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The Impact of COVID-19 on Amazon's Sales: Before and After Analysis.

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ABSTRACT:

Amazon is one of the largest e-commerce companies in the world, offering a wide range of products and services through its online platform. Founded in 1994 by Jeff Bezos, Amazon has grown to become a global leader in retail, cloud computing, digital streaming, and artificial intelligence. The company's mission is to be Earth's most customer-centric company and to continually innovate and improve the customer experience.

This study analyses the impact of the COVID-19 pandemic on Amazon's sales performance, using a comparative analysis of pre- and post-pandemic sales data. The COVID-19 pandemic has brought unprecedented challenges to the global economy, with many businesses struggling to survive amidst lockdowns and restrictions. However, e-commerce has emerged as a key sector that has seen increased demand due to the pandemic, as consumers shifted to online shopping for safety and convenience. Amazon, as one of the world's largest e-commerce companies, has seen a significant increase in sales during the pandemic, but also faced operational and logistical challenges due to the surge in demand. This study aims to examine Amazon's sales performance in the period before and after the COVID-19 outbreak, and to identify the factors that contributed to its sales growth or decline. The study will use a combination of quantitative and qualitative methods, including data analysis of Amazon's financial statements and sales reports, as well as interviews with Amazon executives and industry experts.

The findings of the study will provide insights into the resilience and adaptability of e-commerce companies in the face of global crises, and the strategies that can be adopted to sustain sales growth and profitability in a rapidly changing environment.

Keywords: Amazon, e-commerce, Sales performance, Comparative analysis ,Operational challenges ,Sales report ,Global crisis.

INTRODUCTION:

The COVID-19 pandemic has had a profound impact on the global economy, with businesses of all sizes and sectors facing unprecedented challenges. The e-commerce sector, however, has emerged as a key beneficiary of the pandemic, as consumers shift to online shopping for safety and convenience. Among the e-commerce giants, Amazon has been at the forefront of this growth, benefiting from its massive scale, broad product offerings, and strong brand reputation. However, the pandemic has also posed operational and logistical challenges for the company, as it struggles to keep up with the surge in demand while ensuring the safety and well-being of its employees and customers.

Overall, this study is a timely and important contribution to the understanding of the impact of COVID-19 on the global economy and the role of e-commerce in the post-pandemic era.

REVIEW OF LITERATURE:

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PROBLEM STATEMENT:

Amazon has faced logistical and operational difficulties as a result of the COVID-19 epidemic, but it has also seen a huge increase in sales. By a comparison of pre- and post-pandemic sales data, this study seeks to understand how the pandemic affected Amazon's sales performance.

HYPOTHESIS:

The COVID-19 outbreak has impacted Amazon's sales in both positive and negative ways, with a rise in demand for necessities and a decline in desire for non-necessities, changing consumer behaviour and tastes.

OBJECTIVES:

- To identify the major elements—such as variations in customer behaviour and purchasing habits, operational and logistical difficulties, and the competitive environment—that contributed to Amazon's sales growth or reduction during the pandemic and how these elements affected financial ratios.
- To give insight on how e-commerce businesses may remain adaptable and resilient in the face of global crises and the financial techniques that can be used to maintain sales growth and profitability in a fast-changing environment.
- To make suggestions to Amazon and other e-commerce businesses on how to preserve growth and profitability while improving financial ratios in a sector that is undergoing fast change.

METHODOLOGY:

- Secondary data has been collected on Amazon financial statements from official websites like Wall Street Journal, Stock analysis and Macrotrends.
- Under the heading of The Impact of COVID-19 on Amazon's Sales: Before and After Analysis, information for the research paper is gathered using official website of Amazon

TOOLS USED FOR ANALYSIS:

- Various Ratio Analysis tools applied to assess the following:

  1.Short term solvency

  2.Turnover ratio

  3.Profitability ratio

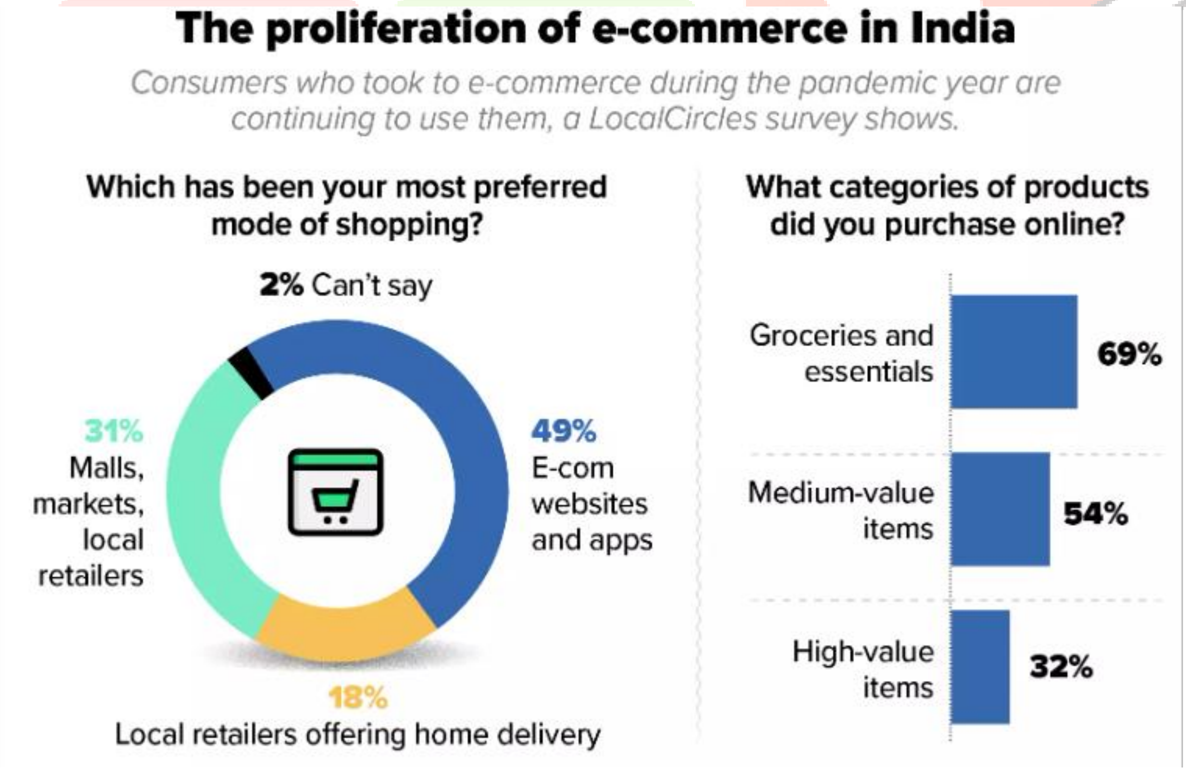
ANALYSIS & INTERPRETATION:

People's Interest:

The COVID-19 pandemic has dramatically impacted the way people shop, and e-commerce has become increasingly popular as a result. Before the pandemic, people were already showing a growing interest in e-commerce sites, with many preferring the convenience of shopping online from the comfort of their own homes. However, the pandemic has accelerated this trend, with more people turning to e-commerce sites to fulfil their shopping needs.

After the outbreak of COVID-19, people have become more cautious about going to physical stores and have increasingly opted to shop online. This shift in behaviour has been driven by several factors, including concerns about health and safety, travel restrictions, and the convenience of online shopping.

Source: The Economic Times



SHORT TERM SOLVENCY:

YEARS	BEFORE COVID-19(2019)	AFTER COVID-19(2021)
Current assets	96334M	161580M
Current Liabilities	87812M	142266M
Current ratio	1.09	1.13
Liquid ratio	0.86	0.91

- The company's current ratio was 1.09 before COVID and 1.13 after COVID. This indicates that the company's liquidity improved slightly after the COVID pandemic. Overall, while the increase in current ratio is a positive sign, it is important to further analyse the company's financial health and other relevant factors before making any definitive conclusions about its liquidity.
- The company's liquid ratio was 0.86 before Covid and increased to 0.91 after Covid. This suggests that the company's liquidity position improved during the pandemic. A ratio of 0.91 after Covid is still on the lower side, but it shows improvement compared to the pre-Covid period. The increase in the company's liquid ratio after Covid suggests that the company improved its short-term liquidity position. However, a ratio of 0.91 still indicates room for improvement, and further analysis is necessary to determine the underlying factors driving this change.

ACTIVITY RATIO:

YEARS	2019	2021
Stock Velocity	45 days	44 days
Debtor Velocity	16 days	16 days
Creditor Velocity	104 days	105 days
Working Capital Velocity	11 days	15 days

- If a company's stock velocity decreased in the 44 days after the pandemic hit, it could be a sign that investors are losing confidence in the company's ability to weather the storm or that the company is experiencing financial difficulties due to the pandemic's economic impact. Conversely, if the company's stock velocity increased, it might be an indication that investors believe the company can thrive despite the challenges posed by COVID-19.
- Debtor velocity is a financial metric that measures how quickly a company collects payments from its customers. In this case, the company's financial health could potentially be improving.
- Creditor velocity is a measure of how quickly a company is paying its debts to suppliers and creditors. the company's creditor velocity was 104 days before COVID-19 and 105 days after COVID-19. Based

on this information, it appears that the company's creditor velocity has increased slightly since the outbreak of COVID-19.

- Working capital velocity measures the speed at which a company can convert its working capital into revenue. we can see that the company's working capital velocity has decreased from 11 days before COVID to 15 days after COVID. This means that the company is taking longer to convert its working capital into revenue after the onset of COVID compared to before.

PROFITABILITY RATIO:

YEARS	**BEFORE COVID-19(2019)**	**AFTER COVID-19(2021)**
Gross Profit Ratio	41%	42%
Net Profit Ratio	4.13%	7.1%
Operating Profit Ratio	5.18%	5.3%
Operating Ratio	94.82%	94.7%
ROE	18.67%	24.13%

- The gross profit ratio is a measure of a company's profitability and represents the percentage of sales revenue that remains after deducting the cost of goods sold. The increase in gross profit ratio after COVID could be interpreted positively, indicating that the company was able to increase its profitability during a difficult economic time. It could also mean that the company was able to effectively manage its costs and improve its production efficiency, resulting in higher profits.
- The net profit ratio is a measure of a company's profitability and is calculated by dividing its net profit after taxes by its total revenue. The company's net profit ratio increased from 4.13% before COVID to 7.1% after COVID. This indicates that the company's profitability improved significantly after COVID.
- The operating profit ratio is a financial metric that indicates a company's profitability and operational efficiency. In this case, the company had an operating profit ratio of 5.18% before the COVID-19 pandemic and 5.3% after the pandemic. This suggests that the company was able to maintain its profitability and operational efficiency despite the challenges posed by the pandemic.
- A lower operating ratio is generally considered favorable as it indicates that a company can operate efficiently and generate higher profits. In this case, the company's operating ratio was 94.82% before COVID-19 and 94.7% after COVID-19. Since the operating ratio remained relatively stable, it suggests that the company was able to maintain its operating efficiency even during the pandemic.
- ROE indicates how much profit a company generates for each dollar of equity invested in the company by its shareholders. An ROE of 18.67% before COVID and 24.13% after COVID indicates that the company's profitability has increased significantly in the post-COVID period. This suggests that the company has either increased its net income, decreased its equity, or both

FINDINGS:

- The company's liquidity position is not strong, as indicated by the current and liquid ratios that are 1.1 and 0.86 which are approximate to 1.
- Company may have difficulty meeting its short-term obligations using its current assets as current ratio is 1.09, it would be safe to have the ratio around 1.5.

- The company's ability to pay its current liabilities using its most liquid assets is also weak as it is only between 0.86-0.91, it would be of great relief for the company to have this ratio as 1.
- The company has seen a slight improvement in its stock velocity from 45 days to 44 days, indicating that it is able to sell its inventory slightly faster.
- The company has maintained a debtor velocity of 16 days, indicating that it is able to collect payment from its customers quickly. This is a positive sign as it indicates good cash flow management.
- The company is taking longer to pay its creditors, which could lead to strained relationships with suppliers and potentially impact future credit terms.
- This increase in creditor velocity from 104 days to 105 days, could be due to several factors, such as reduced cash flow, delayed payments from customers, or changes in the company's payment policies. It could also indicate that the company is facing financial difficulties, which may be impacting its ability to pay its debts in a timely manner. Overall, an increase in creditor velocity is not necessarily a positive sign for a company, as it can indicate financial stress and potential difficulties in accessing credit in the future.
- Working capital velocity (or cash conversion cycle) has increased from 11 days to 15 days. This suggests that the company is taking longer to convert its cash into inventory, which could indicate a potential cash flow problem.
- The company may be experiencing supply chain disruptions or reduced demand for its products due to the pandemic.
- Additionally, the company may be holding onto its cash reserves in order to weather the economic uncertainty caused by COVID. it may indicate that the company is facing operational or financial challenges as a result of the pandemic.
- There could be several reasons for this increase in profitability. One possible reason could be that the company adapted to the changing market conditions brought on by the pandemic and found new ways to reduce costs and increase revenue.
- Another reason could be that the company benefited from government stimulus programs or other economic factors that boosted its profitability, gross profit from 41% to 42%
- The slight increase in the operating profit ratio from 5.14% to 5.3 % after the pandemic may indicate that the company was able to reduce its costs or increase its sales revenue.
- A higher ROE generally indicates that the company is effectively using its equity to generate profits, which is a positive sign for investors. However, it is important to note that a high ROE can also be due to high levels of debt, which may increase the riskiness of the company.

RECOMMENDATIONS:

- The company may consider reducing its current liabilities, increasing its current assets or both. This can be achieved through various strategies such as increasing sales, reducing inventory levels, improving cash management, and negotiating better payment terms with its suppliers.
- It may be important for the company to closely monitor its working capital position and take steps to improve its efficiency and liquidity in order to maintain its financial health during this challenging time.
- Alternatively, the company may have taken steps to improve its operational efficiency, which helped to boost its profitability.
- it is recommended to analyse the cost of goods sold to ensure that the company is not spending too much on producing the goods.
- the company should focus on analysing its expenses, reducing operating costs, and improving efficiency to maintain its profitability and sustainable growth. Additionally, it should ensure that its financial structure is sound and not overly reliant on debt.

WAY FORWARD:

- Further the research can be upgraded to use the ratio analysis tool in other developing and miniature companies.
- The future research can extract the financial statement from the reputed online websites for more details i.e., Share details, investments perspective and for better understanding through https://ir.aboutamazon.com/annual-reports-proxies-and-shareholder-letters/default.aspx

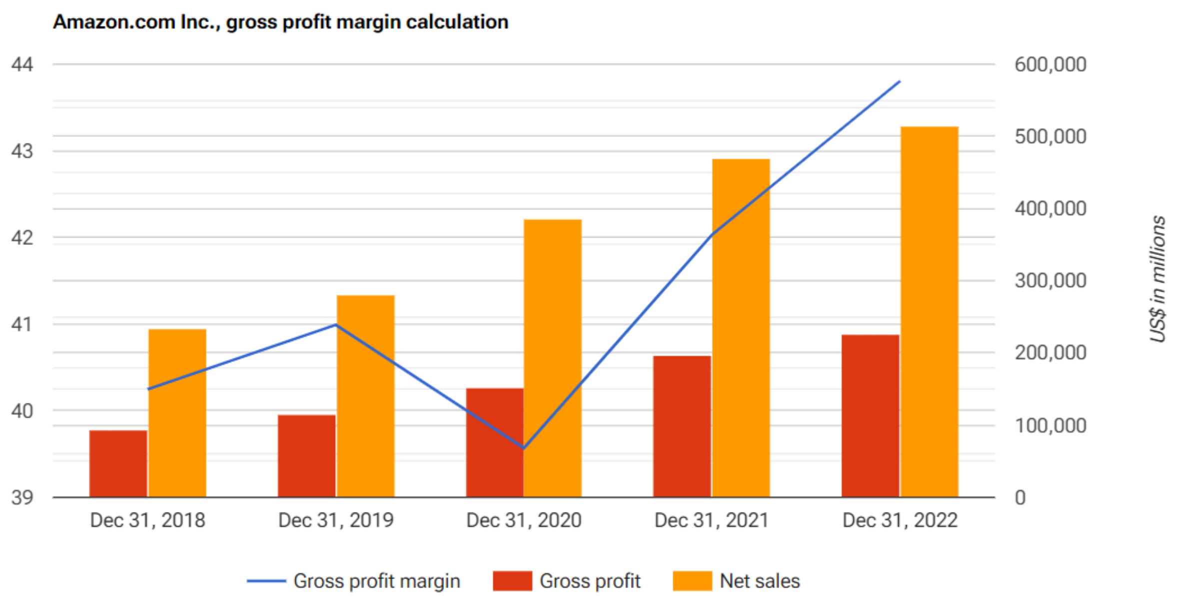
CONCLUSION:

- Amazon's sales have significantly increased after the COVID-19 pandemic, as more consumers have shifted to online shopping due to lockdowns and social distancing measures.
- The company has been able to maintain a consistent gross profit ratio, which indicates that it has been able to manage its costs effectively.
- The net profit ratio has also increased significantly, indicating that the company has been able to generate more profit after deducting all expenses.
- The operating profit ratio has remained stable, indicating that the company has been able to maintain its profitability despite the challenges posed by the pandemic.
- The return on equity (ROE) has also increased significantly, indicating that the company has been able to generate more profit per unit of shareholder investment.

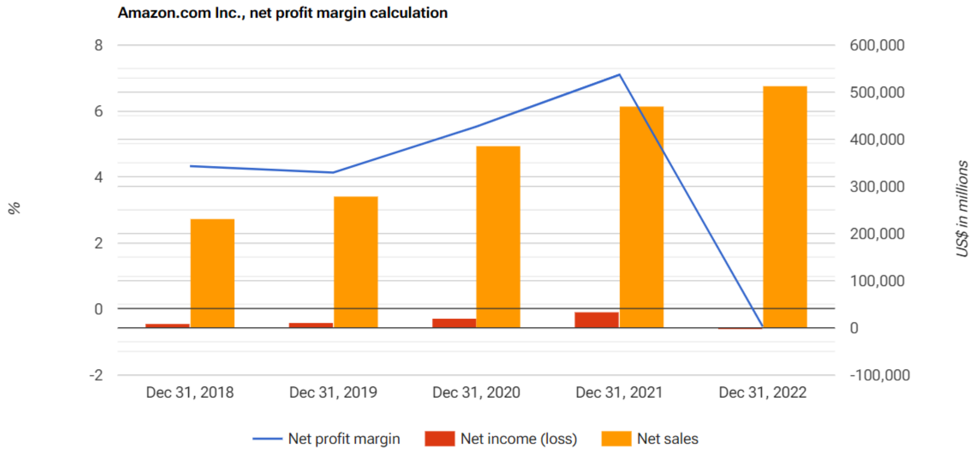
despite the challenges posed by the COVID-19 pandemic, Amazon has been able to maintain its financial health and even improve its profitability. However, it is important for the company to continue monitoring its expenses, reducing operating costs, and improving efficiency to maintain its profitability and sustainable growth over the long term.

ANNEXURES:

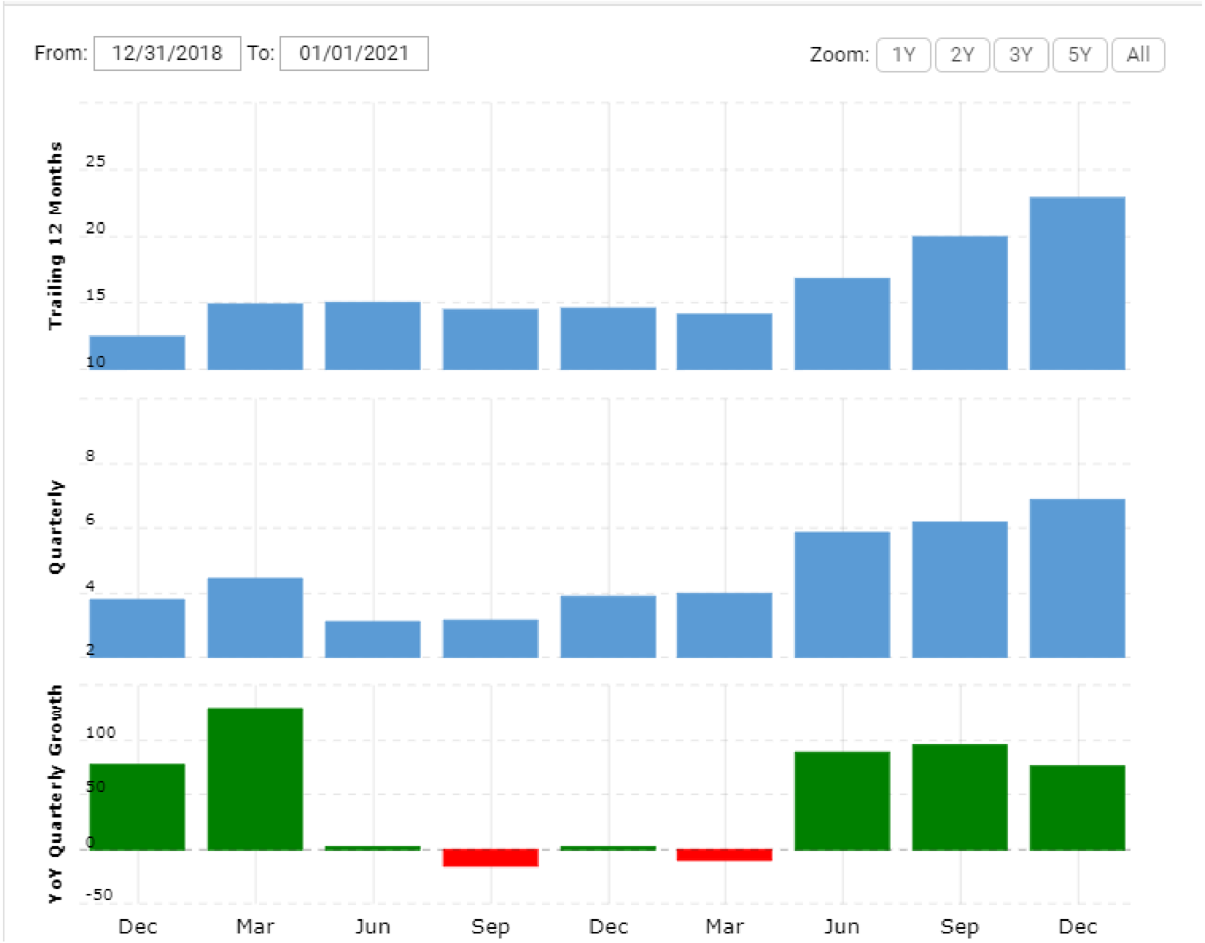
Gross Profit margin:



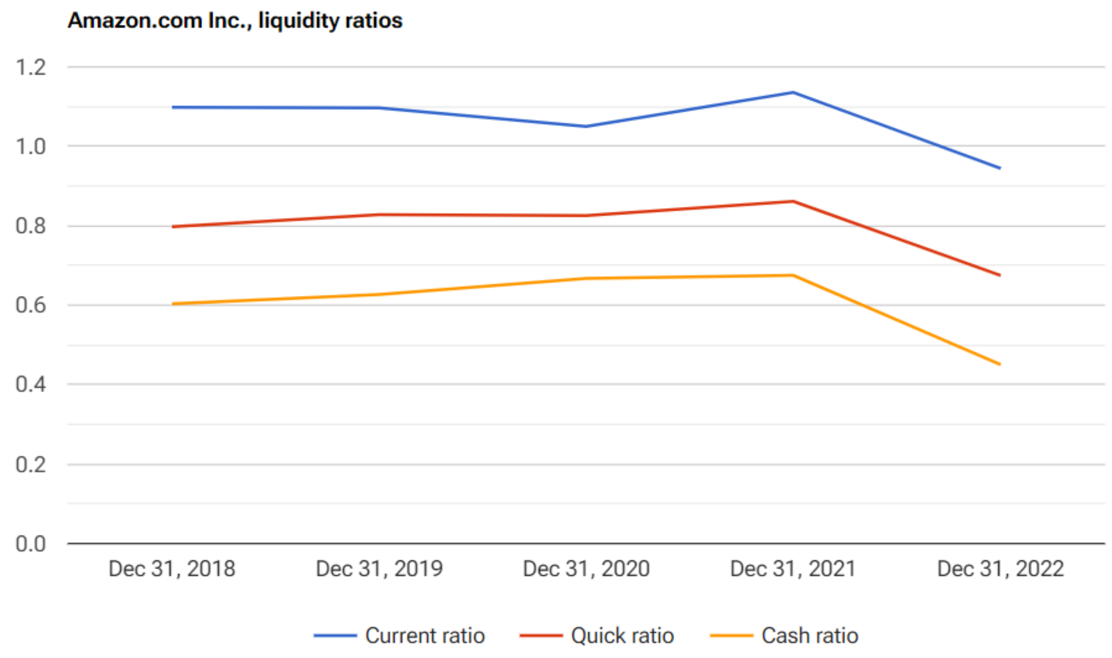
Net Profit margin:



Operating ratio:



Liquidity ratios:



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