Amazon.com:

Offering Everything from A to Z

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Late in 2012 Amazon had posted its first quarterly loss in over five years.[1] A sizeable loss on the investment on the Living Social daily deals site, heavy spending on new distribution centers, and continued development of the Kindle, had taken its toll on the retailing behemoth. On the brink of the holiday season, Jeff Bezos, company founder, knew the competition would be stiff, and the next few months would be critical to the ongoing success of Amazon. With the global economy still in turmoil, he had some big choices to make, and the clock was ticking.

In 1994, after seeing an article citing Internet usage was growing by 2,300%, Jeff Bezos left a comfortable, high-paying job and started an online bookstore inside his rental house in suburban Seattle. His online bookselling company quickly morphed into the world's largest online retailer, offering DVDs, apparel, electronics, computers, toys, jewelry, furniture, shoes, movies, games, music, sports including outdoor gear, auto parts, home and garden, grocery, health and beauty, and digital downloads.[2]

Amazon serves four customer types, including enterprises, final consumers, sellers, and content creators. Amazon Web Services offers technology infrastructure that can be utilized by enterprises ranging in size and business focus. Amazon has designed its retail website to be consumer-friendly by providing low prices, a wide selection, ease of website use, and the convenience to meet all of its consumers' needs in one virtual store. The Amazon website also hosts products from a variety of sellers, who enjoy the benefits of the Amazon brand. This allows them to reach a much larger customer base than they could reach on their own. Independent publishers and authors are given a 70% royalty option when they choose to sell their books in the Kindle store through Kindle Direct Publishing.

MISSION AND STRATEGIES

Amazon's mission is simple, yet complex to execute: "To be Earth's most customer-centric company where people can find and discover anything they want to buy online". Since Amazon's inception, Bezos has been focused on this mission. He has adhered to this mission so well that he still includes a copy of his 1997 Letter to Shareholders in the annual report.[3] The primary pillar of the company's fundamental management and decision-making approach is that Amazon "will continue to focus relentlessly on our customers."[4] Bezos continues to keep the company laser focused on any way to bring existing and future customers what he refers to as "compelling value."[5] Amazon's strategies revolve around customer service, distribution efficiency, and convenience.

Customer Centric Focus

Jeff Bezos built his multibillion-dollar empire around the concept of providing exceptional service to customers. This is evidenced by the incredible amount of positive feedback provided on Amazon's forums. A recent post in the Kindle forum exemplifies the commitment and emphasis put on customers. A gentleman had just received a Kindle from his wife and had purchased a leather cover himself a few days later. Somehow the fastener for the cover malfunctioned, causing the Kindle to slip out of the case and break. The customer simply emailed customer service expecting the worst, but hoping for the best. Within an hour of sending the email, a representative agreed to ship him a new unit without needing any further explanation. The customer said this was not his first positive encounter with Amazon. The end of his post succinctly explains the premise of Amazon's overarching goal and the reason for its immense success: "My loyalty to this company has increased tenfold from these experiences and has made me even more of an Amazon proponent than I was before."[6] This sentiment is echoed in not only the vast number of positive reviews, but the incredible amount of return customers year after year to Amazon's websites.

Many factors contribute to the positive customer experience, including customer loyalty initiatives, such as Amazon Prime, Amazon Mom, and Lending Library. Amazon has also made a huge investment in technology in order to reduce the number of errors that may discourage customers and improve "customer self-service". In order to provide a pleasant customer experience, Amazon has over 10,000 developers on their staff working to keep up with technology trends. Amazon has also invested in proprietary warehouse and order software in order to handle the logistics needed to fulfill orders in a timely manner.[7]

Distribution Efficiency

Amazon's initial goal in regards to distribution was to eliminate the middleman in the supply chain. This was accomplished by negotiating contracts directly with publishers, building large warehouses, and leveraging expertise from newly hired Wal-Mart executives. In November 1996, Amazon rented its first large 93,000 square foot warehouse in South Seattle. Almost exactly one year later, Amazon went cross-country to open its second warehouse in New Castle, Delaware.[8] In the summer of 1998, Amazon hired Jimmy Wright, the former VP of distribution for Wal-Mart, as Chief Logistics Officer, to spearhead the initiative. Amazon's sprawling distribution network and supply chain that stretches around the globe today started with two fulfillment centers in the United States, one located on the east coast and the other on the west coast.

Between the years 2001 and 2003, Amazon took a step toward optimizing both the current and future distribution centers. It invested heavily to implement a supply chain and workflow management system that became the backbone of its supply chain and the main reason for its extremely efficient distribution system that now spans the Earth.[9] Today, in North America alone, Amazon has 42 fulfillment centers in operation. These 42 centers encompass over 32 million square feet of space. Internationally, Amazon controls 40 fulfillment stores spanning over 19 million square feet of space. As of August 2012, Amazon had opened six fulfillment centers, with 12 more planned to open in the remainder of 2012. These centers can be broken down further depending on the type of product being purchased and shipped: big-sortable fulfillment centers, small sortable fulfillment centers, non-sortable fulfillment centers, replenishment centers, customer return centers, and specialty sites. These centers are located in the UK, Germany, France, Spain, China, Japan, and India. Many experts predict Australia is next on the list.[10]

The Internet provides massive amounts of information and invaluable convenience for shoppers. Brick and mortar stores have strict hours, closed days, lines, and limited inventory. Amazon customers can shop anytime, any day, and without having to worry about the item being in stock.

Furthermore, they can receive the item within one business day thanks to Amazon's incredible same-day shipping policy.

Products and Services

Amazon may be classified as a multi-sided platform or MSP, providing products, services, and technologies that link different types of consumers to each other. [11] Becoming a MSP has been a gradual, yet extremely effective strategy. Amazon enhanced its original strategy of selling books online by diversifying into many other business segments. In June 1998, Amazon began selling music online, its first venture outside of books. Four years later, in July 2002, Amazon started offering services to website developers, marking its first endeavor in the technology realm. Amazon's grocery delivery service, Amazon Fresh, launched in August of 2007. Soon thereafter, Amazon released its Kindle product, aimed at capturing the market for digital books.[12] Today, Amazon's business portfolio includes its core of online retailing, Amazon Web Services, Amazon Kindle, and Amazon Cloud Drive. The company owns many other companies such as pets.com, IMDb, woot!, and A9.

Much of Amazon's growth is a result of successful investment strategies, which have often included acquisitions. Just five years after inception, Amazon purchased PlanetAll, Junglee, and Bookpages in 1998. The acquisitions continued in subsequent years. In 2009, Amazon purchased Zappos, a shoe-selling powerhouse that aligned with Amazon's customer centric mindset, so much so that it runs autonomously under the Amazon umbrella. In an effort to become a retailer of everyday staples, Amazon purchased Diapers.com in November 2010. However, Jeff Bezos' complex company boils down to his simple notion of "selling and delivering stuff to customers".[13] Exhibit 1 contains a list of Amazon's companies and digital offerings.

In addition to acquisitions, Amazon has also grown through internal development. In February 2005, Amazon unveiled its Prime membership program. For $79 a year, customers can get unlimited, free two-day shipping, or very inexpensive overnight delivery.[14] In 2012, Amazon even took steps to mitigate the ongoing problem of recipients not being home or not feeling safe having their package left on the porch. By simply partnering with convenience stores and drugstores, the online retailer has employed Amazon Lockers. Similar to a P.O. Box, the store and Amazon can guarantee the package is delivered safely. Not only does this service provide convenience for the consumer, but Amazon has stated that the store delivery service is saving money on some of its shipping costs.[15] In addition to web services, Amazon has also grown through innovation in the product area. For example, Amazon has continued to improve its Kindle devices in order to expand capabilities and compete in the growing tablet industry. In September of 2012, Amazon introduced four new Kindle Fires, all of which enhance the functionality and attractiveness of the original Kindle.[16]

INSIDE AMAZON

Top Management

Amazon's management team has embraced Bezos' emphasis on the customer experience, and this focus has allowed the company to improve its market share in comparison to conventional retailers.[17] The company pays top executives minimal cash compensation to encourage enhancement of shareholder value by tying most of their compensation to ownership in the company. [18] Bezos himself collects a small salary, receives no bonus, and owns 20% of the company.[19] His salary in 2011 was $81,840, although his total compensation was higher due to perquisites he receives and "security arrangements at business facilities".[20]

Bezos has been Chairman of the Board of Amazon since he founded the company in 1994. He has also been CEO since May of 1996. Bezos has been the guiding force in Amazon, and he has led the company based on his three notable ideas regarding the digital interface: it allows Amazon to have a limitless stock on hand at all times, it enables Amazon to collect high margins while providing low prices, and it advances customer care.[21] *Fortune* named Bezos the #2 businessperson of the year for 2011 based on his engagement and shareholder-friendly management style.[22]

The top management team at Amazon is fairly stable, perhaps a function both of the company's success and Bezos' loyalty to those around him. Thomas J. Szkutak has served as Senior Vice President and CFO since he joined Amazon in October of 2002, and Michele Wilson has served as Senior Vice President and General Counsel since July of 2003. The rest of the top management team assumed their positions in 2006 or 2007. [23] In addition to Bezos, the board of directors is comprised of eight members (see Exhibit 2).

Human Resources

Amazon has made an effort to hire talented and adaptable employees and has extended its strategic plan of tying compensation to ownership in the company to its employees.[24] This plan motivates employees to think like owners because they are, in fact, owners in the company. While Amazon asks its employees to perform at a high level, it also knows that the relationship with its employees is very important. Amazon has created programs to enhance employee satisfaction. The recent launch of the Amazon Career Choice Program occurred in July of 2012. Amazon will pay "95% of the cost of courses such as aircraft mechanics, computer-aided design, and medical laboratory technologies" through this tuition assistance program. Amazon designed this program to fund education in high-demand as well as high-paying industries, even if the skills are not applicable to a career at Amazon. When discussing the tuition assistance program offered, Bezos said, "The program is unusual. Unlike traditional tuition reimbursement programs, we exclusively fund education only in areas that are well-paying and in high demand according to sources like the U.S. Bureau of Labor Statistics, and we fund those areas regardless of whether those skills are relevant to a career at Amazon."[25]

Having a strategy predicated on distribution channel efficiency and customer service, Amazon puts enormous emphasis on its human resource department. The company attracts the best talent and only hires a small fraction of those who apply for employment, given the vast amount of job applications received every day. The hiring process is cumbersome. For example, a recent hire with significant technical experience first participated in an informal interview at a job fair, followed by an extensive project given to him by one of Amazon's senior technology people. Despite impressing the senior employee, the candidate had two additional three-hour long phone interviews, followed by a trip to Seattle for a round of eight interviews lasting seven and a half hours.[26] Needless to say, Amazon felt he fit the job description, and the recruit knew what he needed to do from day one. Although a tough organization to squeeze into, Amazon has increased its total workforce 59% over the past year putting the total count at approximately 56,200 employees.[27]

Marketing

The most effective marketing strategies for many companies in this digital age come from websites and mobile apps. This gives online retailers a distinct edge over their brick-and-mortar competitors because many customers go online regardless of the marketing efforts of a particular company. For Amazon, marketing success comes from capitalizing on this traffic and ensuring the customer feels special and engaged during their visit. Amazon is the eighth most visited website, so a comprehensive web marketing strategy is paramount.[28] The common denominator for Amazon's marketing theme is effectiveness over design.[29] Its web strategy incorporates seven elements: continuous website improvement, partnerships and web-services, streamlined ordering, alliance marketing, customer opinion, email marketing, and high customer service.[30]

Many people are now using Amazon for product research. Research shows that prior to making a purchase, 30% of consumers conducted their research using Amazon, while only 13% utilized Google to research information prior to a purchase. Of course, many consumers also complete their research with a purchase through Amazon.com. In 2011, Amazon accounted for 19% of e-commerce revenue in the United States. [31]

Financial Status

Amazon has enjoyed steady increases in sales, with a 39.6% increase in net sales between 2009 and 2010 and a 40.6% increase in net sales between 2010 and 2011. Kindles and electronic book sales contributed to the net sales increase in 2010, although Amazon chooses not to reveal the Kindle and Kindle-related content sales.[32] While net sales have increased, profit margin has decreased over the same three-year period. The profit margin decreased from 3.7% in 2009 to 3.4% in 2010 and even further to 1.3% in 2011. Amazon has chosen to strive for market-share gains and high sales volume rather than high profit margins.[33] Amazon reported a net loss for the third quarter of 2012, which is the first time it had reported a loss in over five years.[34] For detailed financial statements, see Exhibit 3.

INDUSTRY COMPETITION AND THE EXTERNAL ENVIRONMENT

The global online retail marketplace is expanding rapidly. In the United States alone, more than 100 million people purchase goods online. The ease with which the Internet can be used for research allows consumers to shop among competing online stores at the click of the mouse. Often, prices for online goods are lower than those of traditional retail stores because many of the traditional costs associated with operating physical stores (e.g. building rents, utilities, and cash registers) are eliminated through electronic commerce. As such, these savings can be passed on in the form of lower prices to consumers. Online retail revenue has increased at an average annual rate of 10.4% over the five years ending in 2012, bringing 2012 revenue to $219.2 billion. Online industry revenue is expected to continue its rapid growth pattern.[35]

In the coming years, continued economic recovery is expected to contribute to the industry's strong growth. An increase in per capita income and employment will improve consumer sentiment, increasing consumers' likelihood to buy. Also, broadband Internet adoption is expected to grow, boosting accessibility to online retailers. As online shopping has become increasingly more popular, retailers are growing their product offering to include common household goods like CDs, DVDs, Blu-rays, books, clothing, footwear, and groceries. As product offerings have grown, so has the number of industry operators. [36]

Despite this positive outlook, the news has not been entirely positive for the industry. Operators face an increasingly competitive environment. To generate sales, firms have been forced to aggressively compete on price, seasonal promotions, and other discount initiatives. Also, many players have had to invest heavily in advertising (e.g. Google AdWords) to distinguish them from the competition. In addition, in recent years, a relatively new form of e-commerce, known as social commerce, has emerged within the industry. Unlike traditional e-tailers, social commerce involves using social media, online media that encourages online interaction and user contribution, to assist in the online buying and selling of goods. Adding the additional competitive complexity of Facebook and other social media into the mix only further muddies the water.[37]

Changes in legislation regarding taxes on Internet sales are expected to occur, and Amazon has taken a proactive approach by supporting the legislation. In an effort to collect Internet taxes, states are expanding the rules to require collection of taxes if retailers utilize local warehouses or distributors or earn revenue from "online links to an in-state business." Amazon is already collecting sales taxes in eight states, and it will continue to add states to the list as it increases local operations. A federal law could give all states the opportunity to charge taxes on Internet sales.[38]

The online retail industry is very fragmented, with its large number of small and independent players combined with a few large retailers. Prospective players can establish e-commerce sites without much difficulty. Nonetheless, incumbent leaders still maintain an advantage by benefitting from the reputations of reliability and high quality. Existing companies have also had to build consumer trust regarding security of order placement using credit cards. The setup and ongoing costs necessary to create and maintain an electronic shopping site can be expensive, depending on how functional and feature-rich the site is. Establishing these databases requires a capital investment initially, but also an ongoing maintenance budget to support the site. To compete successfully in the online retail industry, companies have to quickly adapt to changes in technology. This may entail changes in software systems, hardware devices, security systems, or other factors. Some companies simply act as intermediaries between manufacturers and consumers. They benefit from not having any inventory carrying costs. However, companies like Amazon carry a large amount of inventory in addition to serving as intermediaries. This strategy adds considerable operating costs, thus making it harder to compete on price.

Amazon's business segments are constantly evolving and are extremely competitive. As a result, their competitors are a dynamic group, with existing competitors reinventing themselves and new ones establishing themselves to battle Amazon's online presence. Amazon's 2011 Annual Report lists the following current and potential competitors:

- Physical-world retailers, publishers, vendors, distributors, manufacturers, and producers of our products
- Other online e-commerce and mobile e-commerce sites
- A number of indirect competitors, including media companies and web portals
- Companies that provide e-commerce services, including website development, fulfillment, and customer service
- Companies that provide infrastructure web services or other information storage
- Companies that design, manufacture, market, or sell digital media devices[39]

A number of Amazon's current and potential competitors have greater resources, longer histories, and greater brand recognition. They may be able to negotiate better terms from suppliers, implement more aggressive pricing, and invest more resources to R&D, infrastructure, fulfillment, and marketing. In addition, Amazon's competitors may enter into business combinations or alliances that strengthen their competitive positions.[40] Five of Amazon's major competitors are discussed below.

Barnes & Noble

Barnes & Noble is one of the largest booksellers nationally, which specializes in providing customers easy access to books, magazines, newspapers, and other content through its multi-channel distribution infrastructure. As of April 28, 2012, the company operated 1,338 bookstores across all 50 states in the US, which includes 647 bookstores located on college campuses. Barnes & Noble employs approximately 35,000 full and part-time employees.[41] The bookstore industry is a $17.1 billion business, with Barnes & Noble making up 39.9% of the market. Due to the increase in online book retail and e-Readers, the bookstore industry is expected to decline at an average annual rate of 1.6% through 2017.[42] Barnes & Noble is in the process of transforming its organization to adapt to the changes in the book selling industry. They are moving from a store-based model to a multi-channel model focused on its retail stores, Internet, and digital commerce.

A major focus for Barnes & Noble is to continue to invest in the digital business to fuel NOOK e-reader products and content sales. According to the Association of American Publishers, e-book sales reached $128.8 million in January 2012, a 76.0% increase from January 2011.[43]

Fiscal year 2012 results for Barnes & Noble ending April 28, 2012 reported overall sales growth of 2%, to $7.1 billion, resulting from strong growth in its NOOK products. NOOK content sales grew to almost half a billion dollars and more than doubled year-over-year. In addition, NOOK device unit sales increased approximately 45% over the previous year. In 2012, Barnes & Noble formed a strategic partnership with Microsoft and put significant investment dollars into one of its subsidiaries, Newco, to help it achieve digital growth and international expansion.[44]

Apple

Apple says it is "committed to bringing the best user experience to its customers through its innovative hardware, software, peripherals, and services."[45] Fiscal year 2011 revenues were $108.2 billion, a 66% increase from 2010. The company's strategy leverages its ability to design and develop its own operating systems, hardware, application software, and services to provide customers with products and solutions characterized by ease-of-use, seamless integration, and innovative design. As part of its strategy, Apple continues to expand its platform for the discovery and delivery of third-party digital content and applications through the iTunes Store.[46] The iTunes Store continues to flourish, generating total net sales of $7.5 billion for 2012 compared to net sales of $5.4 billion during 2011.

In March 2012, Apple's third generation iPad was released, and in October 2012, Apple announced the planned release of its fourth generation iPad and iPad Mini. iPad and related products and services generated $32.4 billion in revenue in fiscal year 2012. This represented a 59% dollar growth over 2011 and an 80% growth increase in units. Net sales of the iPad products and related services were 21% of the total revenue for Apple in 2012. A direct threat to Amazon's Kindle, Apple currently holds the highest market share in the tablet segment, at 68 percent in the second quarter of 2012.[47] In October 2011, Apple launched iCloud, its new cloud service, which stores music, photos, applications, contacts, calendars, and documents and wirelessly pushes them to multiple iOS devices, Macs, and Windows-based computers.[48]

Walmart

The feud with the world's largest retail giant, Walmart, has been heating up over the last several years. Walmart has become much more active in the online retailing market. Three years ago, Walmart launched a number of attacks on its online rival, including a price war on best-selling books. Walmart does not disclose its online sales, but the trade publication Internet Retailer estimates they were $4.9 billion in 2011.[49] Walmart is betting that its infrastructure of thousands of stores, coupled with an improved online presence and strong balance sheet, can enable it to compete successfully with Amazon in online retailing. For example, to compete with Amazon's same-day shipping option, Walmart began testing a same-day delivery service in October 2012 in Philadelphia, northern Virginia, Minneapolis, San Jose, and San Francisco. The "Walmart To Go" service costs $10 regardless of the size of the order. The products are shipped from the company's stores, not from a warehouse or distribution center.[50]

In addition, Walmart made a decision in September 2012 to stop selling Kindle tablets and electronic readers, another signal of growing competitive strain between the two retail giants. Walmart's move to stop carrying the Kindle came after Amazon promoted a smartphone app called Price Check that allowed users to compare Amazon's prices to those at stores by scanning bar codes. Walmart will continue to stock rival products, including Apple's iPad tablet and Barnes & Noble's Nook e-reader.[51] "Walmart and other retailers don't want to facilitate Amazon in any way," said Forrester research analyst Brian Walker. "Wal-Mart probably doesn't sell many Kindle units, but they don't want to become a showroom for Amazon, who they are fighting tooth and nail with on almost all their other products."[52]

eBay

eBay is a global commerce platform and payments leader that enables commerce through three reportable segments: Marketplaces, Payments, and GSI (GSI refers to the e-commerce and interactive marketing services provided by GSI Commerce, which was purchased in June 2011.) These segments provide online platforms, services, and tools to help individuals as well as small, medium, and large merchants around the globe establish online and mobile commerce and payments. As of December 31, 2011, eBay had more than 100 million active users transacting on their sites, millions of merchants using one or more of their platforms, and a developer community with more than 800,000 members using their applications programming interfaces (APIs).[53] eBay's Marketplaces segment, which competes directly with Amazon's online retail segment, generated net transaction revenues of $5.4 billion, an increase of $631.1 million , or 13% , in 2011 compared to 2010.[54]

eBay's Marketplaces platforms are accessible from computers with Internet access and mobile devices. eBay offers a number of buying and selling formats to include fixed price listings on the eBay.com, core Marketplaces platforms, and classified websites or through an auction-based format. With over 300 million listings available on all of their Marketplaces websites as of December 31, 2011, they offer buyers a wide variety of listings across vast product categories. They offer new, refurbished and used products, common and rare items, and branded and unbranded products. Their listings include products and services from more than 50,000 categories. As of December 31, 2011, there were more than 80 branded outlet stores on eBay.com offering customers new items at great values.[55]

Best Buy

Best Buy is a multinational retailer of consumer electronics, home office products, entertainment software, appliances, and related services. The company operates in the US, Canada, Europe, Mexico, China, and Turkey. It is headquartered in Richfield, Minnesota and employs approximately 180,000 people.[56] Fiscal year 2012 revenue increased 1.9% to $50.7 billion, driven mainly from adding 235 new stores, as well as an extra week of revenue from stores in the U.S. and Canada. However, gross profit decreased to 24.8% of revenue, a slight decrease of .4%. Best Buy continues to face declining demand in several of their key product categories: televisions, notebook computers, gaming, and music. However, they have seen growth in several key product categories. For example, increased consumer demand for tablets, e-Readers, and associated accessories and services led to revenue growth for Best Buy in these products on a global scale.[57] Unlike Wal-Mart's recent decision to pull Kindle devices from its stores, Best Buy said it would continue to sell Kindle devices. "We stand for choice, and it is our aim to carry all of the latest technology devices," a Best Buy spokesman said. "It gives our customers the opportunity to touch and compare a variety of products to find the one that best fits their needs."[58]

To ramp up the competition for the 2012 holiday season, Best Buy, for the first time, matched the prices offered by the online sites of some rivals, including Wal-Mart and Amazon. Best Buy is trying to combat "showrooming" by shoppers who check out products in stores but buy them on competitors' websites, often at lower prices.[59]

Supplier Pushback

Amazon's success is predicated on selling a vast selection of merchandise at low prices and delivering it quickly to the purchaser. This strategy has sometimes put the company at odds with suppliers. In a recent example, an issue arose with the price point for e-books. Amazon, consistent with its normal strategy of super low prices, began to price electronic books much lower than printed books and typically under $10. MacMillan, a large book publisher, stood its ground and demanded an agency agreement in which it set the prices and paid Amazon a fixed discount. MacMillan's "buy" buttons on Amazon's website were immediately disabled. News quickly spread that Apple had agreed to such an agreement, and Amazon was left with no option. Within hours, the buttons were re-activated.[60] These instances are reminders to management about the susceptibility of Amazon to outside forces and the influence they can have on the organization.

NEXT MOVES

Moving forward, Bezos has to address a number of important issues. First and foremost, he needs to decide whether a strategy that sacrifices profits for the sake of growth is really sustainable over the long term. Also, is Amazon spreading itself too thin by focusing too much on initiatives outside of its core online retail business? Alternatively, what other areas of diversification make sense for Amazon given current trends and opportunities? Should the company rely on acquisitions for future growth or internal development (or a combination)? Although the company has supported legislation requiring sales taxes on Internet sales, what really are the implications of this looming change with regard to competing with brick-and-mortar retailers? What steps should Amazon take to be more competitive in the tablet and e-reader space? These are major issues, but Bezos has the advantages of a stellar reputation, strong management team, excellent employees, and a loyal customer base to address them.

EXHIBIT 1: AMAZON'S COMPANIES AND DIGITAL OFFERINGS

Companies Owned by Amazon	Digital Products/Services
IMDb	Amazon Kindle
Amie St.	Amazon Instant Video
Small Parts	Amazon Prime
Lexcycle	Amazon cloud drive
Askville	Amazon MP3
Woot!	Amazon appstore
Quidsi	Amazon Web Services
Diapers.com	Amazon Fresh
Soap.com	A9
Pets.com	Amazon Cloud Player
Audible.com	
Alexa	
LoveFilm.com	
Zappos.com	
Shelfari	
Buy-vip	
Digital Photography Review	
Fabric.com	
Junglee	
PlanetAll	
CDNow	
Joyo.com	
Shopbop.com	
Pushbutton	
Kiva Systems	
Teachstreet	

Sources: Stephane Distinguin, Amazon.com: the Hidden Empire, faberNovel, May 2011; Agarwal, A. 2012. Companies and Brands owned by Amazon.com. http://www.labnol.org/tech/amazon-owed-companies/19605/, Accessed November 17, 2012.

EXHIBIT 2: BOARD OF DIRECTORS

Chairman of the Board: Jeffrey P. Bezos

Managing Director of Madrona Venture Group: Tom A. Alberg

Visiting Scholar and Advisor to the Provost at the University of Southern California: John Seely Brown

Partner at Kleiner Perkins Caufield & Byers: William B. Gordon

Founder and CEO of id8 Group Productions, Inc.: Blake G. Krikorian

President and CEO of Ingram Micro Inc.: Alain Monié

Former Chairman and CEO of Palm, Inc.: Jonathan J. Rubinstein

Retired, Former Chairman of Reader's Digest Association, Inc.: Thomas O. Ryder

Vice Chair of the Board of Regents at the Smithsonian Institution: Patricia Q. Stonesifer

Source: Amazon. 2011. ***Amazon.com: 2011 annual report.*** Seattle, WA: Amazon.com, Inc.

EXHIBIT 3: FINANCIAL STATEMENTS FOR AMAZON.COM, INC.

AMAZON.COM, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

	Year Ended December 31,		
	2011	2010	2009
Net product sales	$42,000	$30,792	$22,273
Net services sales	6,077	3,412	2,236
Total net sales	48,077	34,204	24,509
Operating expenses (1)			
Cost of sales	37,288	26,561	18,978
Fulfillment	4,576	2,898	2,052
Marketing	1,630	1,029	680
Technology and content	2,909	1,734	1,240
General and administrative	658	470	328
Other operating expense (income), net	154	106	102
Total operating expenses	47,215	32,798	23,380
Income from operations	862	1,406	1,129
Interest income	61	51	37
Interest expense	(65)	(39)	(34)
Other income (expense), net	76	79	29
Total non-operating income (expense)	72	91	32
Income before income taxes	934	1,497	1,161
Provision for income taxes	(291)	(352)	(253)
Equity-method investment activity, net of tax	(12)	7	(6)
Net income	$ 631	$ 1,152	$ 902
Basic earning per share	$ 1.39	$ 2.58	$ 2.08
Diluted earning per share	$ 1.37	$ 2.53	$ 2.04
Weighted average shares used in computation of earnings per share:			
Basic	453	447	433
Diluted	461	456	442
(1) Includes stock-based compensation as follows:			
Fulfillment	$ 133	$ 90	$ 79
Marketing	39	27	20
Technology and content	292	223	182
General and administrative	93	84	60

Source: Amazon. 2011. ***Amazon.com: 2011 annual report.*** Seattle, WA: Amazon.com, Inc.

AMAZON.COM, INC.

CONSOLIDATED BALANCE SHEETS
(in millions, except per share data)

	December 31,		
	2011	2010	2009
ASSETS			
Current assets			
Cash and cash equivalents	$ 5,269	$ 3,777	$ 3,444
Marketable securities	4,307	4,985	2,922
Inventories	4,992	3,202	2,171
Accounts receivable, net and other	2,571	1,587	988
Deferred tax assets	351	196	272
Total current assets	17,490	13,747	9,797
Fixed assets, net	4,417	2,414	1,290
Deferred tax assets	28	22	18
Goodwill	1,955	1,349	1,234
Other assets	1,388	1,265	1,474
Total assets	$ 25,278	$ 18,797	$ 13,813
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$ 11,145	$ 8,051	$ 5,605
Accrued expenses and other	3,751	2,321	1,759
Total current liabilities	14,896	10,372	7,364
Long-term liabilities	2,625	1,561	1,192
Commitments and contingencies			
Stockholders' equity			
Preferred stock, $0.01 par value:			
Authorized shares - 500			
Issued and outstanding shares - none	0	0	0
Common stock, $0.01 par value:			
Authorized shares - 5,000			
Issued shares - 473 and 468 and 461			
Outstanding shares - 455 and 451 and 444	5	5	5
Treasury stock, at cost	(877)	(600)	(600)
Additional paid-in capital	6,990	6,325	5,736
Accumulated other comprehensive loss	(316)	(190)	(56)
Retained earnings	1,955	1,324	172
Total stockholders' equity	7,757	6,864	5,257
Total liabilities and stockholders' equity	$ 25,278	$ 18,797	$ 13,813

Sources: Amazon. 2011. ***Amazon.com: 2011 annual report.*** Seattle, WA: Amazon.com, Inc.; Amazon. 2010. ***Amazon.com: 2010 annual report.*** Seattle, WA: Amazon.com, Inc.

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