TALABA MINBARI

FINANCIAL PERFORMANCE ANALYSIS OF COMPANY AMAZON AND ALIBABA

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KALIT SO'ZLAR	ANNOTATSIYA
Amazon, Alibaba, moliyaviy samaradorlik, SWOT tahlil, xavflarni boshqarish, elektron tijorat, foyda koʻrsatkichlari, globallashuv, raqamli infratuzilma.	Tadqiqodning asosiy maqsadi Amazom hamda Alibaba kompaniyasining so'ngi uch yil ichida muvaffaqiyatga erishishiga katta hissa qo'shgan omillarni o'rganib chiqish hamda ularning moliyaviy ko'rsatkichlarini baholash. Tadqiqodning vazifasi onlayn bozordagi ikki yirik kompaniyaning yildan yilgi o'sib borishini hamda ularning o'rtasidagi taqqoslanishi vazifaning ustuvor maqsadlaridandir.

КЛЮЧЕВЫЕ СЛОВА	АННОТАЦИЯ
Амазон, Алибаба, финансовая эффективность, SWOT-анализ, управление рисками, электронная коммерция, показатели прибыльности, глобализация, цифровая инфраструктура.	Основной целью исследования является изучение факторов, которые внесли значительный вклад в успех Amazom и Alibaba за последние три года, а также оценка их финансовых показателей. Задача исследования состоит в том, чтобы проследить ежегодный рост двух крупных компаний на онлайн-рынке, а также провести сравнение между ними, которые входят в число приоритетных целей задачи.

KEY WORDS	ABSTRACT
Amazon, Alibaba, Financial performance, SWOT analysis, Risk management, E-commerce, Profitability indicators, Globalization, Digital infrastructure.	The main goal of the study is to study the factors that contributed significantly to the success of Amazom and Alibaba in the last three years, as well as to assess their financial performance. The task of the study is the year-to-year growth of two large companies in the online market, as well as the comparison between them, are among the priority goals of the task.

Introduction. This study undertook an examination of the business and financial performance of Amazon over a span of three years, specifically from 2021–2023. It is worth noting that this period coincided with the implementation of COVID-19 pandemic lockdown measures. The objective of this study is to ascertain the key determinants of success for the organization. In order to assess the financial performance of Amazon, a comparative analysis was conducted using the financial reports of another prominent brand, Alibaba, during the same period.

Amazon was founded by Jeff Bezos from his garage in Bellevue, Washington, on July 5, 1994. It is a prominent entity in the realm of online shopping, has emerged as a notable player in the domain of online trading. The establishment in question is a retail store operating

within the realm of electronic commerce, commonly known as e-commerce. This particular store offers a diverse array of products, encompassing a wide spectrum ranging from household items to industrial goods. It is one of the largest global online stores in the world and keeps growing day by day. Based on the findings reported by 'Business Strategy Hub' (2022), it has been observed that Amazon boasts a substantial user base, with over 310 million active users globally".

Reason for selecting Amazon for this research

Amazon has been in the internet retail market for 27 years, having founded online retail sites in 1994. It takes around 14 years to earn considerable revenues. However, the retail firm altered the internet retail scene and paved the way for numerous additional enterprises. Amazon.com was chosen as a case study for this research project because there is widespread agreement in the available literature and data that it is the world's leading online e-commerce market, with revenues of US$197 billion in 2021, far exceeding any previous figure and accounting for 37.8 percent of the e-commerce market in the United States. Moreover, how Amazon became the leader in the world's e-commerce market and gained a large scale and is still one of the first. Internal auditing may have little influence or even no influence in the functions of organizations.

Literature review PRETORIA, South Africa, 21 April 2021 Predictably, a Portage Official rolls off the creation line at the Entry Silverton Get-together Plant, set out toward sellers and clients in more than 100 business areas all around the planet.

From the second an Official beginnings its life to the subsequent it rolls off the line, Portage laborers take unbelievable thought to ensure every single bakkie meets Entry's unbending first class quality standards.

For sure, even past this, a particular gathering of dedicated quality overseers at the plant's Vehicle Evaluation Center (VEC) are revolved around completely noticing each step of the collecting framework and it are consistently revived to guarantee quality control processes themselves.

Methodology. This project adopted from research approach to analyze and evaluate the business and financial performance of Amazon over the past three years using ratio analysis. Indicators of profitability, liquidity, solvency and efficiency were used as financial ratios. Additionally, Amazon's financial performance was compared with Alibaba (a competitor) to compare it with that of its industry peers. The research project analyzes the internal circumstances of Amazon and Alibaba using SWOT analysis tool to understand the strengths, weaknesses, opportunities and threats of both business fields. To understand the external environment, the PEST analysis system was applied to understand the political, economic, social and technological factors affecting the e-commerces.

Finally, both qualitative and quantitative information obtained from the analysis provide the basis for answering the research questions. The conclusions were then presented along with recommendations. The analysis was supported by charts and spreadsheets reference list makes.

Analyzing methods. The literature has several definitions of financial performance. Financial success is "a subjective measure of how well a firm can utilize the assets of its core business and generate revenue", according to Kenton [1]. Financial analysis "involves using financial data to evaluate a company's performance and make recommendations on how it can be improved in the future", according

to Corporatefinanceinstirute.com. An analysis of a company's financial accounts is required in order to assess its financial performance. Accounting statement review is "the process of analyzing key financial documents to better understand how a company operates", according to Stobierski [2].

Analysis of SWOT

SWOT analysis identifies strengths, weaknesses, opportunities, and threats. SWOT is a business model that helps firms discover and assess both internal and external elements that influence their performance [3]. Eastwood et al. [4] define strengths as a company's internal competencies that contribute to its success. In contrast, weaknesses are internal elements that restrict a company's performance. Opportunities in SWOT analysis refer to external elements that a firm can employ to obtain a competitive advantage. Threats are external elements that might have a detrimental impact on the company's success. SWOT analysis is an essential step in formulating and selecting a strategy.

PEST analysis

PEST analysis assists an organization in identifying macro environmental elements that have an impact on it now and in the future. These elements may be political, economic, social, or technical in nature (ACCA, 2015). Just identifying dangers is of little use; instead, it is critical to analyze how major threats and opportunities may affect present and future changes in the business environment. PEST analysis enables businesses to examine their external environment, think strategically, recognize dangers, and capitalize on opportunities. Although PEST analysis has comparable benefits to SWOT analysis, it does not include internal issues. However, while

conducting a SWOT analysis, the external environment is not as thoroughly evaluated as it is during a pest study.

One disadvantage of PEST analysis is that it is a dynamic technique due to the ever-changing external environment. Furthermore, the researcher's understanding may be constrained based on the material provided and the assumptions made. Pest testing must be reviewed on a regular basis to determine current circumstances.

Alibaba's actions are heavily impacted by the country's digital infrastructure development. More individuals will use online platforms if a country's digital infrastructure is robust.

In contrast, fewer individuals will be aware of Alibaba's operations in nations with less developed internet infrastructure.

Furthermore, Alibaba is involved in many other industries. Cloud computing is one of the industries in which Alibaba works. Alibaba is getting more efficient in its operations as cloud computing technology develops.

Additionally, Alibaba has been impacted by the development of artificial intelligence. Alibaba, for instance, may now ask AI for suggestions on how to enhance the user experience. Alibaba may also profit from AI's assistance in fraud detection and logistical optimization.

"Operational challenges associated with Amazon"

When e-commerce company owners choose to grow their businesses on the Amazon Marketplace, they are faced with both great prospects and some problems. Third-party sellers can use Amazon's technological infrastructure and sell goods on its website by using the Amazon Marketplace, which operates

in tandem with the main Amazon shop. By including these vendors, Amazon is able to provide more of the goods that consumers want and want. Sellers need to take care to make sure they are utilizing the right product category, title, and other information that Amazon requires. More and more online retailers are switching from other platforms to Amazon Marketplace. This is true for both one-to-one and wholesale businesses. Therefore, it's critical to comprehend the difficulties these businesses will have in trying to acquire a larger audience on Amazon.

Profitability Ratios: Amazon vs. Alibaba

"Profitability ratios are financial metrics used to evaluate a company's ability to generate profit relative to its revenue, assets, equity, and the profitability ratios of Amazon and Alibaba, including gross profit margin" operating profit margin, net profit margin.
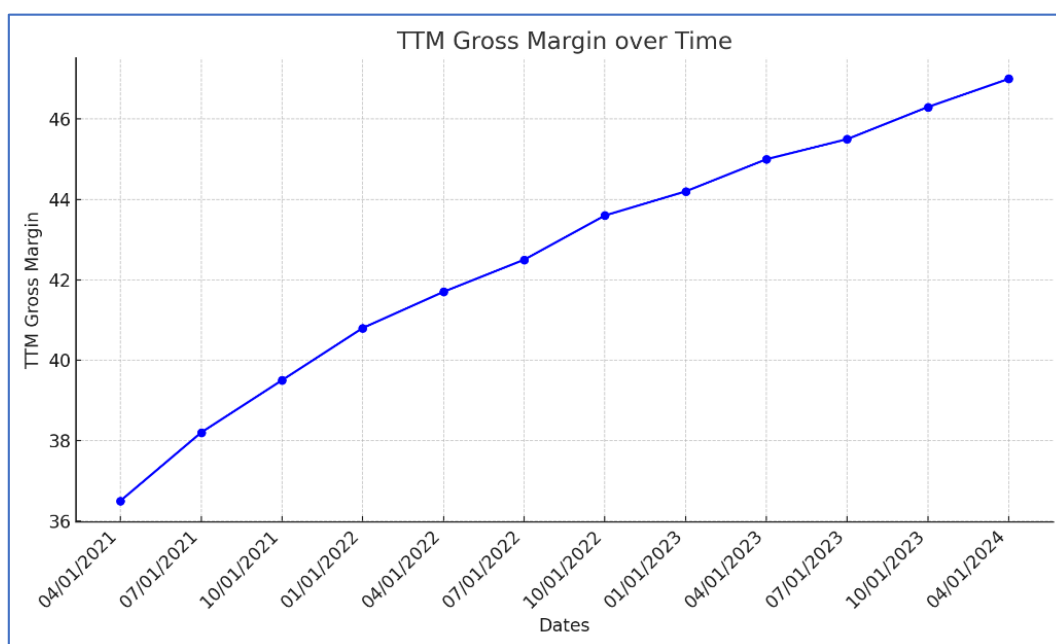
Gross Profit Margin

The gross profit margin measures the percentage of revenue that exceeds the cost of goods sold (COGS). It is calculated as: **Gross Profit Margin=Gross Profit/Revenue*100**

Amazon's gross profit margin: 206000/514000*100=40.0%

Operating Profit Margin: Operating Income/Revenue=4,3%

Alibaba's gross profit margin: 340000/850000*100=40.0%

Operating Profit Margin: Operating Income/Revenue=14.1%

other financial metrics. This section compares

Gross Profit Margin: Both Amazon and Alibaba have similar gross profit margins at around 40.0%, indicating they both retain a similar percentage of revenue after covering the cost of goods sold.

Operating Profit Margin: Alibaba's operating profit margin (14.1%) is significantly higher than Amazon's (4.3%), showing that Alibaba retains more revenue after covering operating expenses.

Inventory Days: Amazon vs. Alibaba

Inventory days, also known as days inventory outstanding (DIO), measures the average number of days a company takes to sell its inventory. This metric is crucial for understanding how efficiently a company manages its inventory.

Calculation of Inventory Days

Inventory days is calculated as: **Avarage Inventory/COS*365**

Alibaba

Inv days= 35000/308000*365=41.5days & **Inv days**=70000/510000*365=50.1days

Amazon has a shorter inventory cycle, indicating it takes fewer days to sell its inventory compared to Alibaba. This can be attributed to Amazon's highly efficient logistics and inventory management systems, which are crucial in its fast-paced retail environment.

Alibaba has a longer inventory cycle, which might be due to the broader range of goods and possibly longer lead times associated with the different types of products it handles through its various platforms.

Receivable Days: Amazon vs. Alibaba

Receivable days, also known as days sales outstanding (DSO), measures the average number of days a company takes to collect payment after a sale has been made. This metric is crucial for understanding how efficiently a company manages its accounts receivable.

Calculation of Receivable Days

Receivable days is calculated as: **Recivables/revenue*365**

Amazon's **Receivable Days:** 35000/514000*365=24.9 days

Alibaba's **Receivable Days**: 35000/850000*365=15.0 days

- **Alibaba** has a shorter receivable cycle, indicating it collects payments more quickly than Amazon. This can be attributed to Alibaba's robust payment systems and the nature of its B2B and B2C platforms, which often require quicker payment terms.

- **Amazon** has a slightly longer receivable cycle, which may reflect the varied payment terms it offers across its diverse customer base, including individual consumers and businesses.

Liquidity Ratios: Amazon vs. Alibaba

Liquidity ratios are financial metrics used to assess a company's ability to meet its short-term obligations. Common liquidity ratios include the current ratio, quick ratio, and cash ratio. This section compares these ratios for Amazon and Alibaba.

Current Ratio

The current ratio measures a company's ability to pay off its short-term liabilities with its short-term assets. It is calculated as: **Current Assets/Current Liabilities**

As of the latest financial reports,

Amazon's **current ratio is**: 185000/125000=1.26 & Alibaba's **current ratio** is: 600000/350000=1.71
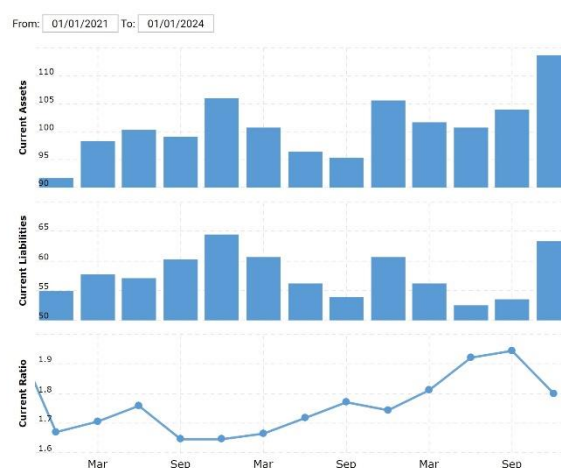
Quick Ratio

The quick ratio, also known as the acid-test ratio, measures a company's ability to meet its short-term obligations with its most liquid assets. It excludes inventories from current assets. It is calculated as:

Current Assets-InventoryCurrent liabilities

Alibaba's **quick ratio**=600000-70000/350000=1.51

Amazon

Alibaba

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