Business and Management - External Factor Analysis (EFAS)

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## External Factor Analysis (EFAS) Table for Amazon Inc.

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| --- | --- | --- | --- | --- |
| **External Factors** | **Weight** | **Rating** | **Weighted Score** | **Comments** |
| **Opportunities** |
| Penetrating new markets. | 0.10 | 4.0 | 0.40 | The company’s focus is on penetrate new markets and to gain new customers by utilizing its full potential. |
| Increasing physical stores. | 0.08 | 2.0 | 0.16 | Amazon has not been able to establish physical stores as they are needed (GREENSPAN, 2017). |
| Decreasing fake sales. | 0.05 | 5.0 | 0.25 | The company does not let anyone cause an adverse effect on its name and takes strict measures to eliminate fake sales.  |
| Go for backward and forward integration. | 0.08 | 4.0 | 0.32 | Backward and forward integration has brought a lot of operational efficiency in its services. Amazon is continuously developing processes to have its own supply and delivery channels. |
| Making further acquisitions. | 0.09 | 5.0 | 0.45 | Through a continuous process of acquisitions, the Company has been able to expand worldwide in a very low span of time. |
| Decreasing human intervention. | 0.10 | 4.0 | 0.40 | Human intervention is being decreased in the processes by using modern techniques such as robots, etc. Company is well aware of cutting its costs by using those technological advancements. |
| **Threats** |
| Controversies cause customer dissatisfaction. | 0.07 | 4.0 | 0.28 | Controversies cause a drop in the company’s reputation and earnings. Amazon has been striving hard to minimize the effects of those controversies. |
| Regulations may cause an adverse effect. | 0.08 | 3.0 | 0.24 | While exploring new markets regulations of those countries affect the plans and missions of the company. There could be no solution to those problems faced. |
| Customer’s data security. | 0.12 | 5.0 | 0.60 | Customer’s data lying on Amazon’s servers is very crucial to be kept safe. The company is devoting its resources for the purpose. |
| Threat from other online retailers. | 0.10 | 4.0 | 0.40 | Other online retailers may capture markets and may lead Amazon in the future, especially in those markets where Amazon’s presence is limited (Anon, Amazon SWOT Analysis, 2019). The company has always struggled to be the best and be the market leader. |
| Stockout conditions. | 0.08 | 4.0 | 0.32 | There is no remedy for stockout conditions. Amazon is proactive in mitigating the risks of those circumstances. |
| Costs increase due to warranties/guarantees. | 0.05 | 3.0 | 0.15 | Sales of substandard products on Amazon’s portals may cause the company to bear a lot in respect of returns, guarantees/warranties. The company is well aware of that and always have been updating its policies in this respect. |
|  | 1.00 |  | 3.89 |  |

The company is doing much better than the others in the industry with a weighted score of *3.97****/****5.00*. Its worldwide presence and delivery of products have made it lead the market. Most of its earnings are still coming from the markets of North America (Pratap, 2019). No doubt the e-commerce is becoming intense and competitive day by day and the operating margins are certainly going to become lesser. Thus, the e-commerce giant “Amazon Inc.” would have to take thoughtful measures to halt the entry of new rivals and countering their strategies effectively.

# References

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