers in the World's Top 25 Retail Markets, 2018

Rank	Country	Retail Market (\$ millions)	Online Retail (\$ millions)	Share of Retail Done Online	Leading Online Retailer	Share of Online Retail
1	United States	3,254,058	444,354	13.7%	Amazon	52.5%
2	China	2,485,533	587,879	23.7%	Alibaba	41.0%
3	Japan	1,016,262	87,265	8.6%	Amazon	26.0%
4	India	631,124	32,701	5.2%	Walmart	44.3%
5	Germany	598,660	66,132	11.0%	Amazon	47.2%
6	France	562,017	49,419	8.8%	Amazon	16.6%
7	United Kingdom	506,326	86,156	17.0%	Amazon	30.8%
8	Russia	353,683	17,768	5.0%	Alibaba	11.8%
9	Italy	346,087	18,122	5.2%	eBay	20.3%
10	Canada	326,062	30,142	9.2%	Amazon	7.1%
11	South Korea	299,188	71,747	24.0%	eBay	18.0%
12	Brazil	257,903	18,622	7.2%	Lojas Americanas SA	25.1%
13	Spain	241,974	11,145	4.6%	Amazon	11.9%
14	Australia	216,972	21,683	10.0%	eBay	5.6%
15	Mexico	195,471	7,651	3.9%	Amazon	11.4%
16	Indonesia	152,688	4,305	2.8%	Alibaba	21.2%
17	Poland	124,699	8,413	6.7%	Grupa Allegro Sp zoo	36.0%
18	Netherlands	123,822	16,950	13.7%	Koninklijke Ahold Delhaize NV	16.7%
19	Turkey	123,564	6,031	4.9%	D-Market Elektronik Hizmetler	17.3%
20	Iran	116,855	884	0.8%	N/A	N/A
21	Thailand	113,783	2,323	2.0%	Alibaba	23.3%
22	Vietnam	108,041	2,186	2.0%	Mobile World JSC	21.3%
23	Saudi Arabia	105,888	2,385	2.3%	Amazon	43.5%
24	Switzerland	104,652	7,064	6.7%	Migros Genossenschaftsbund eG	16.8%
25	Taiwan	94,140	10,167	10.8%	PC Home Online	9.2%
	Top 25	12,459,452	1,611,494	12.9%	N/A	N/A
	Rest of World	2,511,373	107,717	4.3%	N/A	N/A
	World	14,970,825	1,719,211	11.5%	Amazon	25.0%

Source: Casewriter, based on data compiled from Euromonitor International, accessed July 2019.

Note: Data for Iran was modelled. Amazon was #2 in India, with 30.0% share; Walmart bought the #1 player (Flipkart) in India for \$16 billion in 2018. Amazon was also #2 in Italy, with 15.3% share.

Exhibit 8a Amazon Competitors: Financials (\$'millions)

Company	Revenue	2017 Online GMV	Op. Profit	Op. Margin	Net Income	Market Cap.	Services
Amazon	232,887	239,000	12,421	5.3%	10,073	978,903	Amazon was primarily an online retailer and marketplace for third-party retailers. It also manufactured and retailed hardware, published books and other media, offered computing and data services, provided advertising and payment services, and hosted streaming content.
Walmart	514,405	19,000	22,117	4.3%	6,670	322,241	Walmart was a mass-market discount retailer that also offered fuel and financial services. In 2016, it acquired e-commerce site Jet.com. Walmart operated 11,718 stores in 28 countries and e-commerce websites in 11 countries and regions.
Apple	265,595	NA	70,898	26.7%	59,531	925,920	Apple designed, manufactured, marketed, and retailed devices including mobile phones, tablets, computers, and digital media players. It also sold software, services incl. cloud storage and mobile payment, accessories, and digital content.
Microsoft	110,360	NA	35,058	31.8%	16,571	1,045,668	Microsoft developed, licensed, and marketed software, services, and hardware. Offerings included phones, the Windows Store for apps, advertising, and retail stores. It licensed server products and operating systems and provided cloud svcs.
Alphabet (Google)	136,819	NA	31,392	22.9%	30,736	780,719	Most of Alphabet's revenue came from Google, which provided advertising to companies targeting Internet searchers. It managed the Android mobile operating system and offered video through YouTube, payment processing, Google Apps, and hardware including computers.
Best Buy	42,879	NA	1,971	4.6%	1,464	19,190	Best Buy retailed consumer electronics and appliances through 1,500 stores in North America as well as through its website. It also provided services.
JD.com	67,177	215,000	(378)	(0.6%)	(362)	46,005	JD.com was a Chinese online retailer and third-party marketplace, with services incl. advertising, transaction processing, financing, and fulfillment for third parties.
Facebook	55,838	NA	24,913	44.6%	22,112	568,643	Facebook operated its eponymous social-media site as well as Instagram and WhatsApp. It also developed virtual-reality technology through Oculus.
Alibaba	56,148	>768,000	9,179	16.3%	13,095	450,909	Alibaba operated several online marketplaces. It also provided B2B services, including marketing, advertising, data mgmt, cloud computing, and payments.
eBay	10,746	93,000	2,308	21.5%	2,530	34,809	eBay operated e-commerce platforms, including the third-party marketplace eBay.com. It owned PayPal until 2015.
Netflix	15,794	NA	1,605	10.2%	1,211	166,113	Netflix delivered TV shows and movies to subscribers via the Internet and the mail.

Source: Casewriter, based on business descriptions and financials, Capital IQ, Inc., a division of Standard & Poor's; GMV data from Adam Levy, "The 7 Largest E-Commerce Companies in the World," *The Motley Fool*, December 26, 2018, <https://www.fool.com/investing/2018/12/26/the-7-largest-e-commerce-companies-in-the-world.aspx>, accessed July 2019.

Note: Market capitalization data are as of July 10, 2019. Financial data are for the fiscal year closest to calendar 2018.

Exhibit 8b Amazon Competitors: Sectors of Competition

Company	Online Retailer		Third-Party Marketplace	Music Downloads	Video Streaming/Downloads	Hardware		Payment Processing
	Yes	No				Design/Manufacturing		
Amazon	Yes		Amazon Marketplace	Amazon Music	Amazon Prime offered free video streaming for members, paid streaming for new releases, and paid downloads	E-readers, tablets, digital media players, voice-command devices, and mobile phones		Amazon Payments
Walmart	Yes		Walmart Marketplace	Discontinued in 2011	Walmart in 2010 purchased Vudu, which enabled direct-to-TV streaming	VUDU Spark Streaming Media Player		Walmart Pay
Apple	Yes	No	No	iTunes (Apple Music for streaming)	iTunes offered TV shows and movies for download or rent	Mobile phones, tablets, computers, digital media players, watches, accessories		Apple Pay
Microsoft	Yes	No	No	No	No	Video-game consoles, mobile phones, computers, tablets		PayPal Here
Alphabet (Google)	Yes		Google Shopping allowed consumers to compare prices and click through directly to other retailers' websites	Google Play	Chromecast	Mobile phones, digital media players, computers		Google Wallet
Best Buy	Yes		Best Buy Marketplace closed in 2016	No	Best Buy sold off CinemaNow in 2014	Some private-label products		No (accepted Apple Pay and Android Pay)
JD.com	Yes	Yes	Yes	No	No	No		Yes
Facebook	No		Facebook Marketplace was shut down in 2014 and relaunched in 2016	No	No	Facebook Portal Smart Speaker		Users could send mobile payments through Facebook Messenger
Alibaba	No	Yes	Yes	Xiami	Tmall Box Office launched in 2015	Tmall Genie Smart Speaker		Alipay
eBay	No	Yes	Yes	No	No	No		eBay and PayPal separated in 2015, but eBay still accepted PayPal
Netflix	No	No	No	No	Yes	No		No

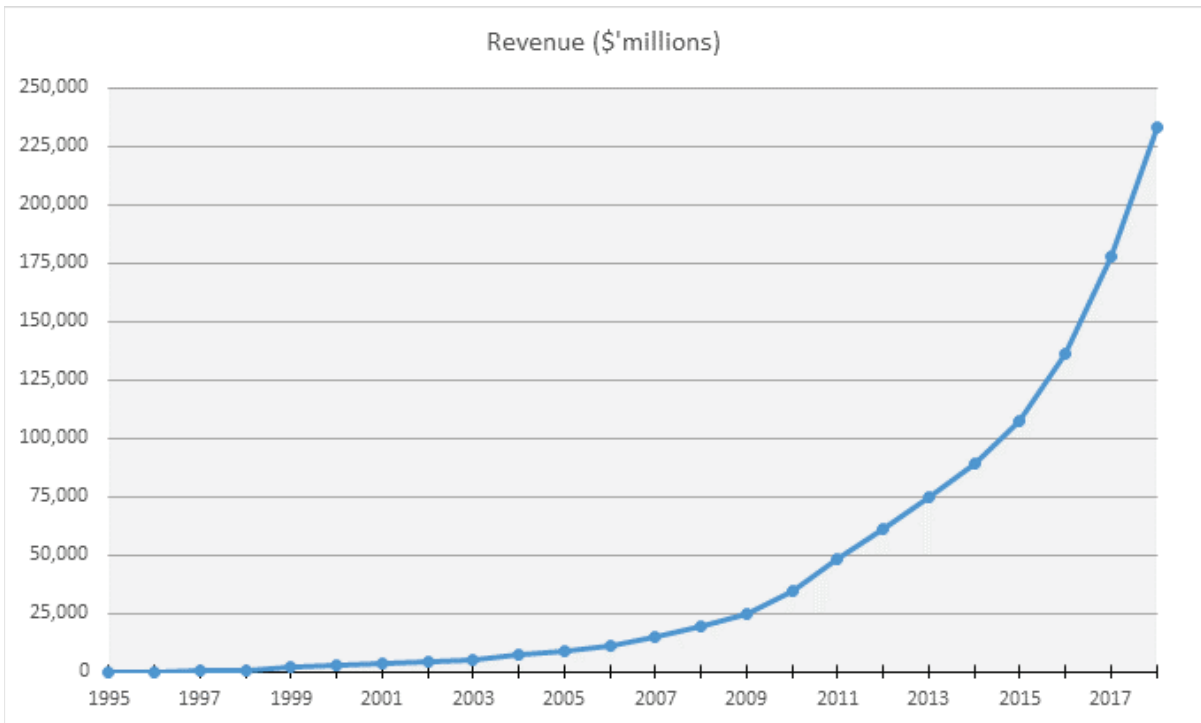
Source: Casewriter, based on business descriptions, Capital IQ, Inc., a division of Standard & Poor's; and public sources.

Exhibit 9 Amazon Item Count and Third-Party Sales Data

Total Number of Products, January 2018	562,382,292
Total Gross Merchandise Volume in 2018 (\$'billions)	
First-Party	116
Third-Party	123
Top 10 Categories by Number of Products (millions), January 2018	
Clothing, Shoes, and Jewelry	166.28
Home and Kitchen	86.09
Books	53.38
Electronics	37.78
Sports & Outdoors	27.29
Automotive Parts & Accessories	24.75
Cell Phones & Accessories	23.03
Industrial & Scientific	20.08
Tools & Home Improvement	16.15
Collectibles & Fine Art	16.02
Share of Physical GMV Sold by Third Party Sellers	
2009	31%
2010	34%
2011	38%
2012	42%
2013	46%
2014	49%
2015	51%
2016	54%
2017	56%
2018	58%

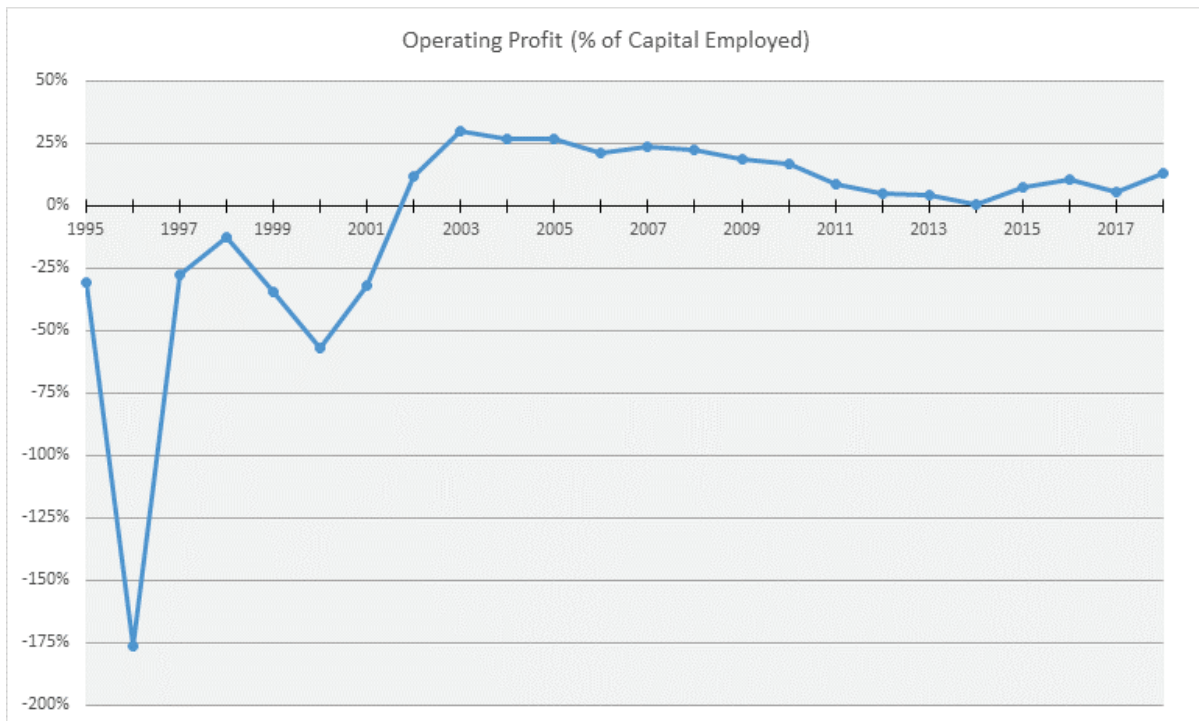
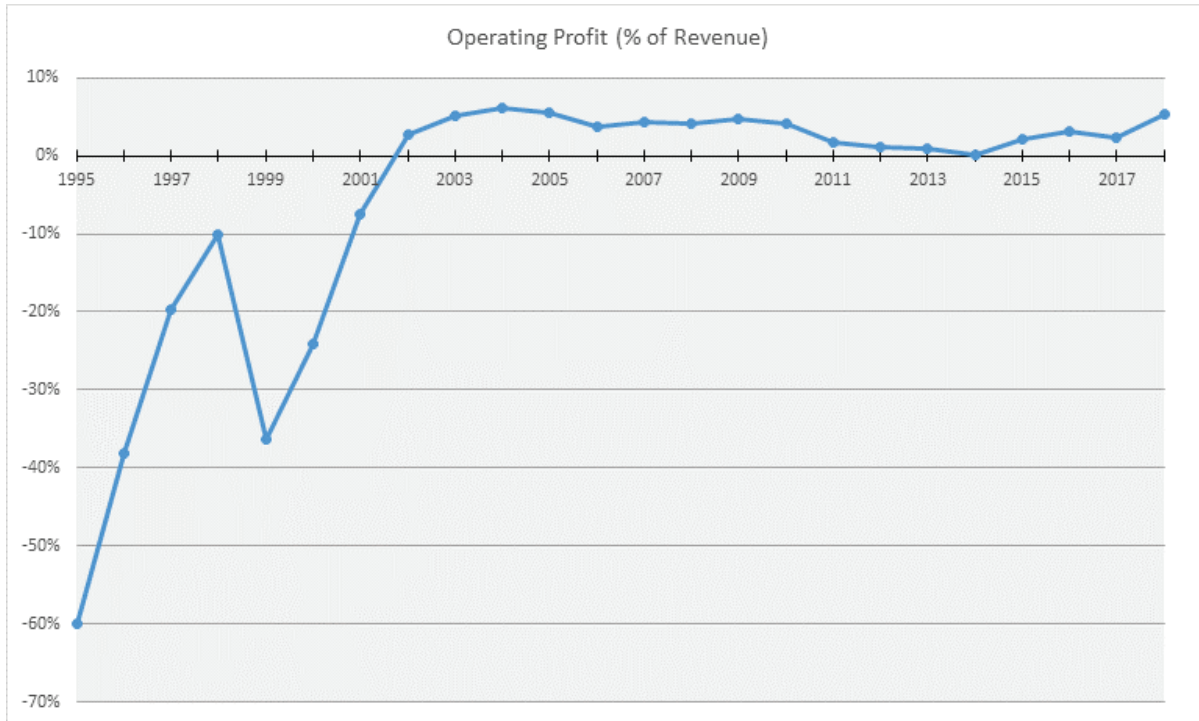
Source: Compiled from "How Many Products Does Amazon Sell? - January 2018," *Scrapehero*, <https://www.scrapehero.com/many-products-amazon-sell-january-2018/>, accessed July 2019; Adam Levy, "The 7 Largest E-Commerce Companies in the World," *The Motley Fool*, December 26, 2018, <https://www.fool.com/investing/2018/12/26/the-7-largest-e-commerce-companies-in-the-world.aspx>, accessed July 2019; and Amazon.com Inc. 2018 Annual Report.

Exhibit 10a Amazon Revenue and Operating Profit



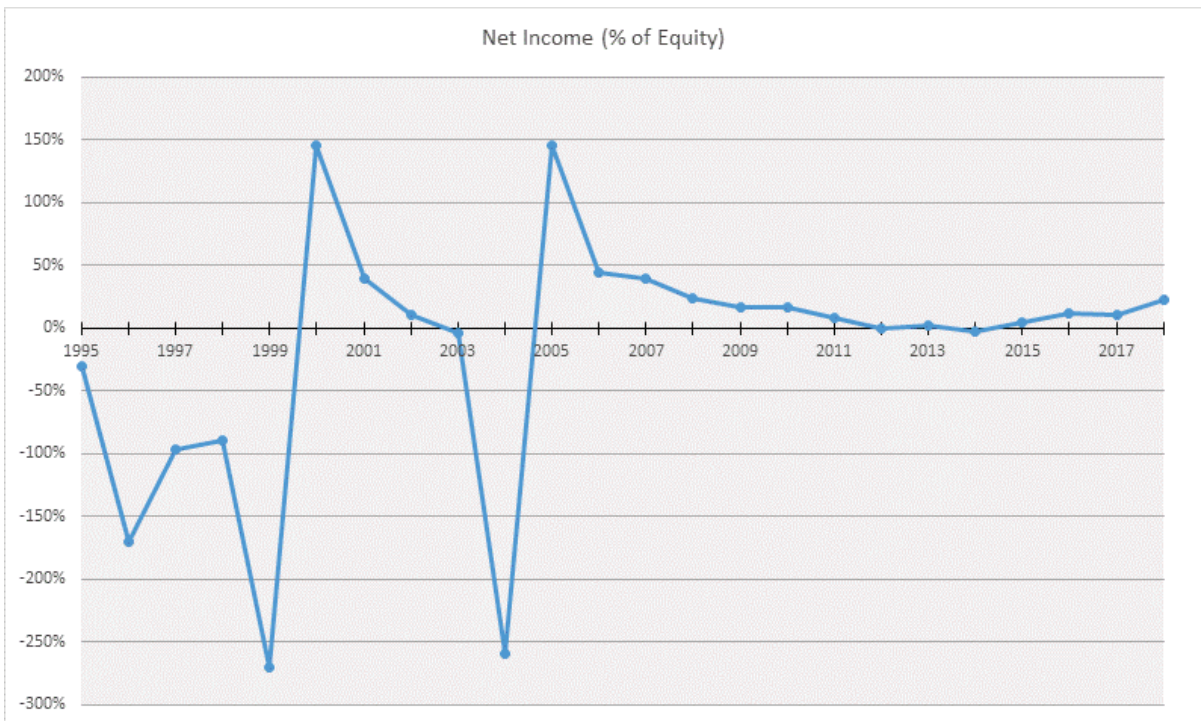
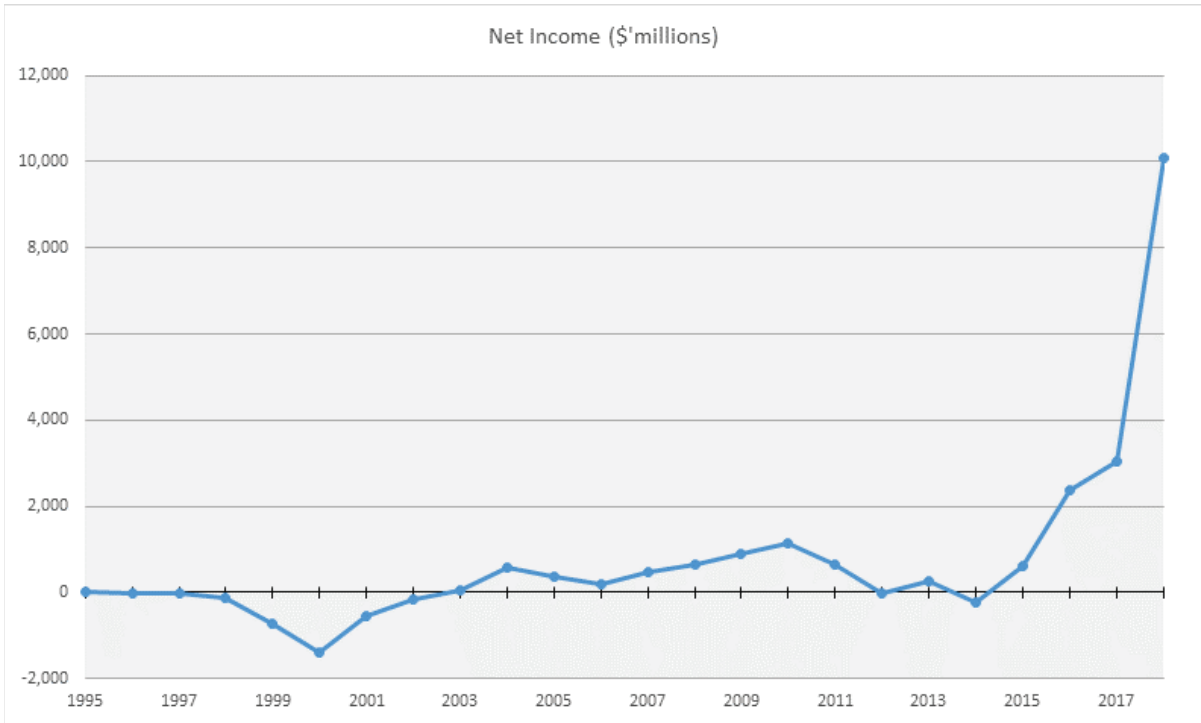
Source: Casewriter, based on Amazon financials, Capital IQ, Inc., a division of Standard & Poor's.

Exhibit 10b Amazon Operating Profit (% of Revenue) and (% of Capital Employed)



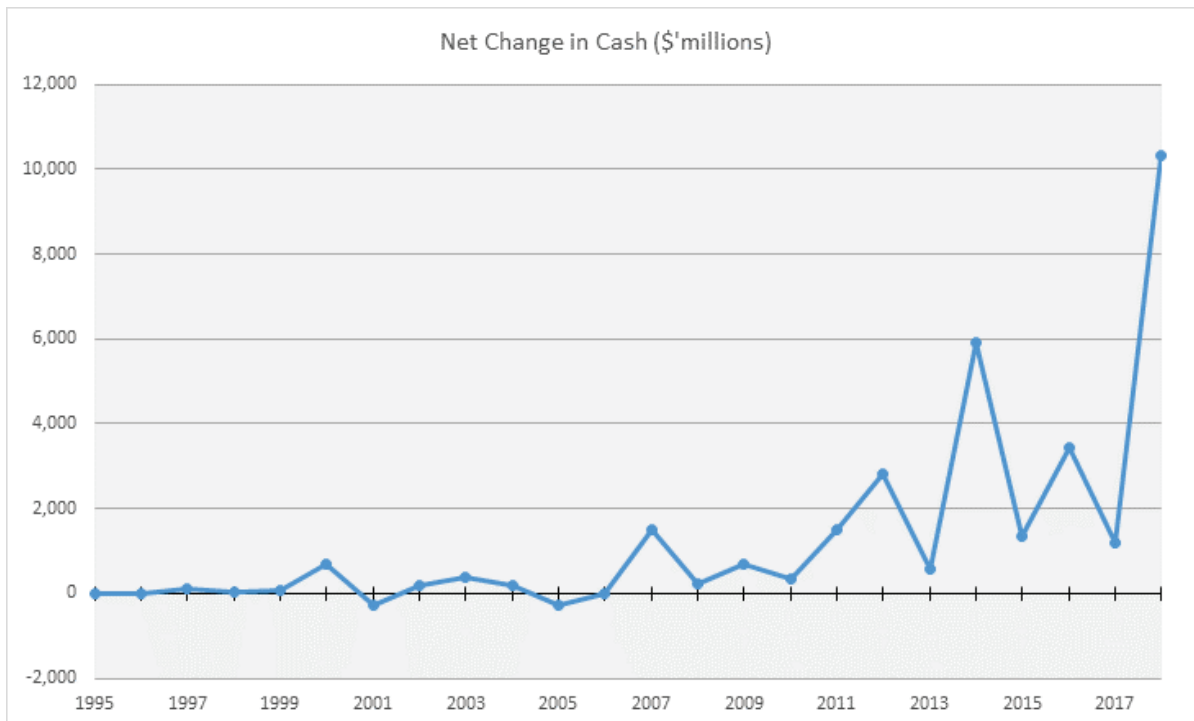
Source: Casewriter, based on Amazon financials, Capital IQ, Inc., a division of Standard & Poor's.

Exhibit 10c Amazon Net Income



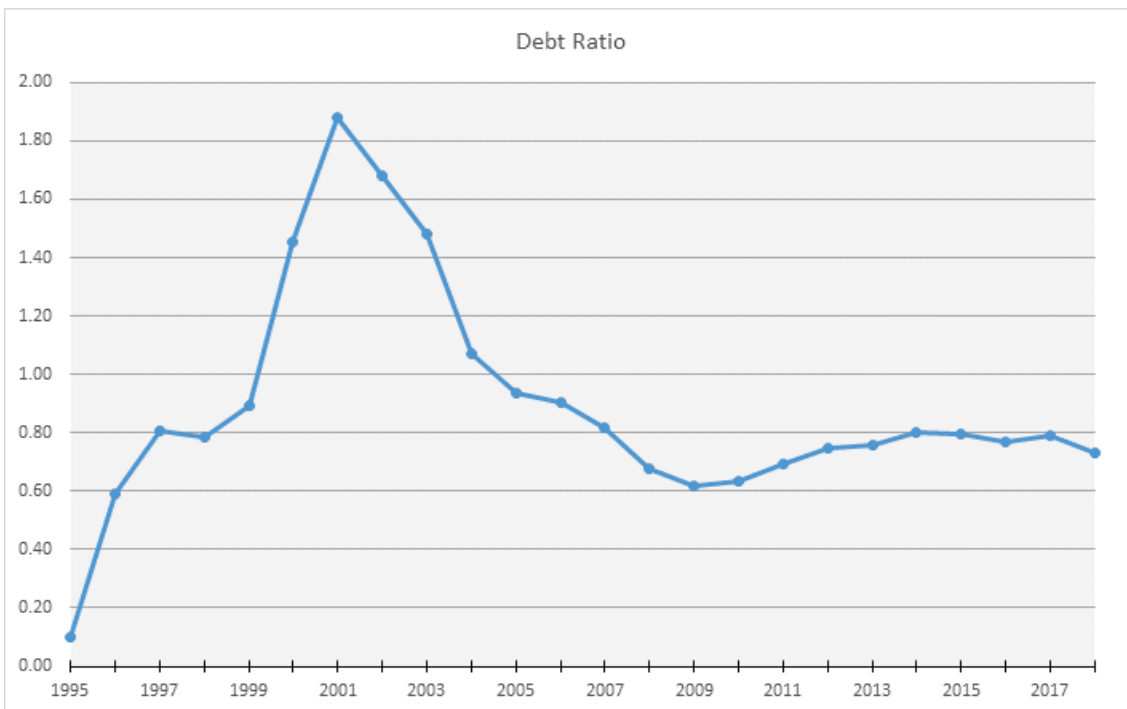
Source: Casewriter, based on Amazon financials, Capital IQ, Inc., a division of Standard & Poor's.

Exhibit 10d Amazon Cash from Operations and Net Change in Cash



Source: Casewriter, based on Amazon financials, Capital IQ, Inc., a division of Standard & Poor's.

Exhibit 10e Amazon Working Capital (% of Revenue) and Debt Ratio



Source: Casewriter, based on Amazon financials, Capital IQ, Inc., a division of Standard & Poor's.

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