

Amazon hits trillion-dollar milestone with focus on the long game (Update)

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Amazon has expanded from its modest origins two decades ago as an online bookseller to a global powerhouse worth \$1 trillion

Amazon's market value hit \$1 trillion on Tuesday, the second company after Apple to hit the milestone, following an incredible journey for the

internet giant which has kept a long-term focus since launching as an online bookseller two decades ago.

Early gains lifted Amazon's value to \$1 trillion only briefly, with the final close at \$2,039.51 giving it a value of \$995 billion.

Amazon's journey from an online bookseller in a garage to a global e-commerce powerhouse has centered on obsession with the long road.

The company initially incorporated as "Cadabra" by Jeff Bezos in 1994 and backed with money borrowed from his parents joined Apple as the second US technology firm to be valued at \$1 trillion on Tuesday.

Apple crossed the trillion-dollar value threshold a month ago and has remained above it. Amazon became the second US company at that eye-popping value.

GlobalData Retail managing director Neil Saunders called Amazon's valuation achievement "extraordinary" and considered it a sign of the company's potential.

"Despite its size and scale, there is still something young about Amazon," Saunders said.

"Amazon is really only just getting started."

Created in a garage in a suburb of Seattle, Washington, the company renamed "Amazon" sold its first book—Fluid Concepts and Creative Analogies: Computer Models of the Fundamental Mechanisms of Thought by Douglas Hofstadter—in mid-1995.

By the end of that year, Amazon was selling books online throughout the US. Amazon went public in early 1997.

The company for more than a decade put growth over profit, investing heavily in warehouses, distribution networks, and data centers.

"Every cent they made they put back in the company," said independent technology analyst Rob Enderle.



Amazon CEO and founder Jeff Bezos, seen with his wife MacKenzie Bezos, has become the world's richest person based on his company stake but has also created a private space exploration firm and has purchased the Washington Post newspaper

"They kept their eye on the prize, which was initially to take over most of commerce."

Innovation sans scandal

Saunders said Amazon's success comes from the fact that it innovates unlike any other.

"This heady pace of creativity is the key reason why it stays several steps ahead of the market and is able to generate so much growth," Saunders said.

Bezos has kept firm control of Amazon, steering clear of hedge fund investors inclined to short-term tactics aimed at getting share prices to jump.

The founder and chief executive also avoided scandals or other distractions, keeping revenue and costs close enough to manage and easing into "adjacent markets" that play into Amazon strengths or interests, according to Enderle.

For example, Amazon's lucrative cloud computing business is built on technology infrastructure that the company needed to run its own operations.

Investing in warehouses, trucking, drones, shipping and other distribution systems not only enables Amazon to drive down costs they position the company to compete with the likes of FedEx and UPS.

Buying the Whole Foods grocery chain last year got Amazon established real world outlets while putting its delivery and retail smarts and systems to work in the brick-and-mortar world.

Drugs and digital ads

Prescription medicine would be a natural market for Amazon to expand into, according to Enderle. Meanwhile, Amazon is reportedly beefing up its digital advertising business to better compete in an online ad market dominated by Google and Facebook.

In the past quarter, Amazon posted its best-ever profit of \$2.5 billion as Bezos, whose stake in the company has made him the richest person, highlighted the importance of digital assistant Alexa that powers Amazon electronics along with cars, appliances and other connected devices.



Amazon Spheres, in Seattle, Washington, is part of the home of the online giant,

which is seeking a second North American headquarters

According to the research firm eMarketer, Amazon's e-commerce revenue will grow more than 28 percent this year to reach \$394 billion, and will account for 49 percent of US online retail sales and nearly five percent of all retail spending.

One of Amazon's revenue drivers is its Prime subscription service which offers streaming video and music, free delivery and other perks and which has more than 100 million members worldwide.

Arrogance trap

Some fear Amazon is becoming too dominant a force, especially in retail, sparking antitrust discussion even as the company keeps expanding globally and searches for a second headquarters in North America.

"It wasn't that long ago that people were freaking out about Walmart, and Amazon basically stepped on Walmart," analyst Enderle said.

"What Amazon means is disruption and people don't like to be disrupted."

Critics of the company include US President Donald Trump, who has expressed ire at the Bezos-owned Washington Post newspaper that has published stories the president didn't like.

Bezos bought the Washington Post five years ago for \$250 million from his personal funds.

While his skills could be advantageous in the content-oriented business, getting into news comes with the risk of displeasing politicians.

"The Post was a mistake because it results in him going to war with people he wouldn't otherwise go to war with," Enderle said.

Amazon's huge cloud computing segment powers systems for government clients, and contracts could be influenced by politics.

Amazon must also guard against the kind of arrogance that can undo companies that come to dominate markets, according to the analyst.

"If Amazon does have a downfall, it will be arrogance in dealing with the customer," Enderle said.

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