**PESTLE Analysis - Amazon case study**

**Company overview**

Since the 90’ the business has changed deeply. Something close to a “Revolution” happened and moved from traditional business in brick-and-mortar shops to a massive and digitized business: the e-commerce. One of the main stakeholders in this revolution is Amazon. Today, Internet sales have become essential and so is Amazon.

Amazon is an American company with its headquarters in Seattle, WA. Amazon, created and lead by Jeffrey P. Bezos (Jeff Bezos for short) since 1994, is today one of “the big 5” or GAFAM (Google, Apple, Facebook, Amazon, Microsoft). Amazon is like an octopus (see the table of sources “Jeff Bezos‘s world (octopus)”) that grows up quickly in the world with a presence across North America, Europe and Asia-Pacific.

Amazon shows some attractive performances with a turnover multiplied by two in four years and a share price multiplied by three over the same period. However, some other signs raise questions, like the huge increase of the number of employees, or doubts, like the turnover per employee in constant decrease since 2004. In this context, a deeper analysis will enlighten us.

**1. PESTEL - Synthesis**

The PESTEL Analysis allows to analyze and anticipate the opportunities and threats of a company’s macro-environment (all external variables with an impact on the business). It distinguishes six categories of macro-environmental influences. We followed 3 steps:

Brainstorming & information searches in the media

Grouping factors to define trends

Define whether these factors groups are opportunities or threats

**2. PESTEL – Analysis**

**2.1 Political**

Amazon's activities and development could be impacted by more or less aggressive protectionist policies. The United States is not a symbol of trade openness, other economic states follow suit and show their determination and claim their rank of great economic countries. The meetings of Donald Trump (President of the USA) with Xi Jinping (General Secretary of the Chinese Communist Party) and Vladimir Poutine (President of the Russian Federation) as well as the concerns of NATO indicate that the game of global alliances could change the balance through economic pressures and influence the rights and duties of large international groups like Amazon. It is specially true as substitutions to Amazon remain easily conceivable with finally few constraints (as long as the hypermarkets and malls still exist). Sometimes politic community can indirectly push towards e-commerce. For example, France has a specific government plan named “plan très haut débit” in which the French government wants to accelerate the 4G and optical fiber network deployment. This kind of political decision facilitates the access to the Internet, so to all services based on the Internet (e-business included).

**2.2 Economical**

Since the economic crisis of the beginning of the 1980-90s (stock market crash of October 1987), the world population consumes less and is back to an almost systematic search for the best deal. People want more comfort, always for the lowest price. The competition game pulls prices down (appearance of the "low cost" concept), and unsurprisingly, after the decrease of computers and Internet accesses prices emerged systems of optimized supply chain sales such as Amazon (overpressure of intermediaries, removal of physical stores in the city). This movement is still ongoing (e.g., the recent democratization of smartphones and 4G packages) and is maintained by the disappearance of the middle class. Jeff Bezos is in some ways an "Edward Leclerc" (founder of the first French cooperative society and hypermarket chain) at worldwide network level. So we can think that Amazon has in front of it a very favorable economy to continue to grow up.

**2.3 Social**

As previously pointed out, the Internet brings in more and more users because:

• Subscriptions are becoming more affordable

• People (assisted by governments and competition between Internet Service Providers) have a better network coverage

• The development of the goods and people movements at a global level means that we need global networks to monitor them all the time and everywhere. All the countries around the world are opening up to the world, making large, formerly emerging countries new economic powers whose population is eager for new technologies, information and new services (e.g., China, India).

Our modern societies (and our governments) tend to restore gender equality. With an everincreasing life cost, couples see that both people have to work. Therefore, both man and woman are less and less at home. This society evolution means that household chores such as errands become a waste of time that one would rather spend on leisure if possible. The e-commerce and the "drive-in solutions" are a response to this time optimization need. Beyond the search for "low cost", e-business has changed our societies and is now becoming unavoidable and inseparable from our modern consumption patterns. The consumer changes his habits according to the constraints he experiences in his environment, meaning that the consumer interest in e-commerce is not foolproof. The consumer behavior will evolve further in the coming years depending on the opportunities (e.g., technological developments, new services) that will minimize the impact of his daily constraints. One can also imagine that if the concept of a universal salary were to come into being (tests are ongoing in Finland) and became global to the world, the constraints currently applied to the consumer would be turned upside-down and that he could then get some time again to hang out in physical stores and would turn away from e-commerce.

**2.4 Technology**

“All modern societies are characterized by a shortage of time: the more modern a society is, the less time it has. It is not the oil that we will miss one day, but rather the time” says the German sociologist and philosopher Hartmut Rosa. The more we innovate to do the things quicker (the more we save time), the less we have time per task (so the less we enjoy life, so the less we live). According to Harmut ROSA, “acceleration is not the fault of the technique. One can imagine a world where, thanks to technical progress, it would be possible to release a surplus of time if the rate of growth were not so strong. Technical progress broadens our horizon and our possibilities. It changes the perception of opportunities and obstacles and also changes social expectations, both what we expect from others than what they expect from us. Technology allows the acceleration of the life beat, but does not impose it. It gives us the means to dispose of it freely”. But it has yet to be implemented. Hundreds of innovations grew in the recent decades and even more will in the upcoming years. Innovations fuel innovation and today the devices to browse the Internet are diverse: computers, tablets, hybrid computers, mobile phones, watches, etc. Channels are also more plentiful: ADSL, CPL, optical fiber, 3G, 4G, etc. Overall, all these tools are more efficient and more effective. As a result, more data can be processed and potentially more users can be attracted. In addition, artificial intelligence (e.g., Alexa) and “AWS machine learning services” (making predictions more reliable) make it easier and more commonplace to buy.

“The dream of modernity is that technology allows us to acquire temporal wealth. The idea behind it is that technical acceleration allows us to do more things per unit of time” wrote Hartmut Rosa. Around 1900, an average house had 400 different objects. Today, it has about 10,000. This quantitative increase leads to have less time to take care of each object. We go faster with our computers, but we spend less time on it because we go from a mean to another all the time (due to the diversity of solutions): computers, tablets, connected watches, connected home, etc. Transportation is the same: switching from the “2CV” to the “DS7” allowed us to double our speed. But at the same time, we quadrupled distances when it comes to work, leisure and getting objects always further from home. This technological springboard has still bright years in front of him because multiple leaps are already announced (cf. https://buzzly.fr) as for example:

• Unlimited data storage for all

• The development of all kinds of sensors and connected clothes

• The connected reading glasses

• The generalization of the digital identity

• Phones that will be more powerful than a microcomputer

• Mobile phones implanted in the body

• The trivialization of 3D printing for basic objects but also cars fully produced in 3D printing

• The generalization of the means of sharing for transport.

And we can’t imagine or anticipate the impact of nanotechnologies on innovations, business and the society. It’s easy to see how these advances will continue to support Amazon's frenetic growth, unless our environmental concerns and the absolute need to preserve our planet (for our children’s future) disrupt our consumption habits.

**2.5 Environmental**

This technical innovation acceleration, accompanied by an ever more targeted marketing favoring social competition, boosts the purchases. There is a real frenzy pushing to renew faster and faster our favorite products. Product lifetimes are shorter (sometimes voluntarily; see recent (in 2017) legal proceedings against Apple and Epson) and the products are often no longer "economically repairable" (the repair cost is often higher than the OEM production cost). This unbridled consumption draws on the resources of our planet and weakens its balance. It generates, despite the efforts of the politicians, a lot of pollution during the manufacture, the distribution and the waste treatment. This pollution is at the origin of global warming that we know today and causes more and more natural disasters. CSR initiatives are becoming more and more frequent because, fortunately, more and more people and companies feel concerned and responsible for the future of our children. Even if all countries (e.g., the USA during the G7) do not deploy the same energy, globally, governments vote laws encouraging companies to reduce their ecological impact. These measures have a high cost and non-compliance with these laws potentially has a high power of nuisance on the corporate image of the offending company. American and international groups like Amazon have every interest in accelerating and anticipating their ecological expectations because their image is global and then we can only be convinced that US laws are bound to strengthen on the subject someday. The consumer also wants to participate in this mission. For example, brands of plastic garments such as Patagonia are growing, despite higher prices than the competition. Emails also sport more and more the "Please consider the environment before printing" mention at their bottom. It is perhaps also for this reason that the consumer is moving more and more towards digital solutions such as e-commerce, considering that it is probably more environmentally friendly to use a carrier that will deliver several products to several people rather than having everyone to take his own vehicle to buy his object at the nearest mall.

**2.6 Legal**

Laws evolve to try to preserve our planet in the long term but they are also evolve to deal with globalization. Since the 19th century with the corporate tax ceiling put in place by the state of New Jersey (USA), the major international groups are looking for the best organization of their "holding" allowing the best possible tax optimization (this is called aggressive optimization). Noting the millions (and sometimes the billions) of taxes that elude governments, they adapt regularly through lawsuits and new laws of tax laws more binding for companies. At a minimum, international groups must provision in the event that they are the subject of legal proceedings. They cannot ignore that social protection (even if it is not perfect) has made much progress (as for example in the USA) this last century. Even without mentioning universal arrangements (in terms of wages and social protection) as early as 2019, we can assume that states will have to be very imaginative to finance its social strategy in the upcoming decades. The companies’ tax rates could then be revised upwards with a decrease of the net income after tax.

Article written by Yoann CORABOEUF July 31, 2018 with the participation of Cédrik ALLERY & Maxime ALIAS