Goa University

Goa Business School

Taleigao Plateau, Panjim– Goa

Submitted in partial fulfillment of the requirement of the degree of

Master of Business Administration (MBA)

Project Report

Role of corporate image, perceived risk and customer trust on customer loyalty in E-commerce sector (Amazon.com.in)

Submitted by

Vishal S. Navelkar

No: 2060 (MBA Part I)

Supervised by: **Prof. Suraj Velip**

Academic Year2020-2021

DECLARATION

I Vishal S. Navelkar, student of MBA first year at Goa Business School (No- 2060), hereby declare that the project entitled "Role of corporate image, customer trust and perceived risk on customer loyalty in e-commerce sector (Amazon)" has been prepared by me to the best of my knowledge towards the partial fulfilment of the requirement for the award of Master of Business Administration Degree (MBA) during the period from May to June 2021, Under the guidance of Prof. Suraj Velip of Goa Business School (MBA). I further declare that the work reported in this project has not been submitted before and will not be submitted henceforth by anyone else, either in part or in full.

Student Signature   Signature of guide

Vishal S. Navelkar   Prof. Suraj Velip

Place: Bicholim, Goa

Date:

ACKNOWLEDGEMENT

Firstly, I am thankful to Goa Business School (Goa University), for giving me the opportunity to work on this project.

I would like to acknowledge, with gratitude, my thanks to my research project mentor, Prof. Suraj Velip for his encouragement and valuable advice, counsel, and for co-ordinating the project work and giving me guidance. Working under his guidance make me learn much. This project would not have been possible without the guidance provided by mentor.

I would like to extend my thanks to all the respondents who participated and contributed in completion of my project and had spent their precious time to answer the research questionnaire this project would not have been possible without the information from respondents.

I also take this opportunity to record my sincere thanks to my parents and friends who co-operated me during this period and giving constant motivation and encouragement to complete this project. And I am thankful to almighty for giving me strength and being with me and showing me the guiding light in the passage of life.

Table of content

List of Figures and tables

Figures:

Tables:

Abstract

In this project, we will look at global e-commerce industry as well as overview of Amazon company and its strategic performance analysis. Furthermore, we will look at Amazon's financial statement and the ratio analysis, how well Amazon is performing year by year. This report evaluates how much improvement and decline Amazon made from 2018 to 2020. The analysis showed that Amazon is improving its financial performance over the time.

Retaining and creating loyal customer base is an essential asset for online vendors on internet is relatively difficult. Companies are investing huge amount of capital for attracting and making loyal customer base for the business. The purpose of this research is, it attempts to measure the influence on customer loyalty in Amazon through three factors which are corporate image, customer trust and perceived risk. Set of hypotheses were framed and a methodology for testing them was drawn, later these hypotheses were tested to understand their influence on customer loyalty. The results showed that customer trust, corporate trust and perceived risk, together influence customer loyalty, with customer trust exerting a stronger influence on customer loyalty followed by corporate image and perceived risk has weak influence on customer loyalty. Lastly, we will look at the managerial implications of these outcomes.

Chapter 1: Introduction

1.1 Global e-commerce industry overview

In the e-commerce industry, trends and technology is always changing and evolving over the years. If we look at the e-commerce industry it has become crucial part of the global retail framework. Like many other industries, the retail landscape has undergone a substantial transformation following the advent of the internet, and thanks to the ongoing digitalization of modern life, consumers from virtually every country now profit from the perks of online transactions. As internet access and adoption are rapidly increasing worldwide, the number of digital buyers keeps climbing every year. In 2020, over two billion people purchased goods or services online, and during the same year, e-retail sales surpassed 4.2 trillion U.S. dollars worldwide. Some of the major e-commerce companies in the world are Amazon, Walmart, Ebay, Alibaba etc.

The global e-commerce market size was valued at USD 9.09 trillion in 2019 and is expected to grow at a compound annual growth rate (CAGR) of 14.7% from 2020 to 2027. Global smartphone penetration rate is estimated to have reached 78.05% in 2020. According to Statista, the current number of smartphone users in the world today is 3.8 billion and this means 48.33% of the world's population owns a smartphone. This is continuously growing since 2016 when there were only 2.5 billion users, 33.58% of that year's global population. And the global internet penetration rate is 59.5%. Digital content, travel and leisure, financial services, e-tailing among others constitute a variety of e-commerce options available to the internet accessing customer base that are gaining momentum with increased internet usage. As of January 2021, there were 4.66 billion active internet users worldwide. Hence, technological awareness among customers is expected to have a positive impact on market growth. The growing importance of faster browsing has led to the development in the connectivity, thus leading to development in 4G and 5G technology. in USA rise of voice commerce, 13% of smart speaker's owners were making purchase by voice in 2017, and 55% growth predicted by 2020 using smart speakers like amazon echo and voice generated sales. China, USA, and India rank ahead all other countries in terms of internet users. China has more than 854 million internet users, and India has approximately 560 million online users. Both countries still have large part of the population that are offline and near future it will going to boost up.

Now talking about the impact of COVID-19, this pandemic had positive impact on global e-commerce industry. As this pandemic forced people to stay at home, the consumer behaviour of purchasing goods significantly shifted from brick and mortar to electronic channels or internet for purchasing goods. In June 2020, global retail e-commerce traffic stood at a record 22 billion monthly visits, with demand being exceptionally high for every-day items such as groceries, clothing, but also retail tech items. So, this pandemic had positive impact on global e-commerce industry buy giving push to purchasing habits of people to shift online and to order goods online. IMARC Group expects the global e-commerce market to grow at a CAGR of around 16% during 2021-2026.

1.2 Indian e-commerce industry analysis

Lest us first understand what the current affairs is related to the e-commerce sector in India. There is increasing demand in the Indian economy that means the aggregate demand in Indian economy is increasing and in this context of increasing aggregate demand in the economy there has been an increase or growth of the e-commerce sector, which is multifold so, with increase in aggregate demand, e-commerce sector has enormous potential or scope inorder to grow in the Indian economy. Also, the population of the country is very high that is 1.3 billion. So, aggregate demand will be in huge no. so, the quantity demanded will be very high.

Before analysing the sector let us understand what the status of e commerce sector in India is. So, first let us see what e-commerce is. E-Commerce is a type of business model, or it is a segment of larger business model under these e commerce business model the larger firm or small firm or individual conduct business or an electronic network or E-Commerce is a business model where transactions are conducted over the internet or through electronic network for example Amazon, Flipkart, Myntra, etc. so we purchase commodities or product from such sites through Internet this is called as e commerce. hence, there are four major market segments in e-commerce they are B2B, where the business or transactions are conducted between firm to firm or business entities, second is B2C, that is business-to-consumer where in business is conducted directly between firm and consumers third one is C2C that is from consumer to consumer and last one is C2B that is consumer to business so this are the four market segments involved in the E-Commerce sector.

Now talking about the growth of the E-Commerce sector. Even though there was uncertain policy environment the growth was very quick and primarily it was due to increase in aggregate demand in the Indian economy so one reason for increase in aggregate demand was the population of the country to meet to the requirements or demands of this increased or huge level of population e commerce sector had contributed largely and it helped the growth of e-commerce sector in the country.

Now if we look at the online retail, we will see that it was 1% of total retail market in 2013 and in 2018 online retail was accounting for 3% of total retail market in the country so we can see there is a quick growth in the E-Commerce sector.

E-commerce has transformed the way business is done in India. India e-commerce will reach US$ 99 billion by 2024, growing at a 27% CAGR over 2019-24, and US$ 200 billion by 2026 from US$ 38.5 billion as of 2017. with grocery and fashion/apparel likely to be the key drivers of incremental growth. Much of the growth for the industry has been triggered by an increase in internet and smartphone penetration.

As of September 2020, the number of internet connections in India significantly increased to 776.45 million, driven by the 'Digital India' programme. Out of the total internet connections, 61% connections were in urban areas, of which 97% connections were wireless.

Market size

Now talking about the market size, the Indian online grocery market is estimated to reach US$ 18.2 billion in 2024 from US $1.9 billion in 2019, expanding at a CAGR of 57%. India's e-commerce orders volume increased by 36% in the last quarter of 2020, with the personal care, beauty, and wellness (PCB&W) segment being the largest beneficiary. Propelled by rising smartphone penetration, launch of 4G network and increasing consumer wealth. Online retail sales in India are expected to grow 31% to touch US$ 32.70 billion in 2018, led by Flipkart, Amazon India, and Paytm Mall. In India, smartphone shipments reached 150 million units and 5G smartphone shipments crossed 4 million in 2020, driven by high consumer demand post-lockdown. As most Indians have started shopping online rather than stepping outside their houses, the Indian e-commerce sector witnessed an increase in festive season CY20, the Indian e-commerce GMV was recorded at US$ 8.3 billion, a significant jump of 66% over the previous festive season. Similarly, the Indian e-commerce market recorded ~88 million users in festive season CY20, a significant jump of 87% over the previous festive season.
According to Bain & Company report, India's social commerce gross merchandise value (GMV) stood at US$ 2 billion in 2020. By 2025, it is expected to reach US$ 20 billion, with a potentially monumental jump to US$ 70 billion by 2030, owing to high mobile usage. And there is a phenomenal growth of non-traditional items in the E-commerce market for example furniture very high-end fashion labels etc. Now bringing the marketing aspect of e-commerce companies the eCommerce companies spend large amount of money on marketing for example Amazon and Flipkart these two E-Commerce Giants alone head spend dollar 5 billion for marketing during the Navratri period, so the amount of money spent on the marketing is very high.

Government policies and initiatives

Various government programs like digital India, make in India, skill India etc will influence the growth of e-commerce sector in India. Talking about some of the initiatives from government like investment in rolling out fibre network for 5G which will obviously give a push to E-Commerce sector. Also, government is allowing 100% FDI in B2B E-Commerce to attract more participation in e commerce. Another initiative by the consumer affairs ministry regarding the consumer protection in e commerce rule 2020, where in the consumer will be more aware of the origin of the products. Government also proposed National retail policy where it will improve the ease of doing business, rationalisation of licence process, digitisation of retail, focus on reform and an open network for Digital commerce. The Government of India aiming to create a trillion-dollar online economy by 2025 for which government has set up committee that will provide oversight on the policy for the open network for Digital commerce. The recent rise in digital literacy E has led to an influx of investment in e-commerce firms, levelling the market for new players to set up their base, while churning out innovative patterns to disrupt old functioning.

COVID-19 Impact

In this covid-19 situation e-commerce was the most beneficial sector. E-commerce penetration rates are forecasted to increase from 15% in 2020 to 25% in 2025. So, there was 10% growth in the last year during ending four months. Despite of this situation e-commerce are expecting strong sales growth in 2021. Online grocery, e-pharmacy and social commerce are expected to see the bulk of the action in 2021. So, this was the impact of pandemic on Indian as well as global e-commerce industry.

Road ahead

The E-commerce industry has been directly impacting micro, small & medium enterprises (MSME) in India by providing means of financing, technology and training and has a favourable cascading effect on other industries as well. Indian E-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest E-commerce market in the world by 2034. Technology enabled innovations like digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements will likely support the growth in the sector. The growth in E-commerce sector will also boost employment, increase revenues from export, increase tax collection by ex-chequers, and provide better products and services to customers in the long-term. Rise in smartphone usage is expected to rise 84% to reach 859 million by 2022.

1.3 Company analysis: An overview of Amazon

Global online retail giant "Amazon" was brought into existence by Jeff Bezos in 1994, at Seattle, Washington, USA. Which is the headquartered of Amazon. Originally, amazon was started as an online bookstore but soon converted to a top online retailer selling almost everything from A to Z just like its logo says. It has created strong brand image and built trust and became one of the highly trusted online retailers. It's a customer-oriented brand as it sells and ships millions of products to millions of customers worldwide every day at inexpensive prices. Amazon runs its operations across different countries and it's so popular that has over 310 million active users and 100 million subscribers and employs over 12,98,000 employees around the globe. The growth of amazon for previous several years has been amazing. It has also found strong growth in the cloud sector. Amazon's growth story from an online bookseller to the largest e-commerce brand and leading cloud player has been amazing. Now, when many leading markets are affected by coronavirus, the leading technology companies including amazon are continuing to experience financial growth Amazon is a market leader in online retail industry with over $1 trillion market capitalization and above $386 billion annual revenues. And apart from the competing digital commerce brands, it has also emerged as a major competitor for the physical retail brand like Walmart or Costco. Amazon also focus on cost leadership it doesn't incur costs in maintaining physical retail stores by selling everything online. With economies of scale, amazon efficiently controls its costs and lowers its inventory replenishment time. The company has formed numerous strategic alliances with many companies like Evi technologies, Thalmic Labs, Shoefitr, the orange chef etc. it has a strong value chain system which also helps in maintaining a low-cost structure. Amazon came up strategy of go global and act local strategy, this benefitted company the most where in amazon develops partnership with local supply chain companies that help it in competing against domestic rivals. Amazon is one of the largest e-commerce retails that invest a lot capital to improve its technology and research and development.

Operations

Amazon engages in the retail sales of consumers products and subscriptions in North America and internationally. The company operates through three segments. North America international, and Amazon Web Services (AWS) and even amazon prime, these key businesses of amazon which work and support each other. As a whole, they generate massive profits and advantage for the company. It sells merchandise and content purchased for reseal from third-party seller through physical and online stores.

Product and services

Amazon owns extensive product mix which attracts online customers to make their majority of purchases to make it rather than other online retailers. It has sold 562.3 million products in its amazon.com marketplace. The data from fulfilment by amazon reveals that there are more than 2 billion items available from third-party sellers. Amazon also manufactures and sells electronic devices, including Kindle, fire tablets, fire TVs, rings, and echo and other devices; provides kindle direct publishing, an online service that allows independent authors and publishers to make their books available in the kindle store; and develops and produces media content. in addition, it offers programs that enable sellers to sell their products on its websites, as well as its stores; and programs that allow authors, musicians, filmmakers, skill, and app developers, and other to publish and sell content. further, the company provides compute, storage, data base, analytics, machine learning, and other services, as well as fulfilment, advertising, publishing, and digital content subscriptions. Additionally, it offers amazon prime, a membership program, which provides free shipping of various items; access to streaming of movies and TV episodes; and other services. The company serves consumers, sellers, developers, enterprise, and content creators.

Acquisitions

By way of acquisitions amazon increases its market share and reduce the competition level. The successful acquisitions of Whole foods, Zappos.com, Woot.com, Junglee.com, IMBD.com, Amazon also acquired California- based self-driving Startup Zoox.inc for whooping $1 billion. It can now leverage autonomous technology to exploit the increase in demand for ride-hailing services or use it to improve its delivery network. These acquisitions have produced significant profit for the company

Competition

Competition continuous to intensify, amazon have many competitors across geographies, including cross-border competition, and in different industries, including physical, e-commerce and omnichannel retail, e-commerce services, web and infrastructure computing services, electronic devices, digital content, advertising, logistics and transportation services. Some of the competitors to amazon are Walmart, flipkart, Ebay, best buy and Costco etc.

COVID-19 impact on Amazon

Amazon has clearly been the outstanding performer through the course of this global pandemic and has played an essential role in providing access to the supplies and necessities essential to daily lives. Like many retailers, it has been focused on initiatives to find solutions to the way that COVID-19 has reshaped shopping habits, industries and economies around the world. However, pandemic have affected the businesses as well as those of amazon's suppliers, customer and third-party seller.

1.4 Amazon India

Amazon India launched operations in June 2013. The company launched its website Amazon.in, offering customers a wide variety of choices in books, movies and television shows. Amazon reportedly controlled 30% of India's e-commerce market at the end of 2018, according to RBC Capital Markets. In 2019, RBC said that Amazon could increase its share to 35% by 2023, with the e-commerce giant getting 4% of its total revenue and 13% of its international revenue from India by then. The total seller count on Amazon India is now 120,000, with most of them being SMEs. Sellers were given 824 new pin codes and during the first leg of the Great Indian Festival Sale, 10,000 sellers claimed to have scored their greatest ever sales' numbers. And amazon pledges to make a positive impact on the environment. With this vision in mind, amazon plans to deploy 10,000 electric rickshaws for delivery in India by 2025.

1.5 SWOT analysis of amazon

SWOT Analysis is a simple but useful framework for analysing your organization's strengths, weaknesses, opportunities, and threats. It helps to build on what company do well, to address what its lacking, to minimize risks, and to take the greatest possible advantage of chances for success.

Strengths of Amazon

- Market capitalisation of Amazon is 1.65 trillion. It has over 310 million active users and 100 million subscribers all around the globe and through the time it established itself as a strong brand in the E-Commerce industry. Talking about the value which is created by Amazon for its brand or brand valuation which stands at dollar 200 billion and it was ranked on 2 positions after Apple according to inter brands Global brand ranking 2020.

- One of the strengths of Amazon is that it sells A to Z products on its platform, from smallest and inexpensive item like safety pins to the expensive products. Amazon caters to extensive number of customers and satisfies their requirements which makes Amazon a customer-oriented brand for example to encourage users to search more of its product Amazon launched a market campaign called as "Aur Dikhao" in India.
- Another strength of Amazon is it has large number of customer base which create high traffic volume on its site and due to which many third-party sellers have joined the platform to sell their commodities. Third party sellers sell more than two billion items on its sites which attract a greater number of customers to the platform.
- Amazon takes less time for delivery because of its superb Logistic and distribution system like Amazon prime. And go Global and act local strategy where in Amazon tie up with local supply chain companies which makes it easy for fast delivery of products to customers.
- Amazon's other businesses like Amazon Web service (AWS) and Amazon Prime is advantage for the company which also provide its contribution to the profit of the company.

Weaknesses of Amazon

- As there are no rigorous barriers for entry in commerce market and as e-commerce businesses are accelerating in this digital world so imitating amazon's business models for rival firms is not so difficult example of such firms like Ebay, Netflix and oyster etc.
- Due to free shipping of products amazon is losing margins in few areas like India. When amazon launched its own products like fire phone and kindle fire which was a big flop and failure, which caused a dent in amazon's deep pockets.
- To remain ahead of the competition and to attract more customers as it is essential to have online presence same way it should have physical presence too, but amazon has limited physical presence which sometimes hinders to attract customers.
- Amazon has been on record for tax avoidance in Japan, UK, and US, same has created negative publicity for amazon.
- Another weakness is due to unfair use of third-party data and unfair trade practices amazon is facing antitrust charges in the European union for collecting and using data from third-party.

Opportunities for Amazon

- One of the essential opportunities for amazon will be by expending its physical presence in the form of physical stores. By doing so it can attract more customers and can improve competitiveness against retailers. This will create greater brand by engaging customers.

- Amazon usually invest every single Doller back into company. So, that capital can be used to do more acquisitions of e-commerce companies to reduce the competition level and to increase companies market share.
- Another opportunity can be amazon can penetrate its operations or business in the untapped market around the world.
- As amazon believes in innovation and differentiation it can think upon expending its own product line and improve profit margins.
- It can also invest in improving its platform in form of augmented reality where customers can virtually try before they buy things. This will engage more traffic on the site and conversation rate will also be improved. And secondly it can work on self-driving technology.
- **Launch of electric rickshaws in India**. Amazon pledges to make a positive impact on the environment. With this vision in mind, Amazon plans to deploy **10,000** electric rickshaws for delivery in India by 2025.

Threat for Amazon

- Whenever customers buy something, they depend on the reviews to know the authenticity and quality of the product to make purchase so, in this case amazon delas with thousands of fake reviews on the site, which can impact the sales and even damages the brand image.
- Increase in counterfeiting and fake products threatens Amazon's profits. The company recently filed a lawsuit against New York-based online retailer for allegedly counterfeiting Valentino shoes, a luxury Italian shoe brand offered by Amazon.
- As e-commerce industry is growing in digital world, amazon faces an aggressive competition from other e-commerce players like Walmart, Ebay etc. that has a potential to impose threat on amazon.
- Doing business in other countries means abiding to rules and regulations of that country. Which can be supportive to business operations sometimes or can also threaten the business operation or the conduct of the business.
- Increasing **cybercrime** can affect the network security system of the company.

SWOT analysis clarifies the current standing of Amazon. Few necessary improvements are needed to be done to administer the lacking and reinforce its market position. In short, Amazon needs to strengthen its key areas, minimize its weaknesses, avail opportunities, and counteract threats for future progress.

1.6 PESTEL Analysis of Amazon

A PESTLE analysis is a framework to analyse the key factors (Political, Economic, Sociological, Technological, Legal and Environmental) influencing an organisation from the outside. It offers insight into the external factors impacting the organisation.

Political factor

Political factors involve the interventional of government in an economy by way of making different policies and laws for the country is amazon has its presence across the globe it can be disturbed by the political factors in each area however it can also be vice versa talking about the Indian particle scenario for amazon India and other e-commerce. The Indian government published a circular that effectively banned amazon in its local competitors from selling products of companies in which they have an equity stake. And FDI would only be allowed into e-commerce companies that provide marketplace for buyers and sellers, according to the new rule and restrictions on e-commerce sector. That had dent on amazon's business in the country. The Indian government denied the request to defer the implementation of new rules to buy companies more time to comply, From amazon. This new rule had short-term impact on amazon. So, this is how amazon faces political storm. However, political factor can affect or may also provide opportunities.

Economic factor

Economic factors such as taxation, inflation rate, unemployment level and change in currency exchange rates that directly affect the revenue and growth prospects of amazon. In the wake of corona pandemic amazon had benefited tremendously from economic stimulus measures that have increased consumer discretionary income as well the purchasing power of people, is increasing, people spend more on the expensive product thus amazon's revenue escalates.

Social factor

Social factor talks about the consumer behaviour, their attitude and belief. Where consumers want to layback and have their products delivered at doorstep and due to mobile and internet penetration consumers are looking for greater convenience. With the shift towards convenient, fast and contactless delivery, amazon has again taken advantage and due to roll out of high-speed internet access is also serving as a supporting factor as everyone just searches for product online and they get their product delivered. So, this is how social factor is influencing on amazon.

Technological factor

In this growing digital word where technology keeps on upgrading and plays a crucial role in the industry. And we talk about amazon, it heavily invests in technology and research and development, and it is highly innovative within the retail sector. Amazon in its amazon fresh stores have come up the digital cart where customer just need to put the items in that cart where in it automatically gets scanned and money directly gets debited from the account. It has also created unattended locker system called amazon hub so, that consumers can receive parcels when it is convenient for them to do so. So, in the technological factor amazon can create enlarge gap between its competitors.

Environmental factor

Every country has different norms and regulations for environment and as amazon has it operation span across the countries it must comply with the environmental laws of every county. Amazon aims to makes 50% its shipment zero carbon by 2030, and net zero carbon across its business by 2040. Talking about the environmental factors in India, amazon pledges to make a positive impact on the environment with this vision in mind amazon plans to deploy 10,000 electric rickshaws for delivery in India by 2025.

Legal factor

Talking about the legal factors which can affect Amazon are antitrust laws, consumer protection laws, data protection laws, discrimination laws associated with an E-commerce business. The anti-counterfeit policy is already followed in Amazon to reduce the counterfeit sale of products and increase the trust of consumers, every product which is sold on the Amazon platform needs to be verified. So, amazon must comply with all this laws to operate its operations smoothly.

1.7 Porter's five forces analysis of Amazon.

Bargaining power of buyers (High)

No doubt that amazon focuses on customer satisfaction and providing good quality products to customers, also customer grievances are handled effectively to retain customer, however customers are well informed about the products prices and due to burgeoning trend of online retailing switching of cost is low and customers have plenty of other options to look for. So, buyers have a strong bargaining power against amazon due to the number of companies.

Bargaining power of suppliers (Low)

Being an industry leader amazon has a high traffic volume on its site and due to its large sales for every time and huge customer base. There are extensive number of other suppliers that are ready to supply required goods to amazon. Which makes the switching cost extremely weak for suppliers and amazon has the upper hand over the suppliers. So, the bargaining power of suppliers is low for amazon.

Competitive rivalry (High)

Due to burgeoning of e-commerce sector many other players have turned up given intense competition to amazon. Even traditional brand started offering online sales even small retailers are giving tough time to amazon. Some of the major competitors for amazon are Walmart, flipkart, Ebay etc. so, competitive rivalry for amazon is high.

Threat of substitute (High)

Threat of substitute for amazon is high. Any inconvenience caused by amazon to customers can make them switch easily to its competitors. Like flipkart, Ebay etc. and still many people prefer to shop from retail store, but amazon has minimal physical presence. So, this imposes threat of substitute for amazon.

Threat of new entrant (Low)

As many players are turning up in the sector. Though it is uncomplicated to establish online store but to reach at the level of amazon requires lot of investment in technology, logistics, warehousing and establishing a brand is not easy. So, it's easy to enter the sector but won't be able to take on a giant such as amazon so, threat of new entrants for amazon is low.

1.8 VIRO analysis of Amazon

VRIO framework is the tool used to analysis forms internal resources and capabilities to find out if they can be a source of sustained competitive advantage. VRIO stands for – Value of the resource, Rareness of the resource, Imitation Risk, and Organizational Competence. VRIO can be used to build sustainable competitive advantage by better understanding the role of resources in Amazon's overall business model.

Core Competency	Valuable	Rare	Inimitable	Organized	Implication
Brand Name	✔	✔	✔	✔	Competitive Advantage
Research and Development	✔	✔	✔	✔	Competitive Advantage
Distribution Network	✔	✔	✔	✔	Competitive Advantage
Product Range	✔	✔	✔	✔	Competitive Advantage
Customer Base	✔	✔	✔	✔	Competitive Advantage
HRM	✔	✔	✔	✔	Competitive Advantage
Marketing	✔	✔		✔	Temporary Advantage
Customer Loyalty	✔	✔		✔	Temporary Advantage

Table- 01

Value:

Brand name- One of the valuable core competency of amazon is brand name which it has created over the period and trust which is built by amazon makes it a highly online retail. Amazon is also known for its focus on customer service, technology innovations, marketing strategies. Which makes it a valuable brand name.

Research and development- As amazon invest heavily on R &D, including in AWS segment which drives demand and sales and popularity, and it has acquired robust capabilities through algorithms which gives amazon a competitive advantage.

Distribution network- one of the core competencies is distribution network. Amazon has a powerful logistics, and distribution channels including amazon prime, and no other brand has such resources and capabilities with them thus, it gives competitive advantage.

Product range- Due to the third-party sellers on amazon it has huge product range on its platform. It has more than 2.5 million sellers which are growing year on year. So, it gives amazon a competitive advantage.

Customer base- As amazon is the leading e-commerce firm and the trust which is built by amazon helped to attract more customer. So, it has more than 150 million users accessed the platform. And it gives amazon competitive advantage over its competitors.

HRM- HRM is also a core sources of competitive advantage for amazon. The company employs many talented computer engineers and programmers that continuously work to improve the efficiency and effectiveness of its online marketplace.

Marketing- Marketing is a source of competitive advantage for almost all the leading brands, including technology, brands, and retail businesses. When it comes to other retailers, like Walmart, that also have strong marketing capabilities. And therefore, it is not a substantial source of competitive advantage for the amazon but, it offers temporary competitive advantage.

Customer loyalty- Is a major driver of sales and profitability as other players also invest a lot to build customer loyalty. Amazon's advantage is reduced to some extent and achieves a temporary competitive advantage from this core competency.

Rare:

Brand name- The international presence and strong brand name created by amazon which its competitor doesn't have to the extent that amazon created. So, it becomes rare and give competitive advantage.

Research and development- the money that amazon invest in technology and R&D is extensive that no other players are investing.

Distribution network- Amazon has created a strong distribution channels that no other players have this sort of distribution network in the industry. And to create such network it is very difficult and time consuming for other players.

Product range- compared to other players in the industry amazon have 2.5 million sellers on its platform. So, it gives rare advantage to the company.

Customer base- Compared to other online retail players, amazon has adopted pricing strategy which makes them extraordinary. The pricing strategy of the company has helped it attract customers from all corners of the world in very large number.

HRM- At amazon, which is basically a technology company growth also comes from investing in research and development. According to annual report amazon has 12,98,00 employees in 2020. Compared to amazon other retail brands seem to be lagging in the area of HR.

Marketing- Amazon invests a considerable sum each year in marketing and promotion, which also drives sales and profit. However, other players also invest a lot in marketing and promotion. So, it doesn't become rare for the company.

Customer loyalty- Though amazon has good customer loyalty however, other players in the sector also invest in customer loyalty programs, rewards etc. though amazon has a rare temporary advantage.

Inimitable:

Brand name- There are very few other firms that hold some competitive strength in terms of brand image, but their presence is limited to few markets and achieving the same cult status as Amazon would be both time-consuming and capital intensive for these firms and therefore challenging the supremacy of Amazon in e-commerce is next to impossible for the other digital retail brands whether it is Flipkart, Alibaba.

Research and Development- in the e-commerce industry especially, there is no match for Amazon's research and development capabilities. Therefore, it is a valuable and rare as well as inimitable resource. If other e-commerce or physical retail firms try to imitate these capabilities or develop a substitute for them, it will prove both capital and time-intensive for them. In this way, the research and development capabilities of Amazon and its innovativeness drive sustainable competitive advantage for the brand.

Distribution network- Matching Amazon's capabilities in this area does not look possible for any other firm in both the short and the long term. Overall, this core competency of Amazon is a leading source of sustainable competitive advantage for the brand.

Product Range- Amazon's influence as an online marketplace is also clear from the fact that the company has helped thousands of SMBs from around the world create more than 1.6 million new jobs in the past few years. All these factors have vastly grown the influence of Amazon in the United States as well as internationally as an online marketplace. This is a sustainable competitive advantage that any other online or physical retail brand would not be able to match easily.

Customer Base- However, considering the level of competition in this area, it can be noted that Amazon has a very significant advantage compared to the other players. To match Amazon's advantage even the closest competitor would have to work for years to grow its customer base internationally.

HRM- While other technology brands like Apple, Google, and Microsoft also have talented programmers and engineers on board, none of them is a direct competitor of Amazon in the e-retail industry. Compared to Amazon, the other retail brands seem to be lagging in HR. In this way, its human capital is also a source of competitive advantage for the business.

Organized:

Brand name- Apart from being a highly trusted online retail brand, the company is known for its focus on customer service. There are several other factors too that have helped the company strengthen its brand image including technological innovation, international business operations, and marketing strategies as well as talented human resources.

Customer experience- Amazon has acquired a lot of market growth in recent years and one of the main drivers of its growing brand recognition and popularity in both the US and international markets is its focus on customer experience.

Research and development- During 2019, the research and development expenses of Amazon grew to around $36 billion which was higher than any other firm including Google that spent around $26 billion on research and development.

Distribution networks- The international presence of Amazon which has been bolstered through its large network of around 175 fulfilment centres helps the company match millions of sellers with millions of buyers daily. Therefore, Amazon's e-marketplace is the most lucrative platform for many big and small sellers from around the world.

Product range- 2019 data, average, small and medium-sized businesses sell more than 4000 items every minute on Amazon.

Customer base- Apart from lower pricing, the lower shipping costs of the company have also helped it attract customers. With higher customer convenience, the overall customer engagement at Amazon is also higher. The customer base of the company has also grown with the increased use of smartphones and the internet worldwide.

HRM- Human resource management is also a core source of competitive advantage for Amazon. It is why amazon focus on managing their human capital strategically to drive the best performance organization-wide and grow their employees' productivity that benefits the organisation.

Marketing- Its platform is also a key marketing channel for the brand that has continued to drive higher customer loyalty and customer engagement towards the organisation.

Chapter 2: Amazon financial statement and ratio analysis

Amazon is a unique company, and its financial statements and annual reports reflect that. From this point on, the report will emphasis on Amazon's financial statement using charts and key takeaways. How well the company is performing year by year. The following report analyses Amazon.com, Inc.'s financial condition based on the financial statements data prepared according to International Financial Reporting Standards (IFRS) for the period from 2018 to 2020. (Amazon annual report)

2.1 Meaning

The process of reviewing and analysing a company's financial statements to make better economic decisions is called analysis of financial statements. In other words, the process of determining financial strengths and weaknesses of the entity by establishing the strategic relationship between the items of the balance sheet, profit and loss account, and other financial statements.

2.2 Analysis and Interpretations of Financial Statements

The term 'analysis' means the simplification of financial data by methodical classification of the data given in the financial statements, 'interpretation' means, 'explaining the meaning and significance of the data so simplified.' However, both' analysis and interpretation' are interlinked and complementary to each other.

2.3 Objective of financial statements

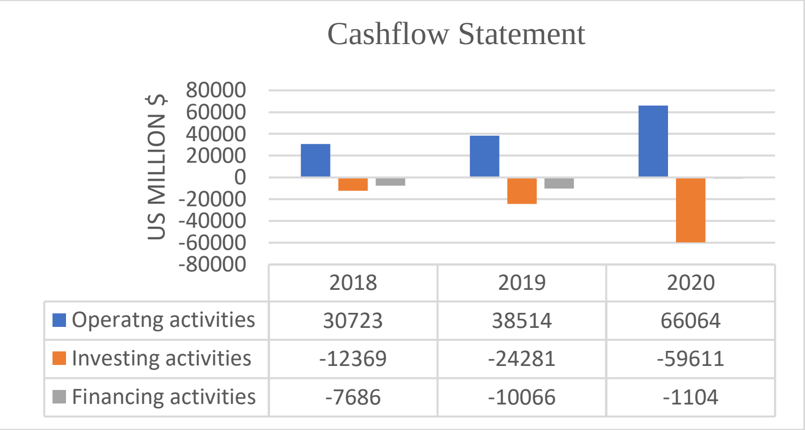
To provide adequate information about the source of finance and obligations of the finance firm.

To know the liquidity and profitability of the firm.

To know the utilization of finance over a period of time.

To help the users to evaluate the statements and get to know the earning performance of the firm.

2.4 Cashflow statement analysis



	2018	2019	2020
Operatng activities	30723	38514	66064
Investing activities	-12369	-24281	-59611
Financing activities	-7686	-10066	-1104

Figure- 01

First, I will talk about the cash provided (used in) by operating activities during the financial year 2018, which was $30.7 billion, and it increased by 25% for year 2019, it was $38.5 billion. In comparison with year 2019, the cash provided by operating activities during the financial year 2020, showed a significant annual growth rate of 72%, which was $66.1 billion. And the reason behind this significant growth as compared to previous year, was due to increase in net income, which was $10073 billion in 2018, in 2019 it increased by 15% that was $11588, and in 2020, there was massive increase net income from 15% in 2019 it went to 84.1%, which brings it to $21331, excluding non-cash expenses, and changes in working capital. Other reasons for increased cash by operating activities were accounts payables which are added back and it is considered to be favourable in cashflow because it gives positive effect on cash at the end. It was $8193 in 2019, with growth of 151%, in comparison to 2018, in 2020 accounts payable significantly increased by 113% which was $17480. Accrued expenses and others were $(1383) decreased in 2019, but in 2020 it increased by 316% amounting to $5754. So, this are the reasons due to which there in a significant increase in cash provided by (used in) operating activities.

Cash provided (used in) by investing activities links with cash capital expenditure, including leasehold improvements, incentives received from property and equipment vendors, proceeds from asset sales, cash outlays for acquisitions, investment in other companies and intellectual property rights, and purchases, sales, and maturities of marketable securities. Cash provided (used in) by investing activities for the financial year 2018 was $(12.4) billion. Then in 2019, it increased by 96% almost doubled, it was $(24.3) billion. And in the financial year 2020, it significantly increased to $(59.6) billion, with the growth of 146% as compared to the prior year, with the variability caused primarily by the purchase of property and equipment's which was $(13.4) billion, $(16.9) billion and $(40.1) billion, during the year 2018, 2019 and 2020 respectively, with the growth of 26% and 138% for the year 2019 and 2020. Next reason is Sales and maturities of marketable securities, the cash inflow from this was $8240 billion, $22681 billion and $50237 billion during the financial year 2018, 2019 and 2020 respectively, with the growth of 175% in 2019 and 128% in 2020. Cash payments, net of acquired cash, related to acquisition and other investment activity of $(2.2) billion, $(2.5) billion and $(2.3) billion in 2018,2019, and 2020. Other reason for the cash provided (used in) by investing activities are purchase or significant increase of investment in marketable securities. And sales of property and equipment's and incentives earned from this also increased. So as a result, there is increase in cash provided (used in) by investing activities. Amazon's capital investment is mainly about adding additional capacity to fulfilment operations and also or AWS data centres.

Cash flow provided (used in) by financing activities was $(7.7) billion, $(10.1) billion and $(1.1) billion for the financial year 2018, 2019 and 2020 respectively. With the growth of 31% in 2019 and negative growth of (89) % in 2020. Cash inflow from financing activities resulted from proceeds of short-term debt, and other and long-term debt of $1.1 billion, $2.3 billion and $17.3 billion in 2018, 2019, and 2020 respectively. Cash outflow from financing activities resulted from payment of short-term debt, and other, long-term debt, finance leases, and financing obligations of $(8.7) billion, $(12.3) billion and $(18.4) billion in 2018, 2019 and 2020 respectively. Property and equipment's acquired under finances leases was $(13.7) billion and $(11.6) billion in 2019 and 2020, reflecting investment in support of continued business growth primarily due to investment in technology infrastructure for AWS (amazon web services).

Net increase (decrease) in cash and cash equivalents and restricted cash

	2018	2019	2020	2018-19	2019-2020
Net increase (decrease) in cash, cash equivalents, and restricted cash `	**10317**	**4237**	**5967**	-6080 **-59**	1730 **41**
Cash and cash equivalents, and restricted cash, beginning of period	**21856**	**32173**	**36410**	10317 **47.2**	4237 **13.2**
Cash and cash equivalents, and restricted cash, end of period	**32173**	**36410**	**42377**	4237 **13.2**	5967 **16.4**

Table- 02

So, now I will walk you through one of the important bottom line items on the cash flow statement, that is "Net increase/decrease in cash and cash equivalents and restricted cash". The net increase (decrease) in cash and cash equivalents and restricted cash was $10.3 billion, $4.2 billion and $5.10 billion in 2018, 2019 and 2020. In 2019 net increase (decrease) in cash and cash equivalents and restricted cash had negative growth of (59) % as compared to prior year and primarily this would be due to purchase of property and equipment's, acquisitions, repayments of debts. In 2020 it had a positive growth of 41% as compared to the prior year. But still It is less as compared to the financial year 2018. And the reason for this is same, investment in property and equipment's, repayments of debts. The cash and cash equivalents, and restricted cash, end of period was $32.2 billion, $36.4 billion and $42.4 billion in 2018, 2019 and 2020. One of the Reasons for increase in cash and cash equivalents, and restricted cash, end of period would be sale and maturities of market securities. cash and cash equivalents, and restricted cash and marketable securities primarily consisted of cash AAA-rated money market funds, US. And foreign government and agency securities, and other investment grade securities. The cash flow generated from operations and cash and cash equivalents and marketable securities balances, as well as the borrowing arrangement will be sufficient to meet the cash need.

Annual free cashflow

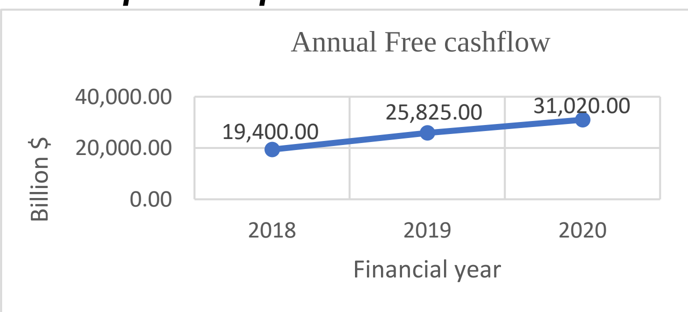


Figure- 02

Free cash flow is driven primarily by increasing operating income and efficiently managing accounts receivables, inventory, account payable, and cash capital expenditures, including the decision to purchase or lease property and equipment. Increase in operating income primarily result from increases in sales of products and services and efficiently managing operating cost, partially offset by investment in longer-term strategic initiatives, including capital expenditures focused on improving customer experience

Free cash flow can be defined as a measure of financial performance calculated as operating cash flow minus capital expenditures. Amazon annual free cash flow for 2018 was $19.4 Billion, a 133.54% increase from 2017. Amazon annual free cash flow for 2019 was $25.825 Billion, a 33.12% increase from 2018. Amazon annual free cash flow for 2020 was $31.02 Billion, a 20.12% increase from 2019.

2.5 Balance sheet analysis

	2018	2019	2020	% Change	% Change 2019/20
Cash and cash equivalents and Marketable securities	41250	55021	84396	33	53
Inventories	17174	20,497	23,795	19	16
Accounts receivable, net and other	16677	20,816	24,542	25	18
Total current assets	75101	96,334	1,32,733	28	38
Total current liabilities	68391	87,812	1,26,385	28	44
Total assets	162648	2,25,248	3,21,195	38	43
Total liabilities	119099	1,63,188	2,27,791	37	40
Long term liabilities/debt	50708	75,376	1,01,406	49	35
Total stockholders equity	43549	62,060	93,404	43	51
Retained earnings	19625	31,220	52,551	59	68

Table- 03

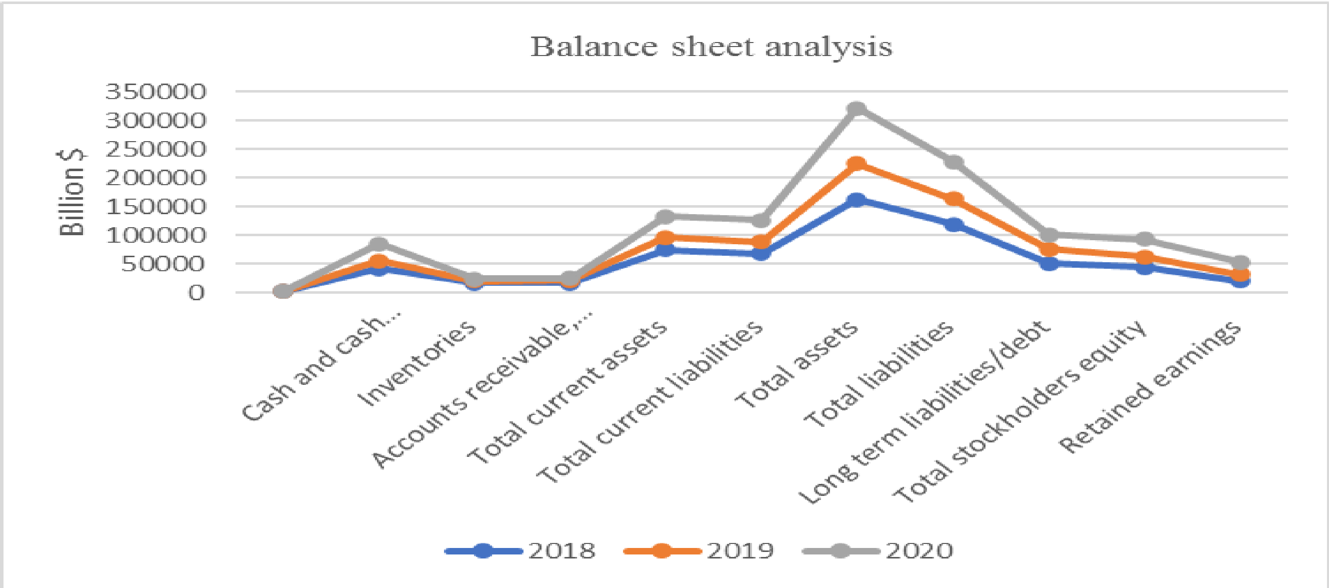


Figure- 03

Cash and cash equivalents and market securities was $41250 billion, $55021 and $84396 billion in 2018, 2019 and 2020. With the growth of 33% and 53% In 2019 and 2020. In 2019, growth of 33%, was primarily due to cash which was $9776 billion and investment in level 1 securities which includes money market funds and equity securities was $19052 billion and investment in level 2 securities which includes, foreign govt. and agency securities, U.S govt. and agency securities, corporate debt securities, assets-backed securities and other fixed income securities and equity securities was $26193 billion. In 2020, growth of 53% was due to increase in the cash and investment amount, which was $10063 billion and investment in level 1 securities was $28047 billion. Investment in level 2 securities was $46286.

Inventories consist of products available for sale. The third-party seller sends their products to the amazon fulfilment center, where amazon store this inventory in their warehouses. There is increase in inventory for all the three consecutive years. In 2018, inventories were $17174 billion, in 2019 it was $20497 billion, with growth of 19% and for year 2020 it was $23,795 billion, with growth of 16%.

Accounts receivable, net and other for the year 2018 was $16677 billion, than it increased to $20816 billion, with growth of 25%, in 2020 it was $24542 billion, with growth of 18%. So, this are amounts primarily related to customers, vendors, and sellers. Seller receivables are amounts due from sellers related to amazon seller lending program, which provided funding to sellers primarily to procure inventory.

Total current assets in 2018 was $75101 billion, it increased by 28% which was $96334 billion for 2019 and in 2020 there was significant increase in current assets, which was $132733 billion, with growth of 38%. Increase in current assets was primarily due to increase cash and cash equivalents and level 1 and level 2 investment. (Mentioned above).

Total current liabilities were $68391 billion, $87812 billion and $126385 billion in 2018,2019 and 2020. With growth of 28% in 2019 and 44% in 2020. There is in total current liabilities due to increase in account payables. And liabilities primarily related to leases and asset retirement obligation, payroll and related expenses, tax related liabilities, customer liabilities, acquired digital media content. and repayment of AWS services and amazon prime membership.

Total assets in 2018 was $162648 billion, in 2019 it was 225248 billion by 38% growth and in 2020 it was $321195 billion by 40% growth. And this significant jump up in total assets was caused by US GAAP changes that require companies to show also assets and obligations from operating leases as part of the balance sheet. Unlike with other changes, companies were not required to restate the previous period. therefore, this change distorts the comparison of changes between 2019 and 2018, both in assets and liabilities. Other significant changes that drive asset increase were growth in property and equipment’s and short-term investment.

If we look at figures of total liabilities it was $119099 billion, $163188 billion by growth of 37% and $227791 billion by growth of 40% in 2018, 2019 and 2020. The main driver of the increase, apart from the leasing accounting change described earlier, was an increase in equity that was mostly driven by current year profit and also increased capital due to stock-based compensation.

Moving on to the long-term liabilities/debt which was $50708 billion, and it jumped up to $75376 billion by 49% growth. And again, it boosted to $101406 billion by 35% growth. Increase in long term liabilities was caused by US GAAP accounting change by adding long-term lease liabilities. And also due to financing obligation, digital video and music content.

Stockholder's equity refers to the assets remaining in a business once all liabilities have been settled. Total stockholders' equity was $43549 billion in 2018, $62060 billion by 43% growth in 2019 and $ 93404 billion by 51% growth in 2020. So, it had positive stockholder's equity for all three financial years. And it had enough fund to cover its liabilities.

Looking at retained earning there has been progressive growth during the financial years. it was $19625 billion in 2018, and accelerated by 59% of growth which brings the amount to $31220 billion in 2019. Again, it amplified by 68% of growth that was $52551 billion in 2020. Since, amazon invest nearly every dollar earned back into the company, it is no surprise that it does not pay dividend and doesn't even buyback its own shares. That's why there is prolonged increase in retained earnings.

2.6 Income statement analysis

Amazon have organised its operations into three segments: North America, International and AWS (Amazon Web Services). These segments reflect the way company evaluates it business performance and manages its operations. The most profitable part of Amazon's business was AWS, its cloud services. Amazon will probably never make significant money directly from selling stuff online. Profit will come from services for third-party sellers, AWS, and probably also advertising. Before analysing income statement let's have a look on amazon's revenue sources.

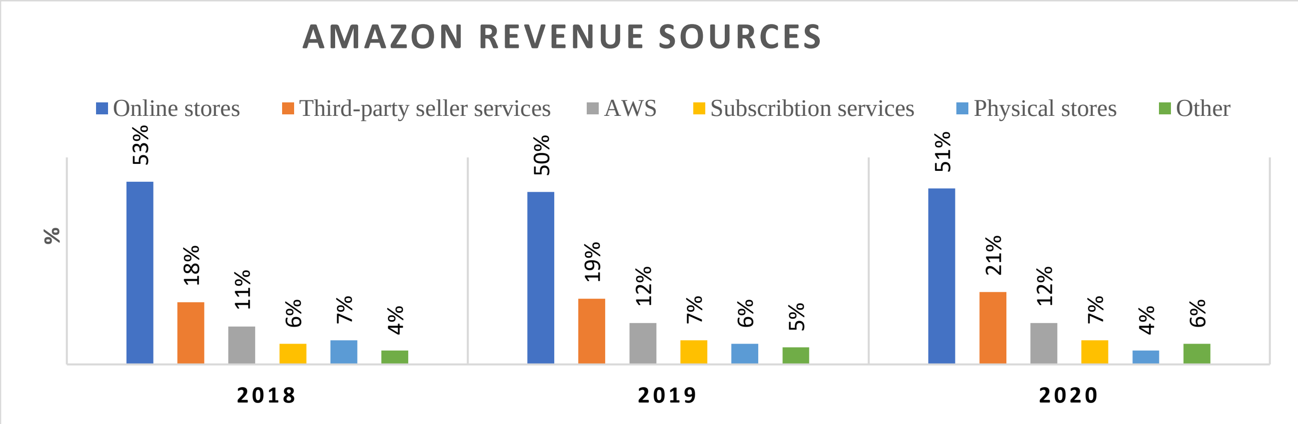


Figure- 04

The graph above reveals different streams of revenue (not profits) of amazon in form of % of the total revenue. Total revenue was $232887 billion, $280522 billion and $386064 billion in 2018,2019 and 2020. As it can be observed in graph, online stores hold more than half of the total revenue for all the three financial years. This signifies the value of goods that amazon sells directly to its customers. Till now online stores are the biggest source of revenue. But observing third-party seller services it's consistently accelerating over the past three years and holding second biggest part in the total revenue. The revenue from third-party seller services is the fees that amazon gets from other businesses for access to the customers and for fulfilling customer orders and for other services from amazon. Third-parties sell around 60% of goods on amazon and it has the potential to grow significantly in near future. Now talking about the third biggest source of revenue is AWS, it is cloud-based services and infrastructure which amazon offers to other businesses and charge certain amount of fees. If we observe more than 80% of total revenue is being generated by these three biggest sources of revenue streams. Remaining revenue is being generated by subscription services, physical stores (can be companies acquired) and other which includes advertisement. In my opinion this revenue streams can grow in future. Now I will walk you through income statement.

	2018	2019	2020	% change 2018/19	% change 2019/20
Net sales	232887	280522	386064	20	38
Operating income	12421	14541	22899	17	57
Operating expenses	220466	265981	363165	21	37
Income tax	-1197	-2374	-2863	98	21
Net income	10073	11588	21331	15	84
EBITDA margin	12%	13%	12%	8	-8
EPS	20.14	23.01	41.83	14	82

Table- 04

The table given above displays key items from income statement. As we can see in the table net sales was increased consistently, this increase was driven by online stores that represents goods sold by amazon. Apart from online store, growth was also driven by third-party seller and AWS for financial year 2019 and 2020.

	% Change 2018/19	% Change 2019/2020
Online stores	15	40
Physical stores	0	-6
Third-party seller services	26	50
Subscription services	36	31
AWS	37	30
Other	39	52

Net sales grew by 20% in 2019, which was a result of slower growth 15% of direct online store sales and quicker growth of third-party services 26% and 37%, 39% and 36% growth of AWS, other and subscription services in. Physical stores didn't grow at all in 2019. But in 2020 online store growth escalated to 40%, third-party services jumped up by 50% growth. Subscription services and AWS growth curtailed to 31% and 30%. And physical growth fallen to negative side by (6) %. So, in 2020 online stores, third-party services and other contributed to net sales.

Operating income in 2019 had a growth of 17% that significantly went up to 57% in 2020. Operating income is a more meaningful measure than gross profit and gross margin due the diversity of products categories and services of amazon. This increase in operating income was due to increase in unit sales, including sales by third-party sellers, and advertising sales and slower growth in certain operating expenses. And Increased shipping and fulfilment costs due in part of COVID-19. And also increased payroll and related expenses, spending on technology infrastructure and also spending on research and development.

Looking at the table above, Operating expenses grew by 21% in 2019 and increased to 37% in 2020. Which was due to increased product and shipping costs which include sortation and delivery center and transportation cost resulted from increased sales. Also increase in technology and content cost. And also due to increased payroll and related expenses for engaged in marketing and selling activities.

The provision for tax was $1197 billion, $2374 billion and $2863 billion in 2018, 2019, 2020. Tax benefit relating to excess stock-based compensation deductions and depreciations are reducing amazon's taxable income. US companies are eligible for a deduction that lowers the effective tax rate on certain foreign income. This regime is referred to as Foreign-Derived Intangible Income Deduction (FDIT). And substantially all amazon's foreign subsidiary earning's, as well as capital in foreign subsidiaries, indefinitely outside of the US in those jurisdictions in which amazon would incur significant, additional costs upon repatriation of such amounts.

As of December 2018, net income after taxes was $10073 billion that translate to a $20.14 earnings per share. In year 2019 it was $11588 billion by growth of 15% that translate to a $23.01 earnings per share or profit per share. In 2020 net income was $21331 billion by growth of 84% that translate to $41.83 earnings per share.

Now talking about EBITDA margin of amazon it was 12% in 2018, in 2019 it increased to 13% and then again in 2020 it shortened to 12%. But if we compare the EBITDA margin of amazon to its biggest competitor Walmart, it was 6.06% in 2018, in 2019 it was 6.18% and in 2020 it was 6.11%. even if we look at EBITDA margin of flipkart in 2019 it was negative (12.10) % and (8.90) % in 2020. So, the EBITDA margin of amazon is greater or higher than of other firms. This margin it indicates that amazon has good short term operational efficiency.

2.7 Financial Ratio Analysis

Ratio analysis is considered significant since it measures a company's economic positioning and help companies to prepare themselves for the future, using multiple ratios like (AlBreiki & Nobanee, 2020).

Ratio analysis frequently allow businesses to assess their efficiency and decide the costs and disadvantages of their operations. (AlDhaheri & Nobanee, 2020). In order to better understand the financial position of the company this ratio analysis is being conducted.

The ratio analyses done for this project were done with the help of extraction of the balance sheet, income statement from the official annual report of amazon.

Profitability ratios

Profitability ratios determines the firm's financial performance or a class of financial metrics that are used to assess a firm's ability to generate earnings and evaluating firms in terms of gross profit margin or ratio, net profit margin, net operating profit margin, ROA and ROE.

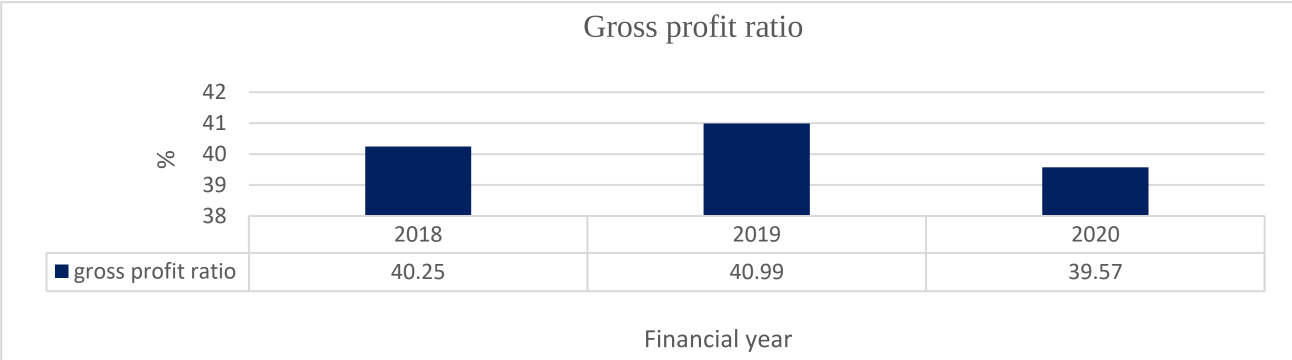


Figure- 05

It is one of the profitability metrics where it shows the percentage of gross profit to sales. The goss profit ratio/ margin in 2019 was slightly more as compared in year 2018 and 2020. The cost of sales in year 2019 represents 59% of sales whereas cost of sales in 2018 and 2020 represents 60% of sale. In 2019 company did slightly well in managing its cost of sales. in comparison to Walmart GPR which was 24.7%, 25.5%, 24.1% in 2018, 2019 and 2020. GPR of amazon is significantly higher but less than E-bay which was 76.61%, 75.27% and 76% in 2018, 2019 and 2020. still Amazon can increase its GPR by increasing sales price or decreasing cost of sales or increasing charges on its services.

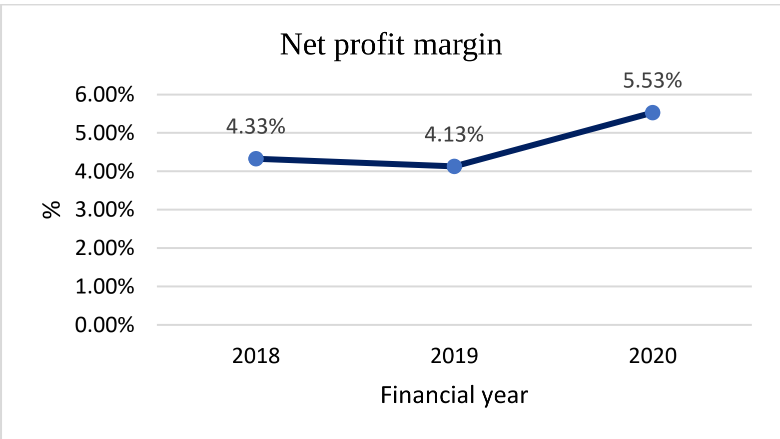


Figure- 06

Another profitability ratio is Net profit margin that measures the percentage of net income to sales. As it can be seen in above graph that net profit margin of amazon jumped up in 2020. It's better than the firm past performance because firm was more efficient at converting sales into actual profit under gross profit. After looking at the gross profit it can also be said, increase in net profit margin indicates a reduction in expenses. Now comparing NPM to other firms like Walmart which had NPM of 1.01%, 2.77 and 3.6% and NPM of best buy was 2.52%, 3.54% and 3.79 in 2018, 2019 and 2020. So, after looking at this I, can say that NPM of amazon is healthy than the others in the sector.

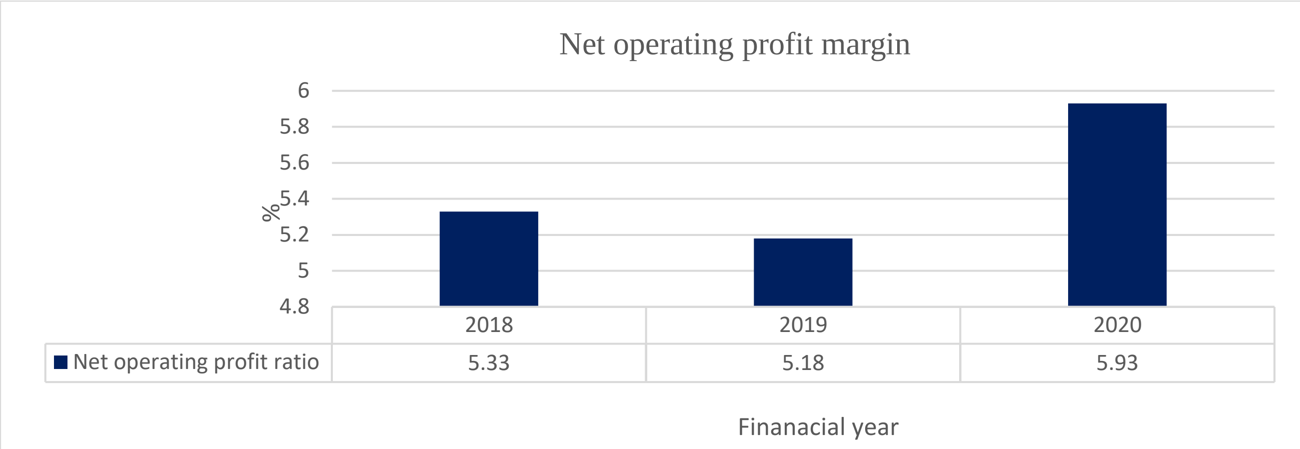


Figure- 07

Net operating profit margin that measures the percentage of operating income to the sales/revenue. Net operating profit margin indicates the contribution of amazon's operation towards the profitability of the firm. As shown in above graph, Amazon operating profit margin has increased to 5.93% in 2020. As compared to previous years. This is due to increase in net revenue, good cost control. If I compare OPM of amazon to Walmart and best buy it was 3.98%, 4.09% and 4.08% and 4.13%, 4.67% and 5.11% in 2018,2019 and 2020. After comparing I can say that, higher net operating profit margin reflects that the amazon is more efficient cost management.

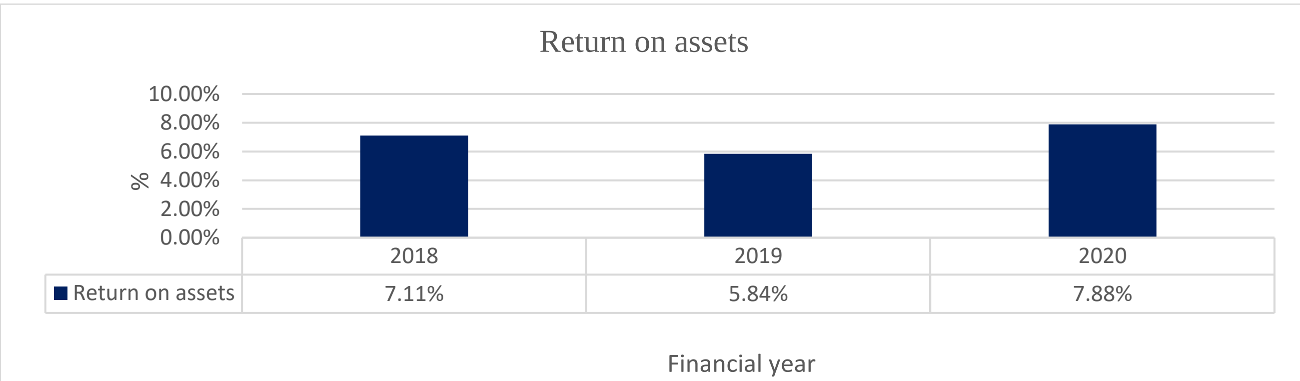


Figure- 08

Return on assets measures the level of net income generated by a firm's assets or how much profit amazon is able to generate from its available assets. As it can be seen in the graph presented above, ROA in 2019 was shorten as compared to prior year. In 2020, ROA escalated in comparison to 2018 and 2019 due to annual net income growth. So, company was able to utilize its resources well in generating income. If I compared it with best buy and Walmart it was 8.39%, 10.32, 9.90% and 2.45%, 6.2% and 5.55% in 2018, 2019 and 2020. Amazon generated less ROA than best buy but in comparison to Walmart expect in 2019 amazon's ROA was more. Amazon can still increase its ROA by improving the efficiency of current assets and generating more net income.

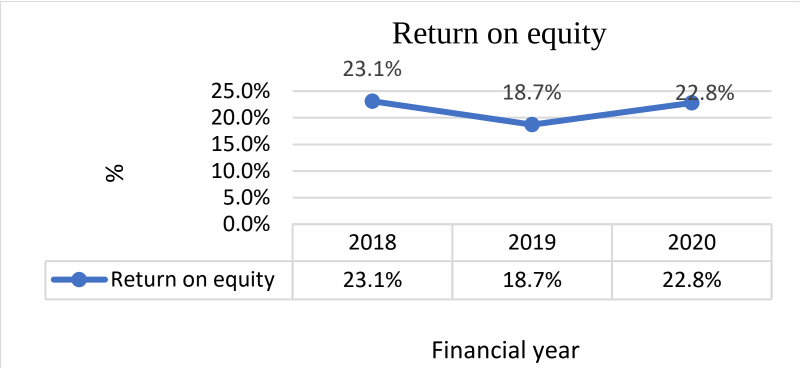


Figure- 09

ROE shows the firm ability to turn equity investment into profits or it measures the profits made for each dollar from stockholders' equity. Amazon. Return on Equity has increased from 4.5% in 2015 to 23.15 in 2020 but in 2019 it curtailed to 18.7% but again in 2020 it boosted to 22.8%. Their return on equity could be substantially higher if the organization takes on more debt. By using debt for future growth, not only is the firm making money on borrowed money, but they are also able to return some of the funds to investors or conduct a stock buyback.

Liquidity ratio analysis

Liquidity ratios are a vital class of financial metrics used to determine firm's ability to meet current obligations without raising external capital. Liquidity ratios measure a company's ability to pay debt obligations and its margin of safety through the calculation of metrics including the current ratio, quick ratio and cash ratio

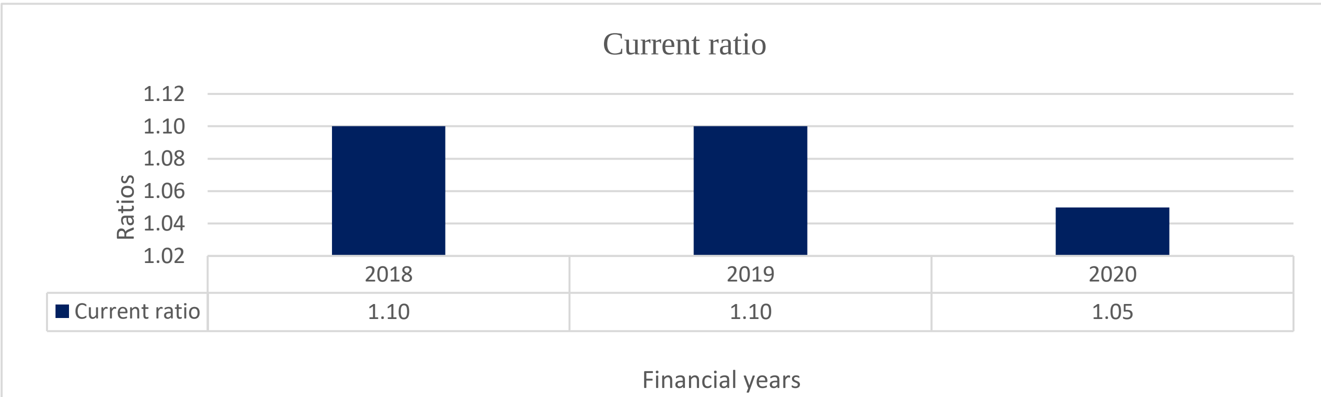


Figure- 10

Current ratio indicates the liquidity of the firm and its ability to pay its short-term obligations. Amazon's current ratio was 1.10 in 2018 and 2019. However, the organization's current ratio slightly shortens in 2020 to 1.05. In general, a current ratio of 1.1 is considered solvent. Amazon is well within an acceptable range of this target number. Also, it seems like Amazon goes through great pains to ensure their current ratio remains near 1.0. An excellent strategy for the organization. Amazon's current ratio in 2019 was 1.1. This is the same number as its current ratio for 2018. This indicates that the company has enough current assets to cover its current liabilities. As a result, the company has little to fear from short-term obligations.

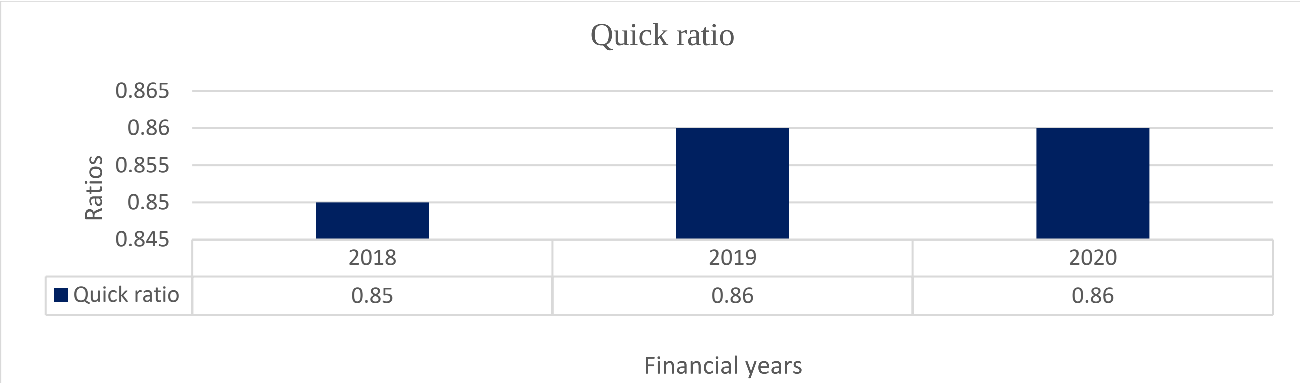


Figure- 11

Another measure to know firm liquidity and its capability to meet its short-term obligations is by using more liquid assets which can be readily convertible into cash is by doing acid-test or calculating quick ratio which is more conservative measure of liquidity than the current ratio. Generally quick ratio of greater 1 is consider safe and good. Amazons' quick ratio slightly increased to 0.86% in 2018 and 2020. Looking at the average industry quick ratio which was 0.69 in 2020, firm is well within the acceptable quick ratio that is 0.86%. if I compare quick ratio of amazon to Walmart and best buy which was 022%, 0.22%, 0.25% and 0.28% and 0.55% in 2018, 2019 and 2020. After looking at this I can say that amazon quick ratio is better than of those. but still firm can improve its quick ratio by increasing sales and converting it into cash or improving the collection period of account receivables.

Figure- 12

Cash ratio is another measure to known the liquidity of the firm and it more conservative liquidity measure than current and quick ratio as it takes into account only cash and marketable securities. In general ratio of 1.1 is consider solvent. Amazon's cash ratio jumped up to 0.67% as compared to prior years. But taking into consideration average industry cash ratio that is 0.30%. so, with respect to industry average I can say liquidity position of amazon is good.

Solvency ratios

Solvency ratios are measures to know the firm's capacity to pay its long-term liabilities as and when it becomes due. Or it tells the capacity of the firm to pay off its liabilities.

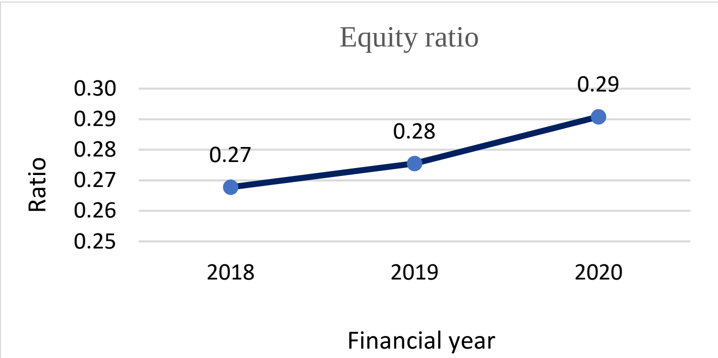


Figure- 13

Equity ratio is one of the common ratios to measure the solvency of the firm and it's limited between 0 and 1. It determines the proportion between equity and firm's total assets. As it is possible to observe in the above graph, the lowest equity ratio obtained by amazon was in 2018. Then it steadily increased in 2019-20 by 0.29, though it has increased through time, it is visible that only 29% of the total assets are owned by investors and most assets were financed with debt. Which is not that favourable in my opinion. But let's compare it Walmart equity ratio, which was 0.40, 0.36 and 0.34, it is continuously decreasing but still higher than of amazons. we can observe equity ratio of amazon is escalating year on year and it's a good sign. Now let's compare best buy which was 0.26 in 2018 and 2019. It deteriorated to 0.22 in 2020 so, here also its decreasing and amazon is showing positive trend with respect to equity ratio which is a good sign.

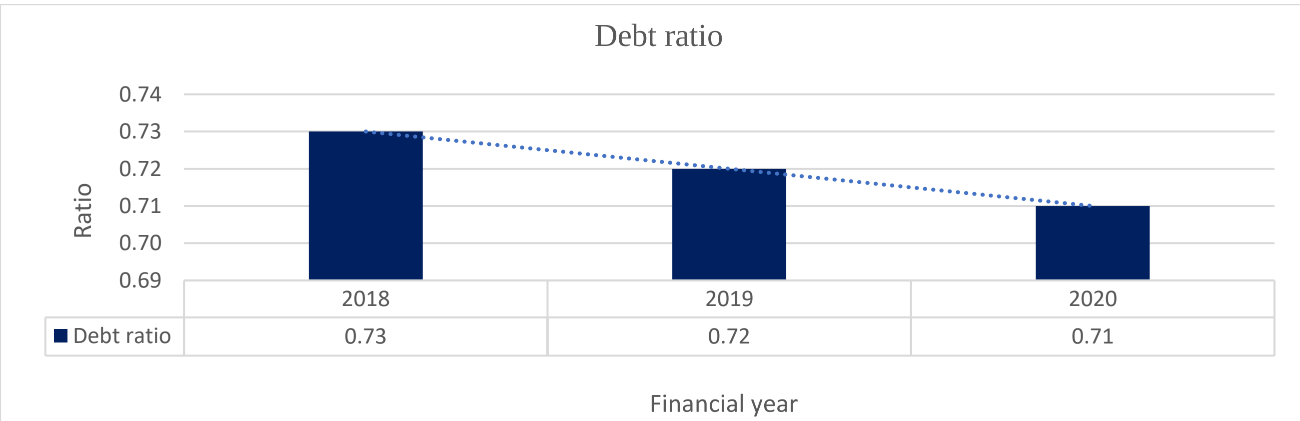


Figure- 14

Debt ratio determines the proportion of assets paid for with debt. As it is possible to observe in above graph, amazon's debt ratio was high in 2018 because the bulk of firms financing was coming from debt. That is not considered favourable for the firm. But over the period of time, it is deteriorating as equity ratio is accelerating which is a good sign. But amazon still have to improve it debt ratio by financing firm from equity. Now let's compare debt ratio of amazon to Walmart which 0.60 in 2018 later escalated to 0.66 in 2020 which means more financing is done from debt as compared to prior year. Though it is less than amazon it has positive trend and otherwise for amazon which shows amazon is improving its debt ratio. Taking in consideration one more comparison that is of best buy, its debt ratio is more than of amazon and increasing year on year which was 0.72 in 2018 and 0.78 in 2020. So, after looking at comparison I can say that amazon is showing improvement in debt ratio which is a good sign.

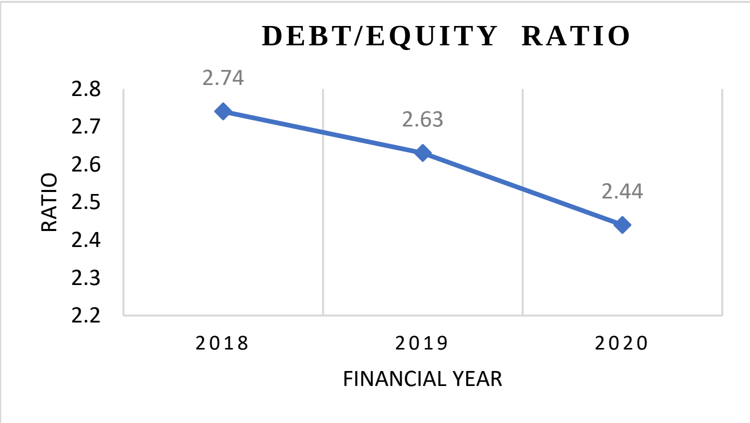


Figure- 15

Debt/Equity ratio measures the proportion of equity and debt and in general it should be less than 1. It determines the firm's capacity to meet its obligations. As it can be seen in the graph above amazon's debt/equity ratio is high but it is slightly decreasing year on year in 2020 it was 2.44 which means for every $1 of the company owned by shareholders, the business owes $2.44 to creditors. If I compare debt/equity ratio of amazon to Walmart than it was less than that of amazons but it's slightly getting increased through time. It was 1.53, 1.75 and 1.90 in 2018, 2019 and 2020. In this case D/E ratio of Walmart is looking attractive though it is increasing. Now let's compare it with best buy it was 2.61 in 2018 and got risen to 3.48 in 2020. In this case also D/E ratio of Walmart looks attractive. But keeping in mind that both Walmart and best buy D/E ratio are increasing year on year and in terms of amazon it is decreasing. So, in future amazon D/E ratio could be attractive.

Activity ratios (turnover ratios)

Activity ratios are financial metrics used to gauge how efficient a company's operations are. The term can include several ratios that can apply to how efficiently a company is employing its capital or assets. Activity ratios are useful for comparing how a company's performance is trending over time in a horizontal statement analysis or how a company's performance fares against its peers in comparable company analysis. They are also known as turnover ratios or operating efficiency ratios.

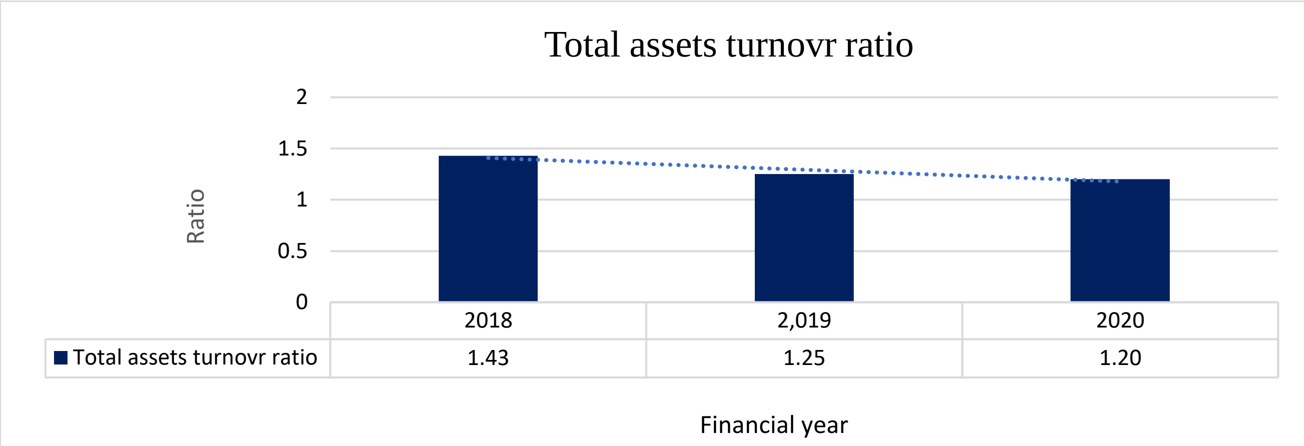


Figure- 16

Amazon's total asset turnover in 2016 was 1.63. In the next five years, the organization's total asset turnover continually declined, ending 2020 at 1.2. This indicates that the organization is producing fewer revenues with more assets held. In other words, the company is becoming less efficient in the use of its assets from the perspective of revenue-generating capabilities. To mitigate this issue, Amazon needs to do something with its cash. This idle asset is not making them any money. As stated previously, they can buy back stocks or pay out dividends. Either action should improve its total asset turnover ratio. Or better strategy would be for the organization to divest assets that are underutilized, such as fixed assets. By doing this, the firm will be able to improve its asset turnover or better utilize assets under management.

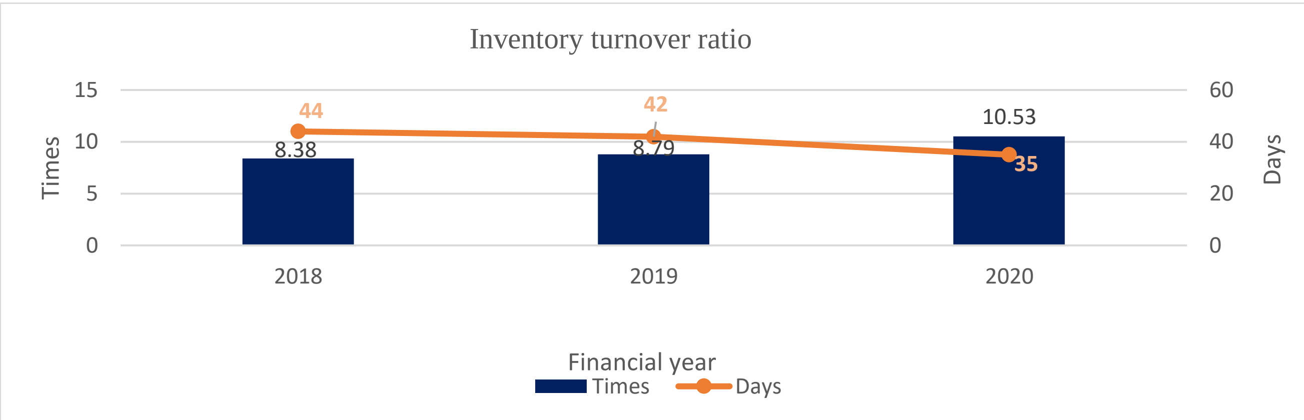


Figure- 17

Amazons inventory turnover ratio in 2018 was 8.38 times that means amazon sells and replaced its inventory for 8.38 times in a year, which converted in days would be 44 days to sell the inventory. Inventory turnover ratio jumped up to 10.53 times in 2020 which is 35 days, that means amazon is selling faster than previous years. As it is possible to observe in above graph that as inventory turnover ratio is increasing, number of days for selling is declining which is a good sign. If I compare it with

Walmart, it slightly increased from 8.75 (42 days) in 2029 to 8.90 (41 days) in 2020. Now talking about best buy it was 6.20 (59 days) in 2019 and 6.35 (57 days) in 2020. So, after being compared we can see that inventory turnover ratio of amazon is attractive than Walmart and best buy.

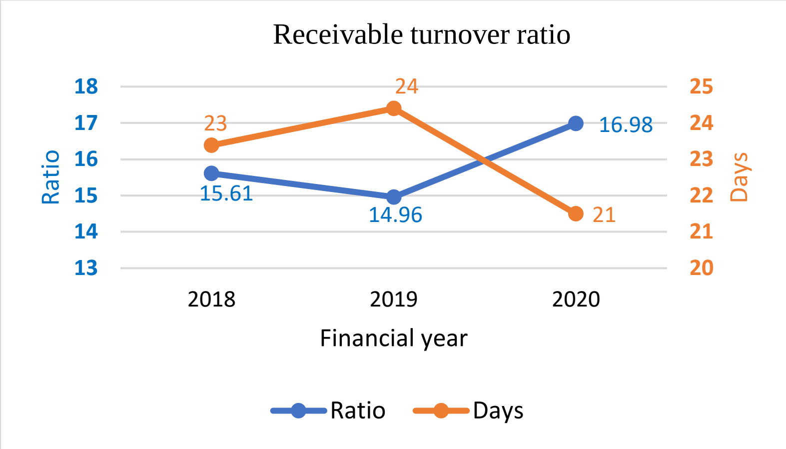


Figure- 18

The receivable turnover ratio determines how quickly a company collects outstanding cash balances from its customers during an accounting period. typically, a higher turnover ratio is preferable but even it should be not too high, as it can upset customers or a missed sales opportunity from a customer with slightly lower credit. As it can been seen in above figure, Amazons' receivable turnover ratio is steadily increasing through time. In 2020 it was 16.98 (21 days collecting period), that can be improved by making credit policies a bit aggressive or effective. If I compare this with Walmart, it has more aggressive credit policy so, it was 87.13 (4 days) in 2020, putting in one more comparison of best buy it was 42.89 (9 days). So, amazon has lower receivable turnover ratio than its peers. And amazon is reducing its credit collection period which is a good sign.

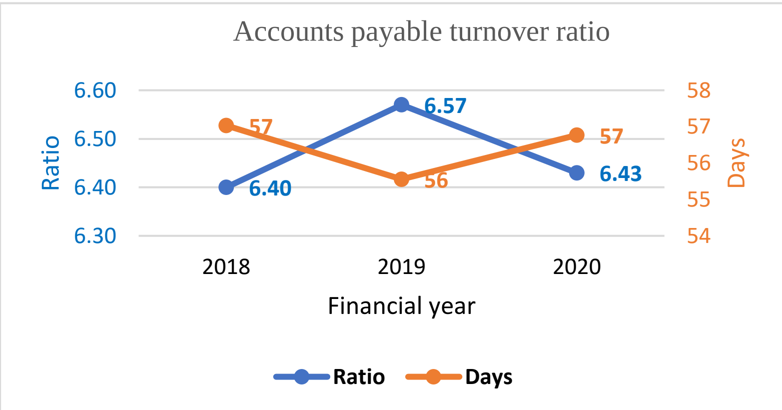


Figure- 19

Accounts payable turnover measures how quickly a company is paying off its accounts payable to creditors. Amazons' payable turnover ratio was almost same for all three financial years. In 2020 it was 6.43(57 days) of payable outstanding. In general, higher ratio is almost always more favourable than a lower ratio. For comparison I would compare it with Walmart whose account payable turnover ratio was higher than that of amazon it was 11.6 (31 days) of payable outstanding. Now let's talk about best buy it was 7.73 (47 days) of payable outstanding. So, amazon requires more days to pay off its vendors. And it should improve its account payable turnover.

2.8 Conclusion (Key Ratios Summary)

The following of Amazon.com, Inc.'s financial characteristics show extremely good values: the cash ratio is 0.67 on 31 December, 2020 (a high cash in hand required for current payments); growth of equity for the period analysed (from 2018 to 2020) occurred with, outrunning rates compared with a total growth of the company's assets; net worth (net assets) of the company is much higher (by 18,680.8 times) than the stock capital on 2020; During the year 2020, earnings before interest and taxes (EBIT) showed USD 25,841,000 thousand, the income from financial and operational activities (net income, including portion attributable to noncontrolling interest) was USD 21,331,000 thousand for the year 2020. Such indicators describe the financial condition of Amazon.com, Inc. relative a positive standard: high return on equity (27.4% per annum), which became mainly a result of low percentage of own capital (equity); normal return on assets, which was 7.8% for the last year. Financial characteristics with unsatisfactory values are the following: the high debt ratio (high dependence of the company from borrowed capital which equalled 70.9% of total capital); the current ratio (1.05) does not correspond to the normal criteria for this rate (2); a quick ratio was 0.86 (while the acceptable value is 1); available working capital does not cover inventory of the company in full.

To sum up, Amazon has been the top online retailer due to how they operate their strategy efficiently. Ever since the move to online, Amazon has seen consistent increases year by year. However, the low net income and the increased liability is alarming to many. But I believe that is due to Amazon's commitment to investing in long-term projects and acquiring big enterprises. More expenses come when there are more obligations and responsibilities, but in the long term, Amazon can make up for the expected losses. There is no denying the progress Amazon has made, with the new project plans ahead and new manufacture production they are creating, Amazon has shown no sign of slowing down.

Chapter 3: Research project

3.1 Introduction

Creating online customer loyalty retaining existing customers is a necessity for online vendors. This study examines whether this goal can be achieved to some degree through increased customer trust, corporate image and decreased perceived risk. The study also examines whether corporate image contribute to trust in an online environment.

3.2 Background of the study

Attracting new customers costs online vendors at least 20% to 40% more than it costs vendors serving an equivalent traditional market [Reichheld and Schefter 2000]. To recoup these costs and show a profit, online vendors, even more so than their counterparts in the traditional marketplace, must increase customer loyalty, which means convincing customers to return for many additional purchases at their site. In the online selling market, for example, it takes over a year of repeat purchases by a typical customer to recoup the average initial cost of attracting the customer to the website. This is no exception. Among groceries and apparel websites, the figure is also over a year; in the online consumer electronics and appliances market, it takes on average more than four years to break even. Given these timeframes, increasing customer loyalty is an economic necessity for many online vendors [Reichheld and Schefter 2000]. Customer loyalty, in general, increases profit and growth in many ways [Chow and Reed 1997; Heskett et al. 1994] to the extent that increasing the percentage of loyal customers by as little as 5% can increase profitability by as much as 30% to 85%, depending upon the industry involved [Reichheld and Sasser 1990] a ratio estimated to be even higher on the Web [Reichheld and Schefter 2000]. The reason for this is that loyal customers are typically willing to pay a higher price and are more understanding when something goes wrong [Chow and Reed 1997; Fukuyama 1995; Reichheld and Sasser 1990; Reichheld and Schefter 2000; Zeithaml et al. 1996], and are easier to satisfy because the vendor knows better what the customers' expectations are [Heskett et al. 1994; Reichheld and Sasser 1990; Zeithaml et al. 1996]. Indeed, the success of some well-known websites can be attributed in part to their ability to maintain a high degree of customer loyalty. Part of the success of Amazon.com, the leading e-commerce business, for example, is attributed to its high degree of customer loyalty, with 66% of purchases made by returning customers [The Economist 2000]. Loyal customers are also more inclined to recommend the vendor to other customers, increasing the customer base at no additional advertising expense [Heskett et al. 1994; Reichheld and Sasser 1990; Zeithaml et al. 1996]. The success of some well-known websites, such as eBay, has been in part thanks to their ability to cut the costs of attracting new customers through such a referral system [Reichheld and Schefter 2000]. Indeed, one of the ways trust is built is through a process of transference whereby individuals begin trusting unknown others because the unknown others are trusted by a person they trust [Doney and Cannon 1997].

3.3 Problem statement

Creating and retaining a loyal customer base for an online vendor like amazon is very essential to sustain. Considering the importance of corporate image, customer trust and perceived risk with vendor is crucial for creating loyal customer base? The problem of research lies in the above statement on how those factors influence loyalty.

3.4 Objective of study

- To investigate whether corporate image increases customer trust and there by contributes to creating customer loyalty.
- To measure effect of customer trust on perceived risk and its impact on customer loyalty.
- To measure the effect of corporate image on customer loyalty.

3.5 Scope of study

The project involves the study of customer loyalty for amazon. The study is based on the responses collected from the customers of amazon. The research in an attempt to find how corporate image, customer trust and perceived risk influence customer loyalty. The research will give necessary details by determining the responses and will show correlation and significance between the variables.

3.6Ethical considerations

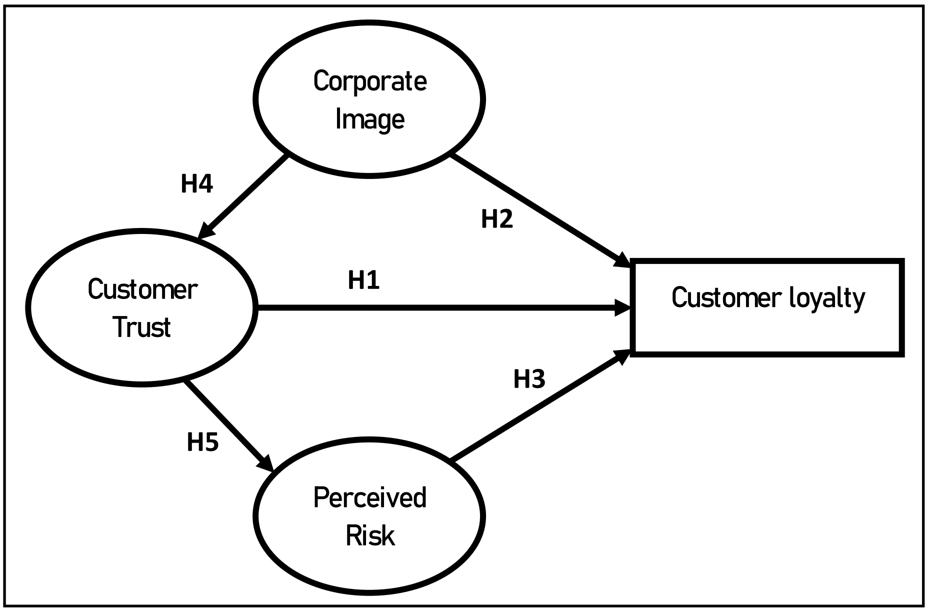
- The research was conducted under the guidance of my mentor.
- The information provided by participants is used only for the study purpose.
- The communication in relation to the research with the participants is done with complete transparency and honesty.

3.7 Limitations of the study

- The sampling frame to conduct the study was restricted only to college going students.
- Data were collected with regard to only one online vendor in the context of one specific online market.
- The role of perceived risk also requires additional study. Risk avoidance varies across cultures
- The data collected in this study are cross-sectional survey data

3.8 Research Gap

This study examines whether customer trust, perceived risk contributes or leads to customer loyalty and whether customer trust decreases perceived risk which in turn creates customer loyalty. To take this study further, one additional variable that is considered for this study is corporate image, because corporate image also plays an essential role in online business and it is as essential as other factors. In this study it measures the influence of corporate image on customer loyalty as well as its impact on customer trust.



Research model: Figure- 20

3.9Research question

1. Can corporate image influence customer loyalty?
2. Does customer trust have any effect on customer loyalty?
3. Whether decrease perceived risk influence customer loyalty?

3.10 Research Hypothesis

H_1: Corporate image is directly and positively impacting on customer loyalty.

H_2: Customer trust positively impacts on the customer loyalty

H_3: Decreased perceived risk positively impacts on the customer loyalty.

H_4: Corporate image positively impacts on the customer trust.

H_5: Customer trust decreases perceived risk.

Chapter 4: Review of Related Literature

4.1 Customer trust and customer loyalty:

Another determinant of customer loyalty is the degree of trust that the customers have in the vendor [Chow and Reed 1997; Reichheld and Schefter 2000]. There are many definitions of trust in the literature. Many definitions deal with the belief that the trusted party will be dependable [Kumar et al. 1995a], will behave in a socially appropriate manner [Zucker 1986], will fulfil the expected commitments [Luhmann 1979; Rotter 1971], and will generally act in an ethical manner [Hosmer 1995] in situations where the trusting party depends on this behaviour [Deutsch 1958; Meyer and Goes 1988; Rousseau et al. 1998]. In this study, based on previous research on trust in e-commerce [Gefen 2000], trust is defined as the willingness to make oneself vulnerable to actions taken by the trusted party based on the feeling of confidence or assurance, as discussed by Mayer et al. [1995] and by Rousseau et al. [1998]. Trust is important when it is practically impossible to fully regulate the business agreement and where it is consequently necessary to rely on the other party not to take unfair advantage and not to engage in opportunistic behaviour [Deutsch 1958; Fukuyama 1995; Williamson 1985]. As such, trust is a crucial aspect of many long-term business interactions [Dasgupta 1988; Fukuyama 1995; Gambetta 1988; Ganesan 1994; Gulati 1995; Kumar et al. 1995b; Moorman et al. 1992; Williamson 1985].

Trust is also a significant antecedent of customers willingness to engage in e-Commerce with a given vendor [Gefen 1997, 2000; Jarvenpaa and Tractinsky 1999; Kollock 1999; Reichheld and Schefter 2000]. Customer trust in the online vendor is important because there is little guarantee in an Internet environment that the online vendor will refrain from undesirable, unethical, opportunistic behaviors, such as unfair pricing, presenting inaccurate information, distributing personal data and purchase activity without prior permission, and the unauthorized use of credit card information [Gefen 2000; Kollock 1999]. Given these risks, customers who do not trust an online vendor will be less inclined to do business with the vendor [Gefen 2000; Jarvenpaa and Tractinsky 1999] or to return for additional purchases [Reichheld and Schefter 2000].

The view of trust deals with this aspect, proposing that the main effect of trust is through reducing the perceived risk that comes with exposure to possible opportunistic behaviour by others: it is perceived as less risky to do business with a trusted party [Deutsch 1958; Williamson 1985]. Trust is important in the case of online customers, according to this view, because it reduces the customers perceived risk that the online vendor will engage in undesirable behaviour.

4.2 Corporate image and customer loyalty:

Organizations are nowadays concerned with managing their corporate image. There is a strong positive correlation between people's perceptions of a company and pro-corporate supportive behaviour (*Corporate Image: A Strategy for Enhancing Customer Loyalty and Profitability*. Journal of South African Business Research, 2015). According to (Young-Ei Kim and Jung-Wan Lee), corporate image, is strong antecedents for establishing customer loyalty (Africa Journal of Business Management Vol. 4(18). According to study of (Pardeep Bawa Sharma) Results reveal that corporate image affects customer loyalty with and without the intervention of customer satisfaction and service delivery (International Journal of Advanced Research in Engineering and Technology (IJARET)). Corporate image affects consumers purchasing attitude (LIN Cheng-Ta Lin, CHUANG Shuang-Shii- Studies in Business & Economics. Dec2018). A favourable e-tail store image positively influences e-patronage intentions, which thus leads to e-loyalty (Yun, Zee-Sun, Good, Linda K.- Managing Service Quality. 2007). According to this study it states that corporate image has a significant positive effect on customers' loyalty (dogouri, Mehrdad Hasan Zadeh, Ozgoli, Farahnaz- International Journal of Scientific Management & Development. Jul2017).

4.3 Perceived risk and customer loyalty:

In general, trust reduces the perceived risk and fear of being taken advantage of [Mayer et al. 1995; Williamson 1985]. Trust, according to this view, should influence online purchasing through the reduction of the perceived risk of being taken advantage of by the vendor [Jarvenpaa and Tractinsky 1999; Reichheld and Schefter 2000], because, in general, people expect less opportunistic behaviour from those whom they trust [Blau 1964; Williamson 1985]. Since online customers are exposed to increased risk of fraud and of being taken advantage of, as the Better Business Bureau recently testified [Cole 1998], customer trust, through its reduction of the perceived risk of doing business with the vendor, should increase customer loyalty [Reichheld and Schefter 2000].

Chapter 5: Research Methodology

The research was examined with a survey on loyalty to Amazon.com in the context of online products purchase. The survey was administered to college going students. The data analysis was limited to data from students who were experienced shoppers at Amazon.com, owing to the need to examine shoppers with prior experience. and the data analysis will be represented in the form of data representation tools.

5.1 Method of Data Collection:

The data is been collected using secondary and primary sources. **Secondary data:** For better understanding and clarity about the research format several similar type of research papers had been referred. **Primary data:** Data collected from the primary source provide insights to opinion of participants. The data is collected by survey (questionnaire: four-point scale ranging from Strongly disagree (1), Disagree (2), Agree (3) and strongly agreed (4). where the questions were closed ended so, the study would be easier owing to definite replies for the questions).

5.2 Data collection

The actual data collection focused on customers of Amazon.com, one of the largest and best-known online vendors. Although participation was voluntary, almost all of the students **(response rate -- 100%)** returned completed questionnaires **(n = 75).** However, only questionnaires from respondents who indicated that they had previously bought at Amazon.com were included in the study. Dropping the other questionnaires was essential because respondents who had not bought at Amazon.com could hardly be expected to provide accurate information. This resulted in dropping only **03** questionnaires and an effective sample size of **72** was obtained (**96%** of the original questionnaires), of which **48%** (36) were women**, 51%** (38) were men and **1%** (1) choose not to disclose gender.

5.3 Sampling:

The sampling population focused on the college going students within the state of Goa. For this research **purposive sampling technique** is being used, Purposive sampling (also known as judgment, selective or subjective sampling) is a sampling technique in which researcher relies on his or her own judgment when choosing members of population to participate in the study.

5.4 Research design:

Descriptive Quantitative research design is used for this research. **Quantitative research** is the process of collecting and analysing numerical data. It can be used to find patterns and averages, make predictions, test causal relationships, and generalize results to wider populations. **Descriptive** in the sense that it shows the role corporate image, customer trust and perceived risk on customer loyalty.

5.5 Data representation and Data technique:

The data collected is represented in form of Tables. To establish clear understanding and to know the role of factors (mentioned above) **Multiple co- relation** is used to correlate a set of independent (or predictor) that are corporate image, customer trust and perceived risk variables with a single dependent (or criterion) variable that is customer loyalty. **Multiple regression** is used in this research paper. Multiple linear regression analysis helps to understand how much will the dependent variable change when we change the independent variables.

5.6 Instrument development and pretest

For collecting data from respondents structured questionnaire with close-ended questions was used that provide people with an answer format as it is easier for people to respond and easy to analysis that focuses on systematically summarizing the data and trying to generalise it to the population at large. The level of measurement used is nominal (for only two questions) where there is no fixed order between the option like gender and whether respondents have done shopping from amazon or not.

Scale used for answering the questionnaire (other question excluding those two questions mentioned above) is Likert scale from Fred David's (1989), which can be considered to be an Interval-level. Which is used to ask respondents to state their agreement with a statement. In this study to make it more specific only Four-point scale is used which allows respondents to rate their agreement from 'Strongly disagree' to 'Strongly agree' then the Likert items are averaged for analysis. All the variables like corporate image, customer trust, perceived risk and customer loyalty is measured through Likert scale where (1 is 'Strongly disagree'), (2 is 'Disagree'), (3 is 'Agree') and (4 being 'Strongly Agree')

Chapter 6: Data analysis and interpretation

The data collected from the customer was transcripted to the worksheet in the form of tally bars and analysed by statistical tools. Following is the result of multiple correlation test and multiple regression test:

6.1 Testing of hypothesis: Multiple Correlation.

	Customer Trust	*Perceived Risk*	*Corporate Image*	*Customer Loyalty*
Customer Trust	**1**	**-0.17**	**0.77**	
Perceived Risk	**-0.17**	**1**	**-0.16**	
Corporate Image	**0.77**	**-0.16**	**1**	
Customer Loyalty	**0.76**	**-0.39**	**0.73**	**1**

Table- 05

Survey was conducted to test relation between corporate image (IV) and customer loyalty (DV) of amazon. So, as per the result corporate image has strong positive correlation with customer loyalty. As the **correlation coefficient of 0.73**, which lies between .70 and .90.

Next hypothesis was to test relation between customer trust (IV) and customer loyalty (DV) of amazon. So, as per the result customer trust has strong positive correlation with customer loyalty. As the **correlation coefficient of 0.76**, which lies between .70 and .90.

In addition, another hypothesis was framed to test the relation between perceived risk (IV) and customer loyalty (DV). So, as per the result obtained perceived risk has weak negative correlation with customer loyalty. As the **correlation coefficient of -0.39**, which lies between 0.20 to 0.39.

Furthermore, one more test was conducted to know the relation between corporate image (IV) and customer trust (IV). So, according to the result corporate image has strong positive correlation with customer trust. As the **correlation coefficient of 0.77**, which lies between 0.70 and 0.80.

Last hypothesis for this study was framed to understand relation between customer trust (IV) and perceived risk (IV). It can be seen from above table that customer has very weak negative correlation with perceived risk. As the **correlation coefficient of -0.17**, which lies between 0.00 and 0.19.

6.2 Multiple Regression Analysis:

Regression Statistics	
Multiple R	**0.84**
R Square	**0.70**
Adjusted R Square	**0.69**
Standard Error	**0.39**
Observations	**72**

ANOVA					
	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	23.972	7.991	53.306	7.75137E-18
Residual	68	10.193	0.150		
Total	71	34.166			

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	**0.764**	**0.43**	**1.79**	**0.07724**
Customer Trust	**0.521**	**0.12**	**4.39**	**0.00004**
Perceived Risk	**-0.428**	**0.11**	**-3.87**	**0.00025**
Corporate Image	**0.456**	**0.14**	**3.25**	**0.00182**

Table- 06

Now testing the hypothesis using the multiple regression analysis. Firstly, looking at the regression statistics table (**R^2 = 0.70%)** which means 70% is the proportion of the variance in **DV** (dependent variable) is explained by **IV** (independent variables) or 70% of data fits the model and it is a strong effect size or a strong linear relationship. (**Adjusted R^2 = 0.69%)** which means there is only **1%** of shrinking between **R^2** and **Adjusted $R^{2.}$** which is good.

In addition, looking at the Anova table the overall regression model is significant, **F (3, 68) = 53.306**, **p< 0.05 (alpha)** (**7.75137E-18 in other form it is 0.00000000000000000775**), which indicates that the IV's play a significant role in shaping DV.

Furthermore, in hypotheses H1, H2 and H3, I investigated the influence of corporate image, customer trust and perceived risk on customer loyalty. As it can be seen in above coefficient table, **Customer trust** (**β_1=0.521, t-value=4.39, P-value = 0.00004**), **Perceived risk** (**β_2= -0.428, t-value= -3.87, P-value = 0.00025**) and **corporate image** (**β_3 =0.456, t-value=3.25, P-value = 0.00182**). P- value of all IV's are **< 0.05**. Therefore, hypothesis **H1, H2** and **H3** were **considered statistically significant.**

looking at the coefficient, if customer trust improves by **1%** than customer loyalty will improve by **0.521**. similarly, if corporate image improves by **1%** than customer loyalty will improve by **0.456**. and if perceived risk decreases by **1%** than customer loyalty will improve by **0.428** and (**vice-versa**).

Then, Multi-collinearity was evaluated for **H_4** and **H_5** by fitting stepwise linear regressions. As a result, **H_4** was statistically significant with **R^2** = **0.59**, **$\beta_=$ 0.914** and **P-value = 2.06E-18,** which is **<0.05 (alpha). As per the result H_5** was **not statistically significant** with **R^2 = 0.029, $\beta_=$ -0.117, P-value = 0.15,** which is **>0.05 (alpha).** Check table- 07 for hypothesis test result.

	Hypothesis	Supported
H_1	Corporate image is directly and positively impacting on customer loyalty.	**Yes**
H_2	Customer trust positively impacts on the customer loyalty	**Yes**
H_3	Decreased perceived risk positively impacts on the customer loyalty.	**Yes**
H_4	Corporate image positively impacts on the customer trust.	**Yes**
H_5	Customer trust decreases perceived risk.	**No**

Hypothesis test result table- 07

Chapter 7: Research finding

Correlation

This study investigated the direct effects of corporate image, customer trust and perceived risk on customer loyalty as well as indirect effect of corporate image on customer trust and customer trust on perceived risk. And the result suggest that corporate image has strong positive correlation with customer loyalty. As the correlation coefficient of 0.73, which lies between 0.70 and 0.90, this signifies that when corporate image impact will increase then the customer loyalty will also increase. This indicates that both the variables move towards same direction. Once the customer loyalty increases due to positive impact of corporate image, Amazon will have strong customer base.

And as per the result customer trust has strong positive correlation with customer loyalty. As the correlation coefficient of 0.76, which lies between 0.70 and 0.90, this signifies that when customer trust increases, automatically customer loyalty will also tend to increase strongly. This will help Amazon to create strong loyalty platform in e-commerce sector.

Now talking about the result obtained perceived risk has weak negative correlation with customer loyalty. As the correlation coefficient of -0.39, which lies between 0.20 to 0.39, this signifies that when perceived risk decreases customer loyalty tends to increase and (vice-versa). So, amazon can try to reduce risk perceived by customers so that Amazon can attract more customer to its business and retain the consumers.

Next finding based on the results; corporate image has strong positive correlation with customer trust. As the correlation coefficient of 0.77, which lies between 0.70 and 0.80, this signifies that when corporate image increases then customer trust will strongly increase. This will help amazon to attain customers and help in gaining their loyalty and assure customers that they are busying from the best.

Talking about customer trust which has very weak negative correlation with perceived risk. As the correlation coefficient of -0.17, which lies between 0.00 and 0.19. this signifies that when customer trust increases then the perceived risk weakly decreases or in other words customer trust has negligible impact on perceived risk. So, amazon should focus on boosting customer trust by offering great customer service which will build a good reputation of amazon.

Regression

Multiple Regression tool was used to understand the influence of independent variables on dependent variable. And as a result, all the independent variables as group have high statistical significance. So, all the independent variables as a group are essential for creating customer loyalty. So, considering it as a group all independent variables discussed in this study are important for amazon for creating customer loyalty.

Now considering each variable separately I can say that customer trust has highest significance or influence on customer loyalty. Talking about corporate image it is also highly significant and influence customer loyalty but slightly less than customer trust. Perceived risk has mild influence on customer loyalty. So, I can say that amazon's team is being working efficiently to deliver quality service to their consumer which results in building strong customer trust and corporate image.

When stepwise liner regression was fit to understand whether customer trust and corporate image influence perceived risk or not, considering the alpha of < 0.05. As a result, it was more than the considered level of alpha so, it was not statistically significant which means customer trust and corporate image didn't influence perceived risk, this doesn't mean perceived cannot be influenced, in order to understand this better additional study can be done considering some other variables.

Chapter 8: Conclusion

The research was aimed at understanding the importance of corporate image, customer trust and perceived risk on customer loyalty of amazon. The data was collected from the traditional method by conducting survey amongst the amazon’s customers. The parameters were taken from consolidated predicted variable that is customer loyalty and corporate image, customer trust and perceived risk as outcome variables. The multiple correlation test and multiple regression analysis was conducted to understand relationship as well as influence respectively. The results of the test suggested that customer trust and corporate image are the crucial factor in influencing the dependent variable customer loyalty there by benefitting the amazon company. According to the statistics analysis amazon has built strong customer trust and corporate image in the e- commerce sector. Amazon has established itself as a strong brand in the E-Commerce industry, due to strong market capitalisation. Amazon takes less time for delivery because of its superb Logistic and distribution system like Amazon prime. And go Global and act local strategy where in Amazon tie up with local supply chain companies which makes it easy for fast delivery of products to customers. Amazon has large number of customer base which create high traffic volume on its site and due to which many third-party sellers have joined the platform to sell their commodities. Third party sellers sell more than two billion items on its sites which attract a greater number of customers to the platform. Looking at the performance of amazon there is no doubt amazon that it has already achieved competitive position in e-commerce sector.

Chapter 9: Managerial Implications and Recommendation

The research data mainly from customer survey, most of the research results are based on the customer’s point of view. The outcomes of this research encourage customer loyalty managers or managers to include measures of customer trust and corporate image as well as measures to decrease perceived risk. Customer loyalty is one of most important elements to guarantee enterprise can keep stable profits and obtained stronger market competitiveness. Internet marketers can use these measures to enhance their understanding of customer loyalty and its determinants and to take necessary corrective actions to improve them. The outcomes of the research are not only can be useful for amazon company, but also could be helpful for other enterprises in the same or similar environment, improve their customer loyalty.

According to the research customer trust and corporate image directly increases the customer loyalty. Sometimes even a small mistake from amazon can hamper customer trust and its corporate image and just improve the existing customer loyalty is not enough, how to attract more and new customers is also important. I would recommend good website design and creating marketing strategies which are necessary to e-commerce companies. Creative designs will attract more customers and marketing strategies will retain the customers. Amazon can continue with their strategy of staying on contact with existing and past clients on a consistent basis as keeping contact with customers is significant, this will boost the bond which will increase customer trust which will in turn create customer loyalty.

As per the survey conducted out of (100%), (90.7%) of amazon customers believe that amazon offers a safe payment system, which increases customers trust on amazon and as a whole it creates a positive impact on corporate image which helps influence loyalty.

Reference:

David Gefen (Department of Management LeBow College of Business Drexel University), Customer Loyalty in E-Commerce, Journal of the Association for Information Systems (Volume 3, 2002) 27-51.

Luarn & Lin: A Customer Loyalty Model for E-Service Context, Department of Business Administration National Taiwan University of Science and Technology, Journal of Electronic Commerce Research, VOL. 4, NO. 4, 2003.

Chow, S., and H. Reed. ìToward an Understanding of Loyalty: The Moderating Role of Trust,î Journal of Managerial Issues (9:3), 1997, pp. 275-398.

Kollock, P. ìThe Production of Trust in Online Markets,î Advances in Group Processes (16), 1999, pp. 99-123.

Zhouni LIN and Shiying YAN, customer loyalty of amazon, university of gave, faculty of education and economic studies, department of business and economics studies.

[Dasgupta 1988; Fukuyama 1995; Gambetta 1988; Ganesan 1994; Gulati 1995; Kumar et al. 1995b; Moorman et al. 1992; Williamson 1985].

(*Corporate Image: A Strategy for Enhancing Customer Loyalty and Profitability*. Journal of South African Business Research, 2015).

Young-Ei Kim and Jung-Wan Lee, Africa Journal of Business Management Vol. 4(18).

Pardeep Bawa Sharma, International Journal of Advanced Research in Engineering and Technology (IJARET).

LIN Cheng-Ta Lin, CHUANG Shuang-Shii- Studies in Business & Economics. Dec2018.

dogouri, Mehrdad Hasan Zadeh, Ozgoli, Farahnaz- International Journal of Scientific Management & Development. Jul2017.

Jarvenpaa and Tractinsky 1999; *Reichheld and Schefter* 2000, perceived risk.

Mohamed Bader Al-Marzooqi, 1073617@students.adu.ac.ae, Financial Analysis of Amazon

https://www.researchgate.net/publication/342702919_Financial_Analysis_of_Amazon

Amaazon.com.inc (NASDAQ), Amazon annual report: 2020

Appendix

- *Questionnaire: following questionnaire was framed to collect data from amazon customers where,* ***1= Strongly Disagreed, 2= Disagree, 3= Agree and 4= Strongly Disagreed***

	Perceived Risk with Vendor	**SD**	**D**	**A**	**SA**
Risk1	Amazon cannot grant warrant, replacement or refund policies.	1	2	3	4
Risk2	I believe that my personal information is secure and that on one can have access to my personal information without my consent.	1	2	3	4
Risk3	There is a significant risk in doing business with Amazon.com	1	2	3	4
Risk4	My credit card information may not be secure with Amazon.com	1	2	3	4
	Customer Trust				
Tr1	Even if not monitored, I would trust Amazon.com to do the job right	1	2	3	4
Tr2	I tend to relax when I buy from Amazon.	1	2	3	4
Tr3	I believe that Amazon.com is trustworthy	1	2	3	4
Tr4	I am quite certain what to expect from Amazon.com	1	2	3	4
	Customer Loyalty	1	2	3	4
Loy1	I am committed to the company.	1	2	3	4
Loy2	I would encourage others to use Amazon.com	1	2	3	4
Loy3	I would consider Amazon.com as first choice when buying products.	1	2	3	4
Loy4	I am inclined to do more business with Amazon.com	1	2	3	4
	Corporate Image				
Ci1	Amazon is different from other competitors with respect to offer quality products and benefiting offers.	1	2	3	4
Ci2	Amazon Is reputable.	1	2	3	4
Ci3	Amazon provides quick delivery.	1	2	3	4
Ci4	Amazon name and image attract me to purchase	1	2	3	4

- *Average of all the variables calculated from responses received*

Gender	Customer Trust	Perceived Risk	Corporate Image	Customer Loyalty
Prefer not to say	2.75	2.25	2.75	2
Male	3.75	1.5	3.5	3
Male	4	1.5	3.75	4
Male	3.25	2.25	3	3.5
Male	3.75	2.25	3.75	3.25
Male	3.25	3.25	2.75	2.25
Male	3	2.25	3.25	2.75
Male	3.75	2.25	3.5	3.5
Male	3	1.75	3.75	2
Male	3	2.25	3	2.75
Male	1	1	1.25	1
Male	2.75	2.25	3	2.75
Male	2.5	3	3	2.25

Male	3.75	2	3	3
Male	3	2.25	3	3
Male	2.5	2.5	3.25	2.75
Male	2	2	2.75	2.5
Male	3.25	2.75	3.75	2.75
Male	2.5	3	3.25	2.5
Male	3.25	2.25	3.25	3.25
Male	3.5	2	3.25	3
Male	3.75	2.25	3	3
Male	4	2.5	3.5	3.25
Male	4	1.75	4	4
Male	4	2.25	4	4
Male	3.5	2	4	4
Male	3.5	1.75	3.25	3.5
Male	3.75	2	3.25	3.5
Male	3.25	2.25	3.25	3
Male	3.25	2.25	3.75	3.25
Male	3.75	2.25	3.5	3
Male	3.5	1.75	3.75	3.5
Male	4	2	4	3
Male	4	2	4	3
Male	3.75	1.75	4	3.5
Male	4	2.25	4	4
Male	4	2.25	3.75	3.25
Male	4	1.75	4	4
Male	3.5	2	3.5	4
Female	2.75	3	3	2
Female	3	2.25	3	3
Female	3.5	2.25	3.75	3.5
Female	3	2.25	2.5	2.5
Female	3.75	1.75	4	3.75
Female	2.75	1.75	2.75	2.75
Female	3.5	2.75	2.5	2.25
Female	1.5	3.25	2.75	1
Female	4	2.5	3.75	3.5
Female	3.75	2.25	3	3.75
Female	3.75	1.75	3.75	3.75
Female	4	2.25	3.75	3
Female	3.25	2	3.25	3
Female	3	2	3	3
Female	3.75	2.25	3.75	3
Female	4	2.25	3.5	4
Female	3.75	1.5	3.75	4
Female	4	2.25	4	4
Female	4	2.25	4	3.75
Female	3.5	1.5	3.5	3.75
Female	4	1.75	3.75	4
Female	4	2.25	4	3.75
Female	3.5	1.5	3.5	3.5
Female	3.75	1.5	4	4
Female	4	1.75	4	4
Female	4	2.5	4	3
Female	3.25	2	3.75	3.5
Female	4	1.75	4	4
Female	3	1.75	3.75	4
Female	3.25	1.75	3.5	4

Female	4	2.25	4	4
Female	4	1.75	4	3.25
Female	4	2.5	4	4