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Amazon 2013

It's all about the algorithm, the future of retailing

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March 2013

- **Amazon is the world's leading online retailer and as such the best in class and the only benchmark.** Seattle's finest is transforming the retail industry and **the effects are felt** by players **in every category, in every channel and in every market.**
- **The various business models and KPIs Amazon operates with will undergo a radical change soon, when sales growth, profit growth and market shares will reach a definitive tipping point.**
- While some business units will see maturing growth rates, lulling some competitors into a false sense of security, other parts of the business will see an outright explosion of growth, which will have an even bigger impact on the retail universe than Amazon has had up to now. **Clearly, for some the worst is yet to come.**
- Crucially and dangerously these parts of the business remain hidden from view through Amazon's reporting policies and only emerge once one has carried out a deep dive into the business model.
- The move to next day deliveries, innovations around prime, the roll out of more fulfillment centres and lockers across the globe, linking up the international marketplaces and pushing of FBA, offering credit lines and opening up advertising to 3P (and the scalable AWS infrastructure in the background tying it all together) show where Amazon's journey is headed.



KPIs

- How big are Amazon's net sales per country? What sales levels does Amazon generate in Japan each year, how much in France? How much bigger are Amazon's sales in Germany compared to the UK's?
- How many active customer accounts does Amazon have per country website? What are the growth rates? How many of Amazon's active buyers, those who bought something in the last 12 months, are prime subscribers?
- How many prime subscriptions are there per country website? How many more prime subscribers are there in the USA compared to France? How fast is the rate of subscriptions growing?
- What are the 7 key benefits prime brings to Amazon? And what is the future of the loyalty scheme?
- How much bigger is the contribution to sales from Prime subscribers on average compared to non-Prime subscribers? How many of Amazon's sales come from recommendations, product reviews, vine?
- What is Amazon's key KPI? Which KPI is central to the entire business model?

Profit impact

- Where is Amazon's profit coming from? Which business units are most profitable?
- What is the profit impact of changed business and growth dynamics going to be at Amazon in future? And what are these radical shifts?
- How will the growth of marketplace change the entire business model?
- How big is the Marketplace in net sales? Is it bigger than Amazon's proprietary trading? Why is marketplace the perfect cash cow?
- What impact will the move to same day delivery have? What synergies will Amazon be able to raise by linking up fulfillment centres much better around OSA, inventory turn and efficiency?
- What impact will the strategy of enabling much improved 3P access to international shoppers have?
- Will shipping, currently a cost driver become a profit driver in future?

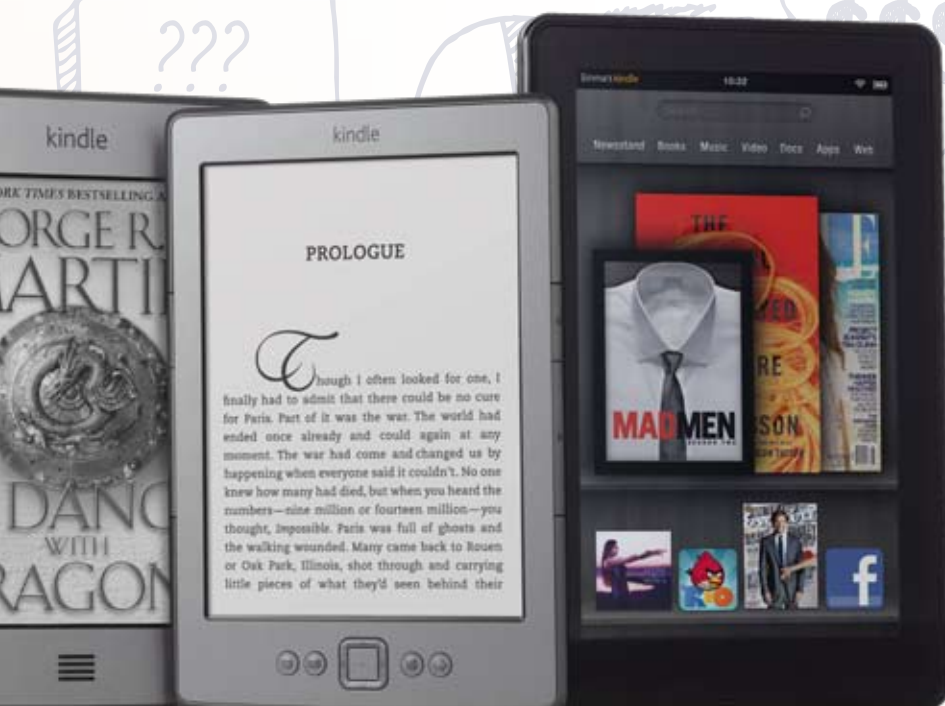


Future

- What are the next big areas for Amazon to tackle in creating an all encompassing ecosystem?
- Which will be the killer category for Amazon going forward? Who stands to feel the heat the most?
- What will be the biggest growth driver for the marketplace platform?

Others

- How much \$ uplift do Amazon recommendations generate? How does Amazon advertising work?
- What is the strategy for AWS, which initiatives are next?
- How many \$bn does Amazon take in 3P fees per year?
- What is the future for Amazon's kindle ecosystem? What areas will the company target next?



Find out how

- Apart from heavy investment in lockers, back end logistics, fulfillment centres as well as cloud computing (and building up immense competitive barriers in the process), **growth opportunities for Amazon abound with significant potential:**
- in the widening of the online footprint and at a later stage follow through with dedicated country websites, both in mature as well as emerging markets
- in filling white spaces in terms of brands and range proposition by leveraging marketplace
- in own brand development
- in ecosystem nurturing from cloud player to Kindle
- in realising benefits of scale and driving down prices even further, setting in motion a cycle of attracting more shoppers and sellers offering even greater potential to exploit future synergies
- in cloud computing and other new services such as advertising and logistics



FEATURES

- Detailed statistics about net sales, active customer accounts and prime subscriptions per country and an in depth analysis of the third party seller marketplace.
- Total sales, service fees and growth rates for Amazon's marketplace
- Evaluation of business principles around international expansion, logistics roll out, inventory turn and tighter integration of key strategic principles into every business unit.
- Deep dive into prime and the kindle ecosystem
- Key threats to Amazon, Amazon white spaces and weaknesses

BENEFITS

- Understand the threat and opportunity that is Amazon from a strategy standpoint and a numbers perspective, find out how big Amazon will become over the next decade
- Learn when it is better to compete and when to cooperate with Amazon
- Leverage key insights for your own growth strategy by copying successful innovations and the Amazon way of doing things
- Understand how to copy winning strategies such as ecosystem development, loyalty driver creation, the use of algorithms, advertising and prime
- Benchmark your performance against the best in class
- Prepare for the retail future, where Amazon will sit at the heart of a massive ecosystem, creating a multitude of new winners and losers
- Find out how to be future proof your business

Methodology

The report is brought to you by Europe's premier experts on Amazon, featuring anonymised quotes of current and former Amazonians. Our sources for the study include unprecedented access to the company, a proprietary Amazon customer panel, expert opinion and consumer surveys.

TABLE OF CONTENTS (1/4)

Executive summary	p13
Amazon – an introduction	p16
Amazon: Country presence, slowly expanding, place holders in Brazil and India	p17
Amazon: Categories, from “A to Z” with a smile	p18
Amazon: Acquisitions	p19
Amazon: Partnerships	p20
Recent key developments	p21
Amazon: Launching kindle and the online bookstore in Brazil	p22
Amazon: Prime Germany gets cut back, minimum order requirement introduced	p23
Amazon: Select committee orders Amazon transparency in UK	p24
Amazon: First quarterly loss since 2003, Germany’s eBooks boom, paperwhite and fire	p25
Amazon: Resolution of sales tax collection issue in US leading to same day delivery push	p26
Amazon: New kindle fire devices, price cuts, European launch	p27
Amazon: E-books outpace hardcover sales in the UK	p28
Amazon: Gaming and renting text books, launching the appstore in the EU	p29
Amazon: Monthly prime memberships trial, lowering barriers, not a success	p30
Amazon: UK tie up between Waterstones and Amazon	p31
Amazon: Adding on impulse buys and split packs, a pointer towards online grocery	p32
Amazon: Amazon Supply targeting industrials, marketing exercise	p33
Amazon: The Kiva acquisition, a sign post of same day delivery intentions	p34
Amazon: A strong start of the kindle, altering the market and business dynamics	p35
Financials, KPIs, Benchmarks	p36
Amazon: Net Sales, Net Income, Growth, Margin 2008-2012, adding \$13bn a year	p37
Amazon: US Sales, growth, international sales, in \$m, % split 2008-2012	p38
Amazon: Sales by segments 2008-2012 in \$m, growth	p39
Amazon: AWS, transposing the marketplace model from physical to digital	p40
Amazon: A couple of words on margins, what is the impact of 3P’s rapid growth?	p41
Amazon: The “Key” Key Performance Indicator	p42
Amazon: inventories and cash flow, marketplace as the core of the model	p43
International expansion strategy	p44
Amazon: International expansion strategy, 3 core factors, online is global	p45
Amazon: The platform, incrementalism, the threat from copy cats, Amazon’s dilemma	p46

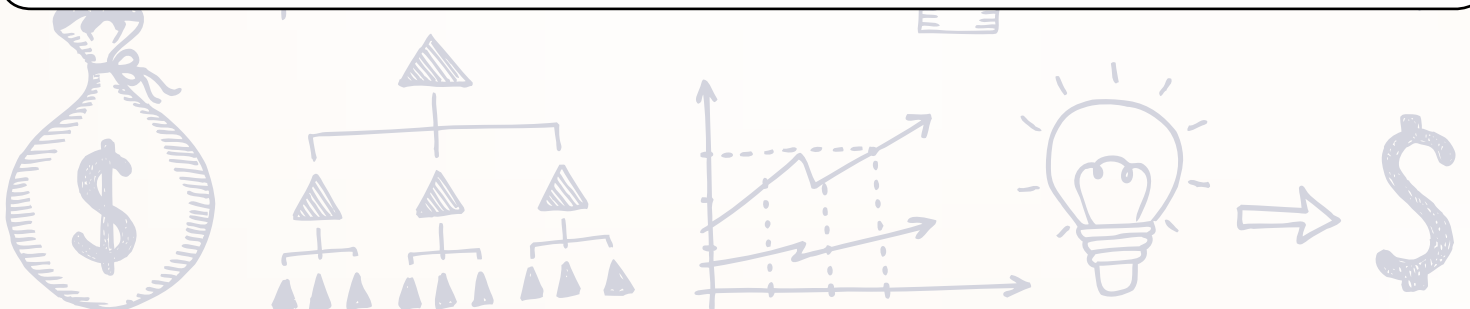


TABLE OF CONTENTS (2/4)

Financials, KPIs, Benchmarks in Amazon geographies

p47

Amazon: International sales per country in €m 2008-12, Germany, Japan, UK, France	p48
Amazon: International sales per country in €m 2008-12, China, Italy, Spain, India, Brazil	p49
Amazon: Germany, most important foreign market, taking a quarter of DE ecommerce	p50
Amazon: Germany Packstationen prevent need for proprietary Amazon lockers...	p51
Amazon: ... big opportunity further abroad for Amazon logistics	p52
Amazon: DHL trials parcel boxes in Bonn and sets up its own marketplace	p53
Amazon: Japan, largest online player ahead of Rakuten, fashion offer	p54
Amazon: the e-book reader battle with Rakuten	p55
Amazon: UK third biggest foreign market, dominating the sector, competition from Tesco	p56
Amazon: UK record Christmas, utilising click & collect, convenience stores partnerships	p57
Amazon: Amazon's lockers, the Co-op cooperation in the UK	p58
Amazon: France leading Cdiscount, tax disputes and fulfillment centre rollout	p59
Amazon: Strong starts in Italy and Spain, maximising existing infrastructure in the EU	p60
Amazon: China, Brazil and India	p61

Prime – the loyalty scheme par excellence

p62

Amazon: Active Customer accounts 2009 – 12 in m, USA, Germany, Japan, UK, France	p63
Amazon: Active Customer accounts 2009 – 12, Analysis USA, Germany, Japan, UK, France	p64
Amazon: Prime Customer accounts 2009 – 12 in m, USA, Germany, Japan, UK, France	p65
Amazon: Prime Customer accounts 2009 – 12, Analysis USA, Germany, Japan, UK, France	p66
Amazon: Prime, the jewel in the loyalty crown, stable price - more content	p67
Amazon: focus on most loyal shopper to drive sales and profits	p68
Amazon: Most successful tool to get buy-in to new categories, net costs, uplifts	p69
Amazon: prime versus traditional marketing, more 90/10 than 80/20 rule	p70
Amazon: the 7 key prime benefits to Amazon (I)	p71
Amazon: the 7 key prime benefits to Amazon (II)	p72
Amazon: More US Prime deliveries than free super saver shipping in August 2012	p73
Amazon: Shipping revenue and costs 2010 – 12 in \$ m, towards a fixed cost, FBA	p74

Building ecosystems: from the kindle to the Amazon smartphone

p75

Amazon: kindle multi billion \$ business, altering the market and business dynamics	p76
Amazon: The agency model, first mover market share, yet another loyalty driver	p77
Amazon: reading renaissance, data from ereaders to provide input into Amazon publishing	p78
Amazon: From the kindle fire to the Amazon smartphone, show-rooming preinstalled?	p79

Advertising, KPIs, data collection

p80

Amazon: collecting data, KPIs, algorithms, upselling, personalisation	p81
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TABLE OF CONTENTS (3/4)

Amazon: Algorithm, item to item collaborative filtering, recommendations uplift	p82
Amazon: Key engagement metrics, rigorous AB testing	p83
New concepts: advertising and the Adzinia business	p84
Amazon: advertising – the Adzinia business, exploiting the funnel opportunity	p85
Amazon: Perfect visibility of the online shopper, algorithm opened up to others	p86
Amazon: privacy issues, push for marketplace	p87
The core of the business model: the marketplace	p88
Strengths of marketplaces: The model	p89
Strengths of marketplaces: free market research, price competitiveness	p90
Strengths of marketplaces: beneficial cash flow, near perfect OSA	p91
Strengths of marketplaces: unlimited range and network effects	p92
Amazon's marketplace	p93
Amazon: Marketplace – the game changer	p94
Amazon: Marketplace stretching into Fulfillment, beneficial network effects	p95
Amazon: 3P commissions and fees, another 10% for FBA, risk of being replaceable	p96
Amazon: Marketplace options, uplifts on joining, drawbacks	p97
Amazon: The marketplace contribution in %, rapid paid unit growth of 40% y-o-y	p98
Amazon: The main marketplace winner, contribution in value terms (in US \$m) 2010-12	p99
Amazon: What are the average unit prices of 3P relative to 1P?	p100
Amazon: Is marketplace already bigger than Amazon 1P? 3P net sales in \$m, 2010 -12	p101
Amazon: rapid marketplace expansion financed through marketplace cash flow	p102
Amazon: stocking stores versus populating a website, long tail economics	p103
Amazon: A truly record breaking Q4 for marketplace with more than 40% growth	p104
Amazon: the strategy for FBA, link ups, European Fulfillment Network, logistics potential	p105
Amazon: the back-end	p106
Amazon: DC in Germany fully operational in just 7 months	p107
Amazon: pick, sort, pack and ship	p108
New concepts: the move to same day delivery	p109
Amazon: it's all about the supply chain, same day delivery, loads utilisation	p110
Amazon: Collaboration, lockers roll out and next stage of online evolution	p111
Amazon: Fulfillment centre rollout, load factors, prime	p112
Amazon: the cost of doing business, shoprunner delivering from the store estate	p113

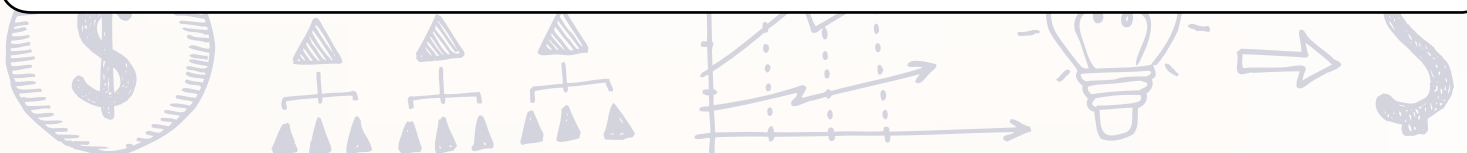


TABLE OF CONTENTS (4/4)

Amazon: same day delivery – the conversion and take up results from the first tests	p114
Amazon: split cases, customer centric supply chain	p115
Amazon: Locker roll out as precursor to full on assault on online grocery in the US?	p116
Amazon: Outlook	p117
Amazon: where are investment levels going? High margin potential in digital	p118
Amazon: Even higher potential in marketplace, linking up international 3P	p119
Amazon: profit driver par excellence, inventory cycle, same day delivery	p120
Amazon: Advertising and AWS, logistics, smartphone, threats	p121
Amazon: Regulatory threats, pricing, logistics, marketplace failures	p122
Sources	p123
Table 1: Net Sales, Net Income, Growth, Margin 2008-2012, in \$m	p37
Table 2: US Sales, growth, international sales, in \$m, % split 2008-2012	p38
Table 3: Sales by segments 2008-2012 in \$m, growth	p39
Table 4: International sales per country in €m 2008-12, Germany, Japan, UK, France	p48
Table 5: International sales per country in €m 2008-12, China, Italy, Spain, India, Brazil	p49
Table 6: Active Customer accounts 2009 – 12 in m, USA, Germany, Japan, UK, France	p63
Table 7: Prime Customer accounts 2009 – 12 in m, USA, Germany, Japan, UK, France	p65
Table 8: Shipping revenue and costs 2010 – 12 in \$m, towards a fixed cost, FBA	p74
Table 9: The marketplace contribution in %, rapid paid unit growth of 40% y-o-y	p98
Chart 1: Strengths of marketplaces: The model	p89
Chart 2: Net service fees (3P) and net sales (1P) 2010-12	p99
Chart 3: 3P net sales in US \$m, net sales (1P) in US \$m, 2010-12	p101

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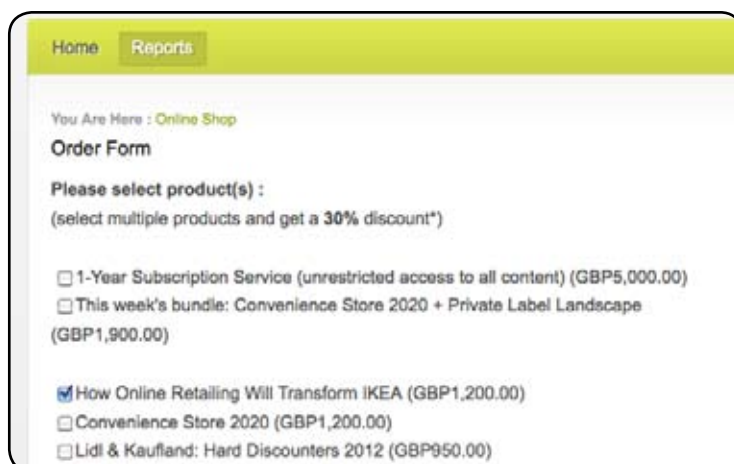
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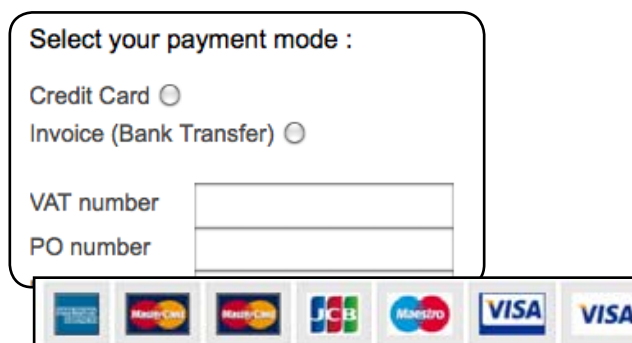
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