

Online Shopping - A Fast Income Generating Business: Valuation of Internet based Companies

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ABSTRACT : Today is the world of a single click magic. What that magic is? The reply is concealed in technology i.e. INTERNET. Online commerce is now serving the marketers to amplify their business and profits. The e marketers are using diverse strategies to catch the attention of the customers to put up the products for online sale. Online shopping is the product of information technology and in this fast moving world online shopping websites are the demand of the customers. The customers are linked globally through the internet means. The growing number of customers procure product online because of multiplicity of products, time and place convenience which leads the online businesses to create more money. Here in this study, online shopping sites are carefully taken to the compare the profits, total assets and liabilities of emerging online shopping sites Amazon or E Bay to access the shooting profits of these websites.

Keywords - e commerce, information technology, internet, online shoppers, online shopping.

I. INTRODUCTION

This is the world of information technology. Everybody wants to do every work at one finger click. Gone are the days where customers have to go to market only to buy products. The internet facility is used for online shopping. Now customers can buy anything, anywhere and at any point of time without any hassles. In India, 243,198,922 people are using internet till 2014 and globally Asian countries have 48.4% of internet users among the world and now the access to online shopping is also increasing (<http://www.internetlivestats.com/internet-users/>).

Online shopping refers to the buying and selling of the products from electronic commerce with the help of browser or mobile application. It is also known as e-tail, word generated from electronic retail. Online shopping attracts large numbers of customers not only because of high levels of convenience, but because of wide selections, competitive pricing, and bigger access to information ([https:// en.wikipedia. org/wiki/Online _ shopping](https://en.wikipedia.org/wiki/Online_shopping)). Customers can purchase anything online from online websites or from online stores (Monuwe et al 2004).

The modern world gives this virtual world a new definition- Net generation, which is made up of individuals both between 1977 and 1997. The first generation grew up surrounded by digital media and the internet. For those born before 1970's, the online market a new innovation for them so they are less familiar with online shopping. Pre net generations have a relatively lower capability to utilize the excess of information available on the net(Kin D & Ammeter, A,2008).The use of internet give rise to the spending on online shopping and the fig. 1 shows the forecast of spending by the Indian online customers.

Earlier the customers have habit to go to the conventional shops for buying and moreover there are various risks associated with online mode such as privacy issues, security issues. Because of these various reasons the businesses of marketers are not limited to physical stores only. Among ranked the world top 500 companies 95% companies established their own website, 30% companies conducted online commercial activities through their website (1,2 Wang na, 1 Lu dong chang, 2 chang Jun). They can sell their products to any corner of the world with the help of electronic mode. The marketers having both physical stores & online stores are enjoying the best of both worlds.

Various websites are there which are removing gap between manufacturers and customers. These are Amazon, Snapdeal, Jabong, E Bay, Flipkart, Yebhi etc. E-Marketers designs their own e-marketing strategies to accommodate the customer's needs & thus providing satisfaction and best online shopping experience.

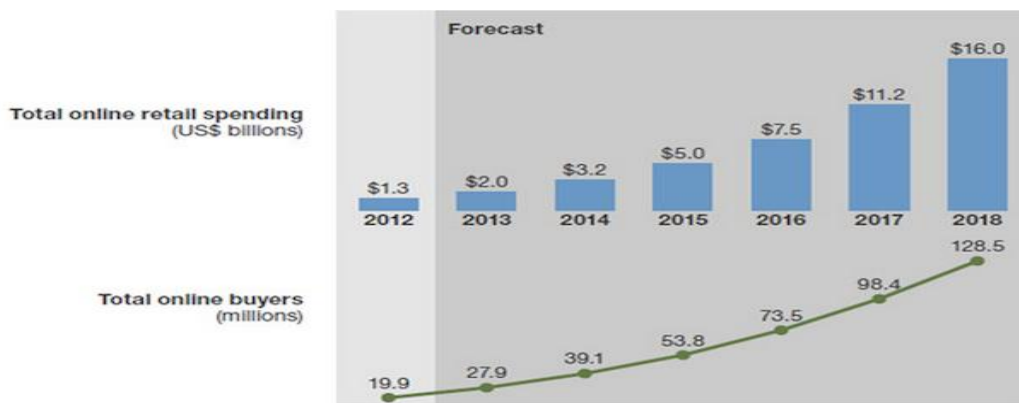


Fig. 1: Forecast of online buyers and spending till 2018

Source: <http://techcircle.vccircle.com/2014/03/10/indian-e-commerce-spends-set-to-increase-8x-to-16b-by-2018-forrester/>

A critical understanding of consumer behavior in the virtual environment, as in the physical world, cannot be accomplished if the factors affecting the purchasing decision ignored or misunderstood. Following are the factors of online shopping:

- Website visibility / accessibility – Familiar with computers and how to navigate internet.
- Payment security.
- Privacy
- Education / literacy –
- Online shops credibility
- information comparison (1,2 Wang na, 1 Lu dong chang, 2 chang Jun)

II. OBJECTIVES OF THE STUDY

- 1) To know the net income of Amazon and Ebay online shopping websites.
- 2) To know the increase in total assets of Amazon and Ebay online shopping websites.
- 3) To know the position of liabilities of Amazon & Ebay online shopping sites.

III. RESEARCH METHODOLOGY

This study is descriptive in nature. Descriptive research can be explained as relating something, some phenomenon or any particular condition. Descriptive researches are those researches that explain the existing situation instead of interpreting and making judgments. The main objective of this study is to know the current position of the two online sites i.e. Amazon and Ebay. The secondary source such as annual reports of institutions, facts and figures of online shopping from different sites are used to develop the understanding regarding e commerce and to clarify and verify the knowledge about the concept.

IV. REVIEW OF LITERATURE

The impressive increase in share prices of the online shopping sites like American online, online brokers, Microsoft, Amazon, gives an idea about the flourishing profits of the e-businesses. The internet related companies are selling the products below cost to increase their sales and to increase the number of the customers. Sales below cost increases the numbers of customers but not for a long time. The valuation of internet based companies is necessary to know the companies which are creating lots of value are really creating value or are they just a bubble?(Pablo Fernandez, November 2015). The value is created by the media and television advertising which are helpful to catch the customer’s attention. Multitasking media competes with television advertising in order to influence e-shopping. Action based, information focus and emotion focus effects the website traffic and sales –purchase of the online shopping with net effect on sales that is positive for most of the brands. Thus, advertng should be selected very carefully in order to seek multitasker’s attention and

dollars (**Jura liaukonyte, Thales Teixeira, Kenneth C. Wilbur, 2014**). Moreover with the tremendous growth of business-to-customers ecommerce, the marketers have to develop e-marketing strategies to cater the need of the customers and there is critical need to find out the factors influencing consumers to shop online by exploring the effects of various characteristics related to demographic, media and intention of the shopping to improve the online shopping experience and satisfaction. Whereas it is founded that age, income, education, marital status and perceived usefulness are the significant characteristics of the Chinese consumers (**Weng Gong, Rodney L. Stump, Lynda M. Maddox, 2013**).

In spite of headquarters in one country, this online business spreads all over the world. In context of India, Indian customers are also showing their keen interest to shop online. They prefer quality at any price and reputation segment are the predominant factors for Indian shoppers. The occupation also plays a key role in e shopping but price of product plays a vital role for the customers of USA. A different preference of the customer affects the profits and sales of online sites accordingly (**Kenneth F. Gehrt, Mahesh N. Rajan, G. Shainesh, David Zerwinshi, Mathew O' Brien, 2012**). Moreover the sales of businesses also depend on the comparison sites where customers and retailers can compare the products and find the usefulness and efficiency of every product (**Jose Luis, Matthij R Wildenbeest, 2011**)

Furthermore lack of awareness among the customers also affects the online business. Firstly the mass should be educated towards online shopping then only online business can succeed. The need of the hour is the compatibility with the technology. In this 21st century still the customers does not perceived the usefulness of the product in Pakistan but the customers in Pakistan perceived the ease of use and perceived enjoyment affects the online shopping (**Umair cheema, Muhammad Rizwan, Rizwan Jalal, Fiza Durrani, Nawal Sohail**) and how much will be the price of the product that customer wants to pay is decided by the social network by building the customer's choice (**Stephen Guo, Mengqiue wang, Jure Leskovec, 2011**).

Likewise the viewpoint or analysis of various domestic and foreign scholars also affects the sales of online shopping sites. Thus under this condition both traditional and restrictive factors of online shopping in china are valued with the help of scholar's analysis (**Wang 1, 2 Na, 1 Liu Dong Chang, 2 Cheng Jun, 2008**) and the scholars also defines the shifts in online purchasing behavior by the Net generation who born between 1977 and 1997. Pre net generation was not familiar with the online shopping and technology. They have less capability to utilize the benefits of information technology which thus leads to hindrance in growth of electronic commerce. But according to the scholars the generation born after 1977 are much familiar with the technology and this generation grown up surrounded by the digital media and the internet. This generation contributed a lot in profits and sales of e websites till now. Today the generation has become more advanced and superior in terms of compatibility with the internet (**Kin, D. Ammeter, A, 2008**).

The picture of online shopping websites financial position is also get a clear view from the internet environment. The online users who have purchase intentions should calculate the tradeoff between the search cost and search performance. More the complexity lesser will be the customer interested to buy from that vary site. User experience plays a key role in purchasing again and again from the one website. Loyalty of the customers lies in less complexity, higher search engine capability to purchase more on internet (**Kumar Nanda, Lang R. karly Qlan perg, 2005**). The website design, website fulfillment, customer service and website privacy also enhance the profits of the online business. These factors insist the customers to buy online with the satisfied experience (**Gurvinder S. Shergill, Chen Zhaohin, 2005**).

The exogenous factors like consumer traits, situational factors, product characteristics and trust also effects the perception of the customers and thus step down the sales of the online businesses. The large number of people from USA and Europe are online shoppers and thus e-retailers are increasing there with the rapid speed. E-businesses are earning more profits in these countries as public is more aware about the pros and cons of the online shopping according their own traits and characteristics (**Tonita perea, monsuwe, Benedict G. C. Dellaert, Ko de ruvter, 2004**).

As it is defined earlier the various determinants, among them one of the major reasons why online shopping business firms are progressing because these business have eliminate the large number of distribution chains. The customers can buy the product with the reasonable prices from the online sites with less cost involved as in physical distribution (**Brown P. Jeffrey, Goalsbee Austan (2000)**).

The fruits of online businesses are plucked only with the help of customer's satisfaction and ease to purchase through the user friendly websites. The cost of the product from the physical stores and online stores are compared by the customers and then only the purchase is made. Thus the online store needs to take care of their user friendly websites upgraded, near the catch of the customers and the key most area is awareness of online shopping to the online users by satisfying them with the variety and security in online shopping experience.

V. SCOPE

The scope of the research study is limited to Amazon and Ebay online shopping websites. The significance of the research study is to know the progress made by the online shopping websites. Thus the study is related to check the increasing usage of the internet for buying and selling of the product.

VI. PERIOD OF THE STUDY

The study period is from FY 2009 to FY 2015.

VII. ORGANIZATION UNDER STUDY

7.1 AMAZON

Amazon is an electronic based retailer and cloud computing company, spreaded over worldwide. It is founded on July 5, 1994, approx 21 years ago by the founder, Jeff Bezos. Amazon's global headquarters is in Seattle, Washington. E-commerce based company sells products of Kindle, E readers, Fire tablets, Amazon fire T.V, Videos etc. With the expansion in business, it has made his website localized to different countries of the world. The access of online shopping increases the sale of Amazon. Following are the Tables which show the different countries in which Amazon is working and total sales of the company respectively.

TABLE I. Names of countries in which Amazon is working

Region	Sovereignty	Domain name
Asia	China	amazon.cn
	India	amazon.in
	Japan	amazon.co.jp
Europe	France	amazon.fr
	Germany	amazon.de
	Italy	amazon.it
	Netherlands	amazon.nl
	Spain	amazon.es
	United Kingdom	amazon.co.uk
North America	Canada	amazon.ca
	Mexico	amazon.com.mx
	United States	amazon.com

Oceania	Australia	amazon.com.au
South America	Brazil	amazon.com.br

Source: <http://en.wikipedia.org/wiki/Amazon.com>

TABLE II. Year wise Total Sales of Amazon

FY	2015	2014	2013	2012	2011	2010	2009
Total sales(in millions)	107006	88988	74452	61073	48077	34204	24509

Source: phx.corporate-ir.net/phoenix-zhmt?c=97664&p=irol-irhome

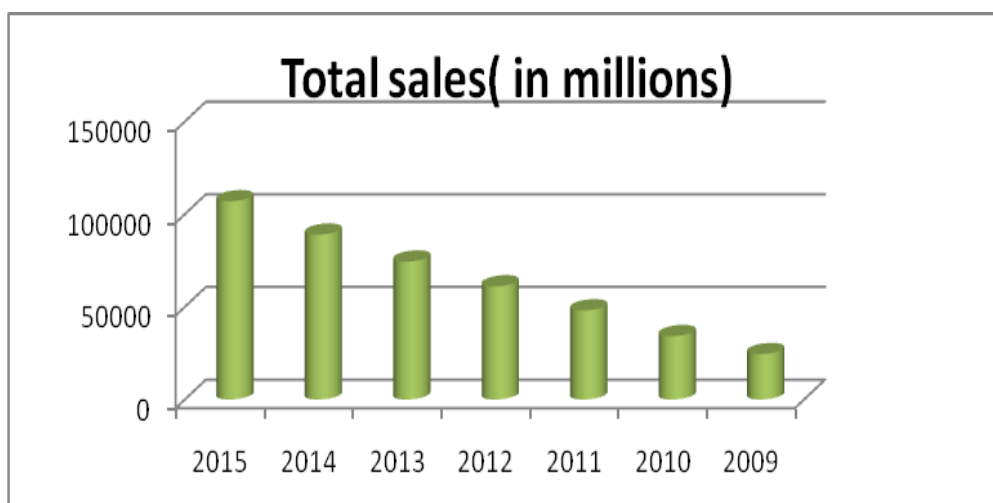


Fig. 2: Total Sales of Amazon

Inferences- The sales of Amazon shows a growing trend as it reaches to 1, 07,006(in millions) in FY2015 from 24,509(in millions) in FY2009. As shown in Fig. ///, the business is expanded to various countries of the world. The sales number is also increasing with the no. of years.

7.2 EBAY

Ebay is also an American e-commerce company providing customer to customer, business to business services via internet. It was formed on September 3, 1995, approx 20 years ago by the founder, named Pierre Omidyar. Ebay has its headquarter in San Jose California, United States. EBAY has collection of items from EBAY from EBAY classified from Kijiji to ibazar and many more. It has 162 million buyers worldwide and its revenue is \$2.3 billion for the quarter ended 2015. Its mobile apps are compatible for iphone, Android, ipad, windows are available in 8 languages. Its revenue is \$8.54 billion and total equity for \$65.57 billion in the year 2015 (<https://investors.ebayinc.com>).

TABLE III. Year wise Net Revenue of Ebay

Financial Year	2015	2014	2013	2012	2011	2010	2009
Net Revenue	8592	8,790	8,257	14,072	11,652	9,156	8,727

Source: - <https://investors.ebayinc.com/secfiling.cfm?filingID=1065088-13-4&CIK=1065088>

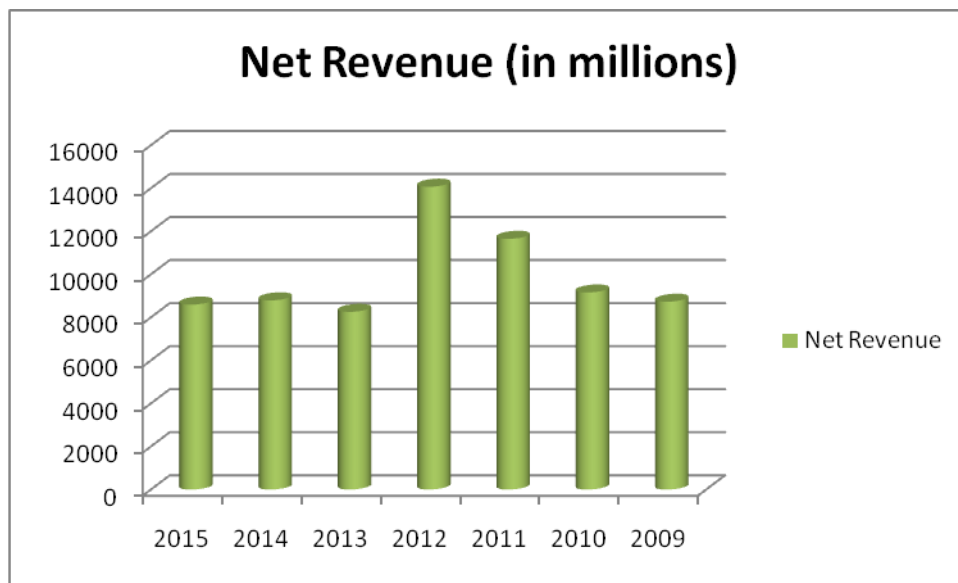


Fig. 3: Net Revenue of Ebay

Inferences: - The Net Revenue of 2012 is highest among all years. While there is decrease after 2012 in Net Revenue i.e. 8257, 8790 and 8592 in 2013,2014 and 2015 respectively.

7.3 COMPARISON BETWEEN AMAZON AND EBAY

7.3.1 Data of Net Income (In Millions) of Amazon and Ebay

TABLE IV. Year Wise Net Income of Amazon and Ebay

Financial Year	2015	2014	2013	2012	2011	2010	2009
Amazon	596	-241	274	-39	631	1152	902
Ebay	1,725	46	2,856	2,609	3,229	1,801	2,389

Source: phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-reportsannualother

Source: <http://investors.ebayinc.com/secfiling.cfm? Filing ID=1065088-15-25&cckl=1065088>

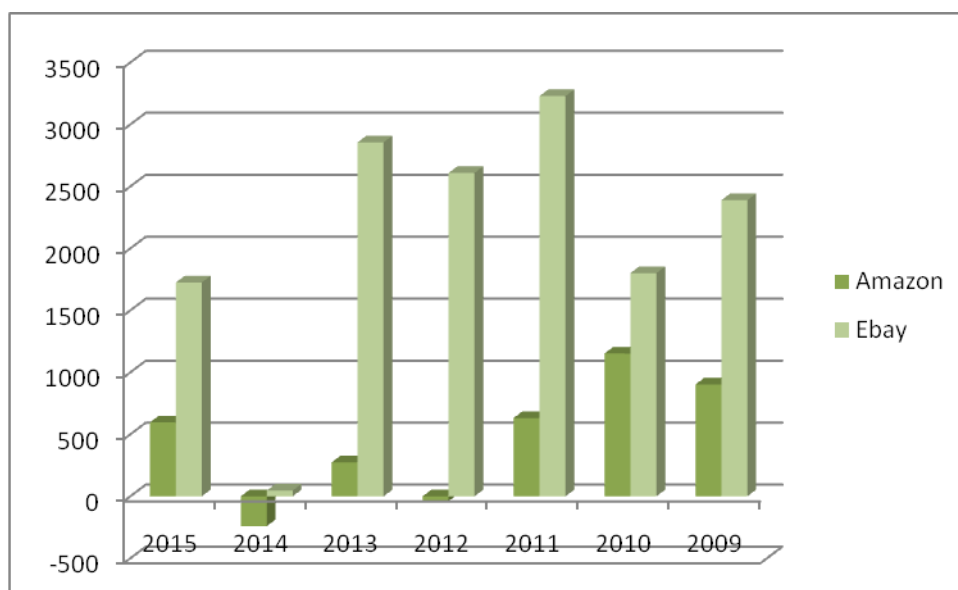


Fig. 4: Net Income of Amazon and Ebay

Inferences: - The Net Income of Amazon and Ebay during the year 2015 is 596(in millions) and 1,725(in millions) respectively. The FY 2014 and 2012 also showed a negative result means the Amazon suffers losses in these two years but the balances of Ebay is positive with the reduction in Net Income in the year 2014 with 46(in millions). The results show that the position of Ebay is much better than Amazon according to the data of Net Income.

7.3.2 Data of Net Assets (In Millions) of Amazon and Ebay

TABLE V. Year wise Net Assets of Amazon and Ebay

Financial Year	2015	2014	2013	2012	2011	2010	2009
Amazon	65444	54,505	40,159	8,084	5,269	18,797	13,813
Ebay	17,785	45,132	41,488	37,074	27,320	22,004	18,408

Source: phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-reportsannualother

Source: <http://investors.ebayinc.com/secfiling.cfm? Filing ID=1065088-15-25&cckl=1065088>

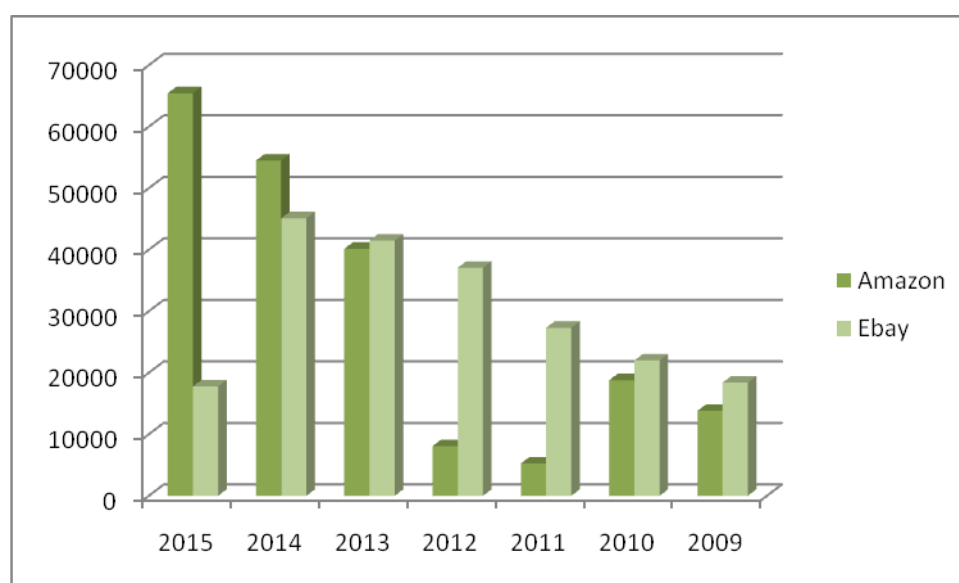


Fig. 5: Net Assets of Amazon and Ebay

Inferences: - The Net Assets of the Amazon increased to 65444(in millions) from 13,813(in millions) in the year 2015 and 2009 respectively. There is a gradual increase in the Assets of Amazon. Whereas the assets of Ebay shows an increasing trend from 2009 to 2014 but the assets of Ebay shows a steep downfall in the year 2015. Thus the position of Assets constantly increases in Ebay except the year 2015 and Amazon has higher Assets than Ebay.

7.4.3 Data of Net Liabilities (In Millions) of Amazon and Ebay

TABLE VI. Year wise Net Liabilities of Amazon and Ebay

Financial Year	2015	2014	2013	2012	2011	2010	2009
Amazon	52060	43764	30413	24363	17521	11933	8556
Ebay	11209	25226	17841	16209	9390	6701	4620

Source: phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-reportsannualother

Source: <http://investors.ebayinc.com/secfiling.cfm? Filing ID=1065088-15-25&cckl=1065088>

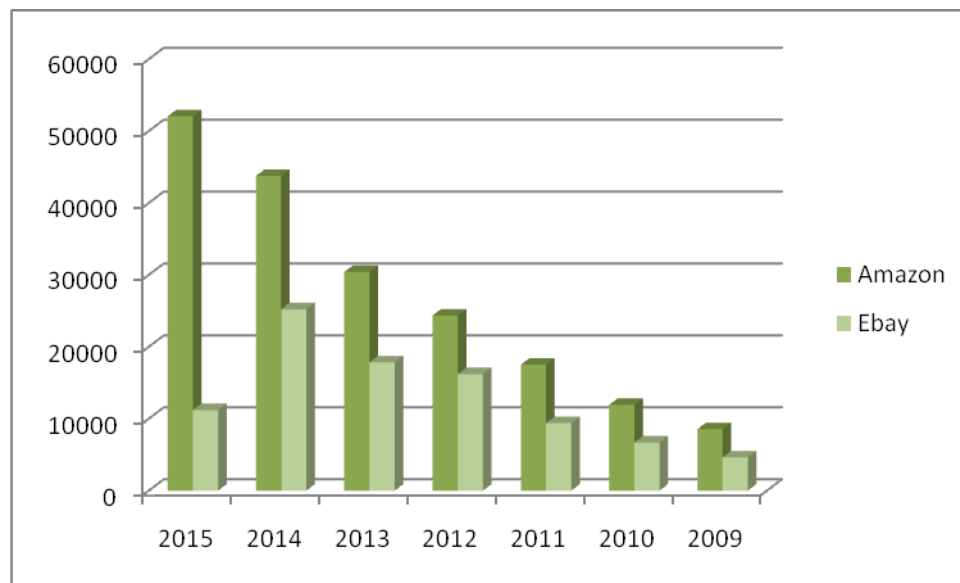


Fig. 6: Net Liabilities of Amazon and Ebay

Inferences- The Net Liability of Amazon is higher with 52060(in millions) whereas 11209(in millions) of Ebay. There is constant rise in Liability in both the firms but Amazon has higher Liability.

VIII. RECOMMENDATIONS

The online businesses are growing at fast pace and earning more profits; the online retailers need to inculcate a few actions to accelerate the growth speed of online shopping.

- 1) The product should be defined in detail on websites.
- 2) There is a need to aware the customers regarding online shopping.
- 3) The privacy in online payment should be there, so that secure transactions encourage the consumers to buy more through online medium.
- 4) The website layout should be familiar and accessible to online shoppers.
- 5) Internet literacy and education should be given.
- 6) Credibility of the website should be created.

IX. FUTURE SCOPE

The further future scope for future researcher is that they can calculate the ratios from the above mentioned data and analyze the position accordingly. Future researcher can take other online shopping sites for comparison.

X. FINDINGS & CONCLUSION

If e-marketers are adequate to execute the user's need, it would definitely leads to decrease in physical stores and increase the numbers of online shoppers that use online stores over traditional physical stores. It will also decrease cost of product as now sellers does not have to display their products in a big and costly showrooms which increases the product price approximately double its actual price. Because of the reason there is continuation growth of online retail stores and it has become a successful way of marketing products. The comparison between two websites Amazon and Ebay 's position shows that the sales and revenue are increasing which shows that online business is achieving new heights with the passage of time and awareness is also rising among consumers. There are few downfalls also but these are only the part and parcel of business. In coming future the market is captured by the online shopping sites and customers will start buying more through online medium inspite of traditional medium. As per the Fig 1, there will be 128.6 millions online buyers till 2018 and the number will increase tremendously in the near future.

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