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Amazon's record breaking fourth quarter

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Amazon has reported \$60.5 billion in net sales during its fourth quarter, a year-on-year increase of 38%, while net income hit \$1.9 billion. The e-tail giant reported a surge in demand for the **Alexa assistant, Echo Dot, and Prime membership** – all of which translates to further access to valuable user data that rivals behemoth Facebook.

“Amazon has cultivated a clever evolutionary development strategy for things that work, combined with investment flexibility that allows it to advance and monetise out-of-the-box ideas,” says Dmitry Bagrov, managing director, **DataArt**.

“It has continued to successfully ‘productise’ services originally developed for internal use such as **Amazon Web Services** (AWS), with occasional forays into innovative, cutting-edge unknowns such as shops without queues.”

The big news at the beginning of 2018 was the opening of the first **Amazon Go** store in Seattle, following a trial involving employees at Amazon's HQ. The checkout-free store taps the same types of tech used in self-driving cars, computer vision, machine learning and sensor fusion.

IGD's North American analyst, Stewart Samuel, recently visited the location, commenting: “The technology worked flawlessly, even if it felt unnatural to walk out without physically paying or having any form of interaction with store staff at the end of the visit.”

There are likely to **be further test stores before any decision is made on a wider roll-out**, he believes: “The amount of technology, and its associated cost, required in each store, is likely to be a challenge, particularly given the relatively low basket spend within a convenience store. However, as a marketing tool, and helping to raise brand awareness, this store has probably already provided a return on the investment.”



Amazon Go is now available to Seattle shoppers

Shifting sands

For Lucie Greene, worldwide director at **J. Walter Thompson's Innovation Group**, the key takeaway from Amazon's stellar performance is that all traditional routes to the consumer are being disintermediated by business models and players, creating a new set of competitors.

For instance, sophisticated direct-to-consumer brands, which are scaling rapidly. And the explosion of premium private label goods which for the first time are competing with traditional brands on the shelf. There's also the massive shift in channels and the way we shop and pay for things.

Amazon is tackling this via acquisitions, significant growth in the adoption and usage of voice assistants and developments in Amazon **Fresh** and **Pantry**. "You have the rise of voice-activated search and verbal commerce in the form of Apple, Amazon and Google's interactive home hubs, meaning **people are shopping and searching for products verbally**," says Greene.



The Echo voice devices add another string to Amazon's retail technology bow

“Meanwhile, visual recognition is changing the way we pay for things. **Alibaba and Amazon** are among the players offering facially-activated payments. Augmented reality is becoming a digital layer of information and imagery we can immediately layer over the 3D environment, and have disappear in an instant.”

We are witnessing a move beyond the screen to something much more ambient and intuitive. Amazon is on a mission to own a bigger share of not just retail but people’s entire consumption universe. “This could create concerns over privacy going forward. There are also concerns about anti-competitive behaviour; what happens when Amazon sets the price in all categories?” Greene asks.

“A battle is brewing”

DataArt’s Bagrov observes that the company has positioned itself to own both the consumer and the consumer data. If a business sells to end-users via Amazon, they have no access to the consumer data generated from those sales. This is even the case for big hitters like Disney.

“No one knows the full story, but it is possible that Apple has in the past forced Amazon to share information,” he comments. “We saw Amazon Prime Video mysteriously disappear and reappear. What was the deal that was struck? Did Apple

force Amazon to share information? The current state of play sees several large owners of user data all gathering information from different angles. Apple knows where we are. Google knows even more. Power lies in who knows the customer best. There is a battle brewing.”??

Who will win the fight for ‘ownership’ of the end user? With the arrival of **GDPR**, the real fun will start, Bagrov argues. “Under **new EU-driven data protection regulations**, companies have, by law, to gain the customer’s consent regarding what information is shared about them. It remains to be seen where final ownership of data lands – will it be with the user platforms Google and Apple, or the content providers like Amazon?”

Original article can be found here: <https://www.essentialretail.com/analysis/amazons-record-breaking-fourth/>