

Grossing Business's Move during the COVID-19 Pandemic

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Abstract

Corona virus has created continuous devastation across the globe. It forces companies and the society to grow and move on to another phase of time, think more responsibly, and make more mature decisions. This crisis twisted the life of the people in too many facets such as decreasing the budget for daily needs and safety protocols that played a huge responsibility in declining the percentage of working individuals. Due to different business techniques during pandemic and investment cost of \$500 Million, one can say that in future Amazon will grow more socially and economically.

Keywords: Pandemic, Amazon Business during Covid-19

Introduction

This pandemic has also been the key to adjustment to many aspects of making a living. For example, the world economy has been facing financial stumbling blocks during the crisis and learning new strategies to survive. Some of them made a success in doing so, and some were forced to put an end to their tracks. However, this pandemic has been the perfect time for businesses and companies to improve and make something different in order to live on and a perfect challenge for businesses and companies to assess if they can live on or pass on.

This study is made by a group of researchers from all over the world working as one to get better and effective results. Working together, the researchers made a deeper assessment concerning to this case study. A literature desktop exploration has been done by the researchers. Then, a company has been chosen by the researchers to be the focus. Lastly, the task has been divided by the numbers of the

researchers. As per directed, the researchers looked for a company that made revenue during the COVID-19 pandemic, and all throughout the long look, the researchers choose Amazon [1].

The world has become the audience of its worldwide influence, growth and development. For two decades, Amazon has been one of the biggest businesses to give connection and prosperity to people [5]. In the 2020 business predictions featured by the Empowered Consumerism, Jeff Bezos, owner of Amazon, the top-most grossing business in the world, is predicted to reach trillions during this crisis [3]. Surrounded by challenges and competitions, Amazon did make new strategies to keep its place in the summit.

Given the focus, the researchers will determine:

- How is Amazon doing during the COVID-19 pandemic;
- What strategies did the Amazon apply to survive the crisis; and
- How Amazon maintains its position on top.

Background Information

Amazon is a global technological company operated by Americans, and it has been stated that it is one of the most powerful economic and cultural sources in the world [6]. The company mainly emphasizes e-commerce, cloud computing, artificial intelligence, and digital streaming media which have many subsidiaries to maintain the company business (Figure 1). It is considered as equal to the

world's most valuable companies like Google, Microsoft, and Apple [2].

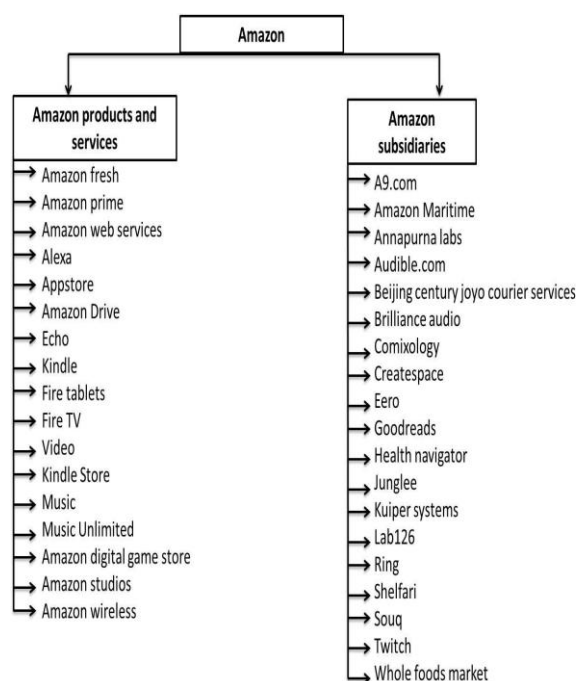


Figure 1: Amazon products, services, and subsidiaries

Amazon created an uncountable amount of high paying jobs which offer a lot of opportunities in the American Labor market and in underdeveloped countries [3]. This is the main reason why Amazon has grown into a well-known business worldwide. Amazon has 840,400 workers around the world and it is increasing uncompromisingly. Each year, the system is reinforced to handle more people, more demand, more volume, more stress. Since 2014, its revenue has tripled [7]. In different ways, Amazon is mostly running and maintaining E-Commerce products (Figure 2). The company has grown at a higher rate with revenues rising from about \$1.4Billion in 2010 to \$13.4Billion in 2019. However, the total revenue growth was much higher than the income of about \$ 34.2Billion in 2010 to \$279.1Billion in 2019 (Figure 3). Amazon has registered more revenue after its 22nd year (2016) than Walmart has in its 35th year (1997). Since the upcoming of Amazon, the retail industry has never been the same. (Galloway, The four. P.P. 43-44).

Amazon's operating income

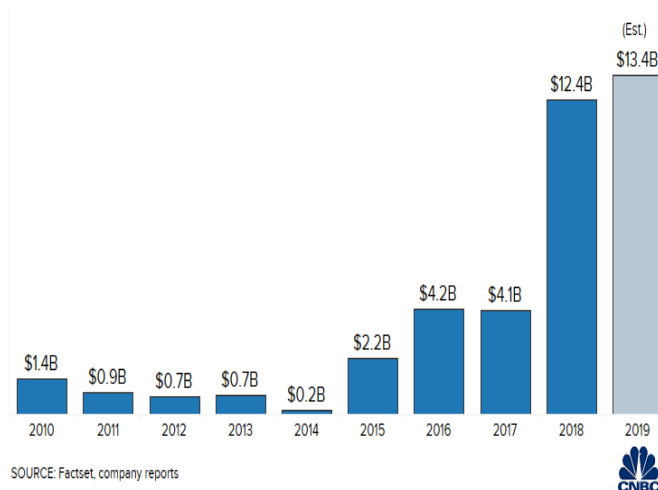


Figure 2: Amazon's operating income in 2010 to 2019

Amazon's revenue growth

Annual revenues by segment, in billions. (From 2010-2012, AWS was included in International segment.)

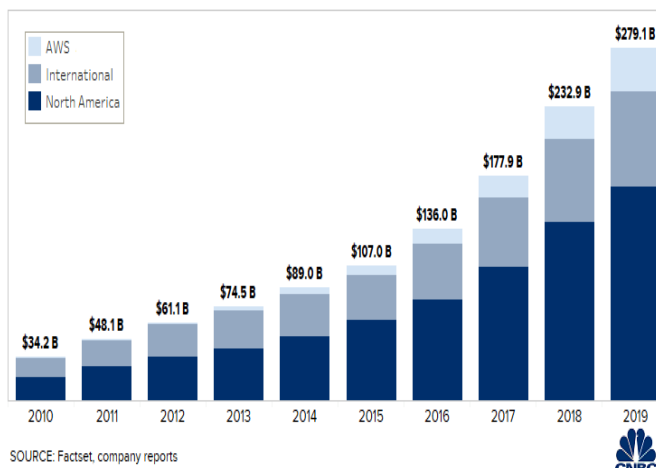


Figure 3: Amazon's revenue growth in 2010 to 2019

During the first weeks of March 2020, as the world faces a horrific virus, only one choice felt certain, safety first. No business or company is totally prepared for the uncertainties that this pandemic has brought [8]. The world economy seemed to stop, but not for Amazon.

Alternatives

“Amazon, with a market capitalization of \$1.2 trillion, is one of the most valuable companies in the world and its shares have risen more than 30% this year” [2].

Amazon has gotten a boost from consumers stocking up on essentials and other items, and not just in its online business [2]. In the quarter ending March 31, revenue from its physical stores, which consist almost entirely of its Whole Foods grocery chain, also jumped (Figure 4). They further add that while this bump in sales could flatten out again as the pandemic subsides. Amazon is also poised to be the beneficiary to what some experts predict, “A longer-term shift on how consumers shop”. “2020 is setting up to be an e-commerce inflection year as the combination of shelter-in-place, lower spend on experiences (dining out, bars, travel, etc) and [government] stimulus have driven dollars online,” Morgan Stanley, an analyst cited by Bain & Detrixhe (2020) who wrote on June 1 a research note, “As the dominant online retailer in the US by a wide margin, Amazon would have an advantage in this environment.”

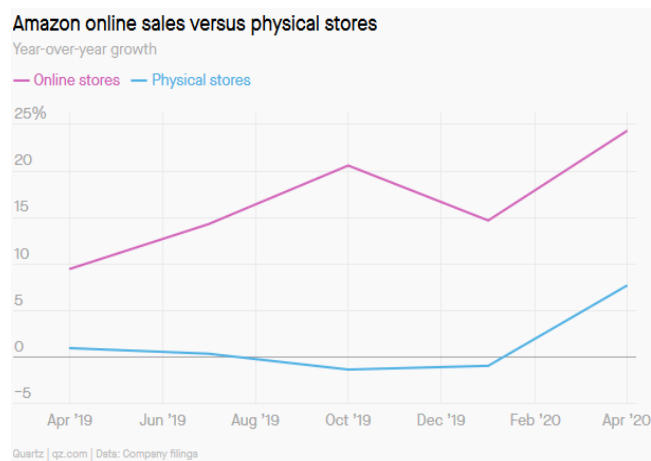


Figure 4: Amazon Online Sales versus Physical Stores

It seems the strategy employed by Amazon has been a long-time coming. Bain & Detrixhe (2020) argue that Amazon has long prioritized growth over profit anyway, and now the company has access to some of the cheapest funding on record. This week the e-commerce giant borrowed \$10 Billion in the US corporate bond market across a range of

maturities. Some of those securities (those that come due in three, five, seven, and ten years) had the lowest yields of any dollar-denominated company bond since at least 1980, according to Refinitiv cited by (Bain & Detrixhe. 2020). This ensures the continued dominance and survival of the company. Since the borrowing costs have plunged since the US Federal Reserve pledged in March to buy company debt for the first time, providing a backstop for the credit market. While the Fed's emergency plan was designed to support companies that have been imperiled by the recession, Amazon's corporate bond deal shows strong companies have been beneficiaries as well. (Bain & Detrixhe (2020)

Year-over-year growth of Amazon service sales versus product sales

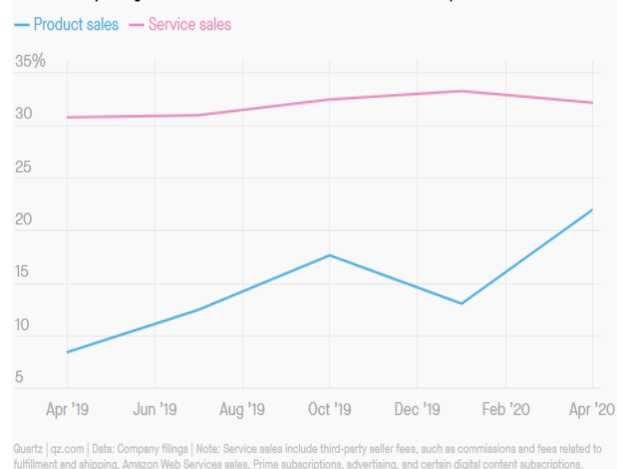


Figure 5: Growth of Amazon Service Sales versus Product Sales

These sales include AWS, also the fees it collects from its expanding base of third-party sellers, advertisers, subscribers to its Prime membership program, and subscribers to certain digital content. (Bain & Detrixhe (2020))

It is interesting to note that the company has met some challenges during the COVID-19 pandemic [9]. Its employees have warned that safety protocols at its warehouses were inadequate, and its ordinarily ultra-efficient logistics and delivery operations have struggled to keep up with a wave of demand. Bain & Detrixhe (2020) argue that Amazon is also coping with higher expenses. Founder and CEO Jeff Bezos warned investors that the company expects to spend the entirety of this quarter's

expected \$4 Billion in operating profit on “COVID-related expenses,” such as measures to keep employees safe and to keep its delivery and inventory operations (also known as a fulfilment) running smoothly (Figure 6). However, despite these setbacks, it seems Amazon will emerge stronger post the COVID-19 era.

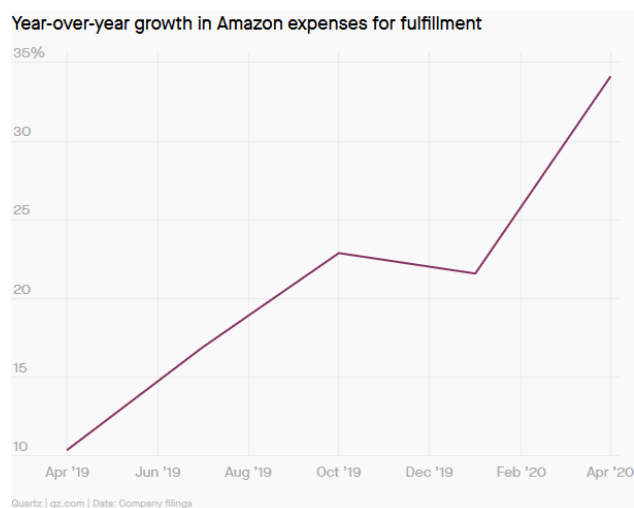


Figure 6: Amazon’s expenses for fulfillment

Amazon announced on April 13, 2020, that it would hire 75,000 new employees to handle the increased demand in the North American market alone [10]. On April 16, 2020, the online e-commerce giant reached record market value: US \$1.2 Trillion, a 28.6% appreciation in the year. Amazon increased its market value by \$401.1 Billion. During the pandemic, Amazon became essential for people who want products indispensable to survive. However, while the company posted record revenue, it also costs \$4Billion worth of items and technologies to protect employees from COVID-19 infectivity.

Solution



Figure 7 (a): Solution approach (Source: About Amazon)

The actions related to combating COVID-19 includes: safety measures such as personal protective equipment, cleaning of facilities, activities that allow for more effective social distance, higher salaries for hourly staff and development of own resources for COVID-19 tests etc. Some of the numbers so far are:

- Providing more than 100 million masks for websites
- Addition of 2,298 hand washing stations
- Added more than 5,765 janitorial staff to the teams
- Supply of 34 million additional gloves
- Addition of 48 million hand sanitizer
- Addition of 93 million spray and sanitizing wipes
- Providing more than 31,000 thermometers and 1,115+ thermal cameras

Costs have potentially pushed the company to its first quarterly loss since 2015. But still, an accelerated shift to online shopping and the growing importance of its products and the cloud computing business in the remote working age have led as shares of Amazon to the highest levels of all time.



Figure 7 (b): Solution approach (Source: About Amazon)

Amazon hired about 175,000 people in the U.S. Amazon's new full-time employees are receiving medical benefits from day one [11]. These actions are part of a full range of benefits, including prescription drugs, dental plans and eye plans that will be offered to Amazon employees, as well as family members.

Amazon is offering a special thank you bonus, totaling more than \$ 500 million. All employees and partners of the company during the month of June will receive a bonus. The bonus is in addition to the increase in pay for work. Amazon added \$ 2 an hour worked through the end of May to the current minimum wage of \$ 15 an hour or more through the end of May in the US, Canada, the United Kingdom and many European countries [12].

Amazon believes that taking care of people takes time. Someone diagnosed with COVID-19 or presumed to be positive (but unable to take a test) may receive up to two weeks of paid time off - this is in addition to the other paid and unpaid time off options. In addition, Amazon established the "Amazon Relief Fund" with an initial contribution of \$ 25 million to support independent delivery service partners and their drivers, Amazon Flex participants and seasonal employees in financial distress during the pandemic period.

Conclusion

Every half year due to enhancement and changes in technology, it is impossible to predict what will happen in next ten years. In recent years, pre and post pandemic times E-commerce has become only one way to all types of business sale/purchase of goods and, services and education. Small to medium enterprises from different industries fully rely on e-commerce applications to survive and compete in national and international markets. E-commerce industries raised during this pandemic and created more business opportunities. The Amazon brands build up during the last decade due to high customer satisfaction, especially in developing countries. We knew that Amazon is the global pioneer in the e-commerce business due to its acceptability and logistic efficiency and customer facilitation to their door ends. During this pandemic where Americas condition is still verse but at the same time Amazon announced in April that they are going to hire 75k new employees due to its increased demand in North America. In the development section, we also highlighted that the Amazon market value increased \$401 Billion approximate where most of the business sectors are bank corrupted. One of the root causes could be Amazons huge investment on COVID-19 safety measures e.g. employee's personal protection, enhancement in cleaning facilities, effective social distancing, and different remuneration packages for hourly teams. Also, safety protocols to avoid COVID-19 increased customer trust. Due to different business techniques during pandemic and investment cost of \$500Million, one can say that in future Amazon will grow more socially and economically. It will reach those countries where e-commerce business is still struggling.

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