LYNDA M. APPLEGATE

Amazon: The Brink of Bankruptcy

We seek to offer the Earth's Biggest Selection and to be the Earth's Most Customer-Centric Company, where customers can find and discover anything they may want to buy online.

— Jeff Bezos, CEO, Amazon, 2001[1]

In early 2001, Amazon senior management faced tremendous pressures from Wall Street and the company's shareholders to achieve profitability. Amazon was founded by Jeff Bezos who graduated from Princeton University in 1986 with a Bachelor of Science in Engineering with a double major in electrical engineering and computer science. After graduation, Bezos accepted a position as a technology analyst for a Wall Street investment bank where he saw a number of emerging technology trends that signaled to him that there was an opportunity to launch a business that would provide a new Internet-enabled electronic commerce platform. Recognizing the risk of using an unproven technology and long before the VC community had begun financing Internet e-commerce start-ups, Bezos decided to scale back his vision and launch a simple website to sell books online to tech savvy consumers.[2] He chose Seattle as a location to launch the new venture to be close to one of the largest book distributors, Ingram, and to friends who worked at Microsoft.

Incorporated in July 1994, Bezos and his friends built the software and launched their online book retailing website in July 1995. By September 1995, Amazon was selling over $20,000 per week out of Bezos' Seattle home. For the initial pilot, Bezos and his team fulfilled orders by hand and self-financed. But as volume increased, Bezos was able to attract venture capital financing from prominent Silicon Valley VCs to enable the fledgling company to hire the talent and build "best-in-class" retail, procurement and fulfillment digital and physical systems and infrastructure. For example, Bezos hired David Risher, an executive from Microsoft who had launched the company's first database product.[3] He also hired Richard Dalzell, Walmart's VP of Information Systems, Jimmy Wright, Walmart's VP of Distribution,[4] and Joe Galli, President of Worldwide Power Tools at Black and Decker.[5] These senior executives then drew on their networks to hire the teams needed to help Amazon scale from start-up to scale-up,[a] initially expanding into music and video sales. (See **Exhibit 1** for a timeline of Amazon's business model evolution.)

In Q1 1997, Amazon generated over $16M in revenues, which was equivalent to the company's yearly revenues in 1996. Exploiting the "irrational exuberance that fueled the growth of internet

[a] See Applegate, L.M., "Becoming an Entrepreneurial Leader," *Core Readings in Entrepreneurship*, #8051.

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businesses during the late 1990s,[6] on May 15, 1997, Amazon launched its initial public offering (IPO), which netted approximately $54 million.[7] The company used that money and the capital associated with its soaring stock price to purchase equity stakes in Internet e-commerce startups that enabled it to quickly expand from an online retail book, music and video store into an online superstore, that also offered toys, videogames, consumer electronics, software, and a full line of kitchen and home improvement products. As a retailer, Amazon took ownership of the inventory it sold for its equity partners and, as its product line expanded, so too did the complexity of its inventory management, distribution, and fulfillment. To manage this complexity, the company also began to explore new business models, initially adding auctions and an online marketplace where individuals and small businesses could gain access to Amazon's millions of loyal customers but Amazon would not need to take ownership of inventory nor would it need to fulfill orders in its distribution centers.

Even as it expanded its retail strategy and explored new business models during the late 1990s, the company also invested heavily to develop the best-in-class retailing, fulfillment, and customer service capabilities required to support its rapidly growing and increasingly complex business. During 1998 and 1999, Amazon spent over $429 million and built its state-of-the-art digital business infrastructure and operations that, by the end of 1999, linked nine distribution centers and six customer service centers located across the U.S. and in Europe and Asia. Built with rapid growth in mind, in late 1999 this distribution infrastructure provided roughly 70% to 80% overcapacity.[8]

But the surge in internet stock prices that fueled the meteoric rise in stock market valuations in the late 1990s turned to momentum selling during the latter half of 2000. Like most internet businesses that had yet to achieve profitability, Amazon's stock price fell precipitously from its high of $113 on December 9, 1999 to around $15 by year-end 2000 and, over the same period, its market value declined from over $35 billion to less than $5 billion.[9] Despite the declining stock price and market value, however, the number of customers continued to rise, increasing from 14 million in 1999 to over 20 million by the end of 2000. More importantly, these customers were not just shopping, they were also buying, and revenues increased from roughly $610 million in 1998 to $1.6 billion in 1999 then to $2.8 billion in 2000.[10] By the end of 2000, over 75% of U.S. consumers recognized the Amazon brand, and Interbrand ranked the company as the 48th most valuable brand worldwide immediately above Motorola (#49) and Colgate (#50) and well above Hilton (#68) and Pampers (#71). Indeed, even as the stock price fell, analysts estimated that the value of the Amazon brand had risen from $1.4 billion in 1999 to $4.5 billion in 2000.[11]

Despite the company's popularity, in January 2001, Bezos, who had graced the cover of *Time Magazine* as "Person of the Year" just one year earlier, was under tremendous pressure to generate profits. (See **Exhibit 2** for a financial summary.) In his letter to shareholders that accompanied the company's 2000 annual report, he stressed that the company would rise to the challenge:

> While there are no foregone conclusions, and we still have much to prove, Amazon today is a unique asset. We have the brand, the customer relationships, the technology, the fulfillment infrastructure, the financial strength, the people, and the determination to extend our leadership in this infant industry and to build an important, and lasting, company.[12]

Bezos believed that the key challenge to the company in late 2000 was to achieve profitability by Q4 2001. He advised investors that the company had a "tremendous amount of work to do and there could be no guarantees," yet also found time for humor:

> We've been called a lot of very funny things: Amazon dot toast, Amazon dot con, Amazon dot bomb and my personal favorite, Amazon dot org, because clearly we're a not-for-profit company.[13]

By summer 2000, some analysts had begun to question whether Amazon executives would be able to achieve profitability before the money ran out. Investment analysts, Ravi Suria and Stan Oh, published a report on Amazon's credit rating that raised the concerns of investors and hastened the stock price slide.

> If Amazon had not generated $318 million in cash [in 1999] from options and had paid its suppliers for goods sold in [Q4 1999 during the same quarter rather than waiting to Q1],[14] its cash balance would have been down to $115 million, which would have proceeded to put the company in the poorhouse. With the buttressed cash level showing up on the balance sheet as of the end of [1999], the company borrowed another $680 million in February of this year [2000]. If the company had not been able to borrow the money, the Amazon story might already have been over…[15]

Bezos knew its rising fulfillment costs, which increased from 11% of sales in 1998 to 14% in 1999, needed to be addressed quickly. Simply growing revenues and retaining customers in attractive market segments would not be enough. While he was happy to see that the company had achieved profitability in its book, music, and video categories, Bezos knew that the company needed to generate profits sufficient to support the cash flow needs of all of its businesses while also delivering returns to investors. To complicate the picture, while online revenues were expected to continue growing, strong competitors were lining up to exploit each market. (See **Exhibit 3** for market size and competitor comparisons.)

Amazon executives believed that its digital business infrastructure—which linked its customer-facing processes (shopping, buying, paying, and customer service) to its back-end processes (supply chain, inventory, and order fulfillment)—was a proprietary asset that would provide sustainable advantage. It claimed that even its "picking-and-packing"—notoriously labor-intensive activities for retailers were supported by technology that he believed would enable the company to reduce fulfillment costs as a percent of sales to the single digits when the company was operating at scale. But Amazon executives soon learned that supply chain, inventory management, and order fulfillment processes were difficult to efficiently scale across a diverse range of products. While its book, music, and video stores were breaking even, its toy, home and garden, electronics, and international stores continued to burn cash. The "dot-com" stock market crash exacerbated the company's problems and, by mid-2000, many of its online equity partners had declared, or were heading toward, bankruptcy.[16]

Bezos and the senior team immediately began to explore ways to quickly leverage its capabilities, fill excess capacity, and deal with competitive threats from traditional retailers. In August 2000, Amazon announced that it would close down its online toy store and partner with Toys"R"Us, Inc. to open a Toys"R"Us branded online store. Under the terms of this partnership, Amazon would utilize its retailing technology to build and host the Toys"R"Us online store, while also providing customer service, inventory management, fulfillment, and logistics services in its state-of-the-art customer service and distribution centers. Toys"R"Us would maintain control of product sourcing and marketing, and would "own" the inventory in the Amazon distribution centers. (See **Exhibit 4** for estimates of the economics of the Toys"R"Us deal.) As such, this partnership represented a further expansion of Amazon's service offerings to include hosting both physical and online customer-facing and logistics services (including call center, fulfillment, inventory management, and distribution) in its global distribution and customer service network for traditional offline retailers. By adding this new "Logistics Services" business model to its retail, marketplace, and auction models Bezos believed that the combination of business models would be the "tipping point," enabling exponential growth in returns.

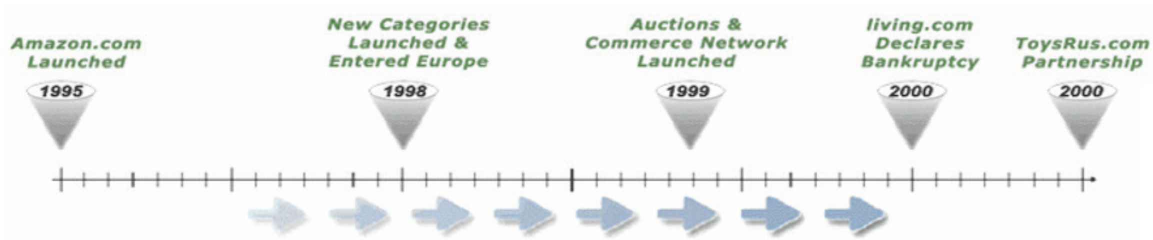
> The Amazon platform is comprised of brand, customers, technology, distribution capability, deep e-commerce expertise, and a great team with a passion for innovation

> and serving customers well… We believe that we have reached a "tipping point," where this platform allows us to launch new e-commerce businesses faster, with a higher quality of customer experience, a lower incremental cost, a higher chance of success, and a clearer path to scale and profitability than perhaps any other company.[17]

While the evolution to this new "platform" business model was compelling, by early 2001 it was not clear how much longer the company could wait to begin cashing in on the new business model economics. While Thomas Weisel Partners (TWP) analysts questioned Amazon's ability to gain the scale and operating efficiencies necessary to compete in the long run,[18] other analysts were more optimistic.[19]

As Bezos and his senior team and board of directors pondered the next moves, they knew that the risks were high but so too were the potential returns. Would Amazon achieve its aggressive goal of becoming cash flow positive by the end of 2001? Was it poised for exponential growth in revenues, profits, and returns to investors? Finally, how much time did the company have and how much would it need to spend to prove that it could create and sustain value over time?

Exhibit 1 Amazon Timeline of Key Events



1994: Bezos, a N.Y. technology investment analyst with no book publishing or retail experience, identified book retailing as an industry segment that could exploit the power of emerging Internet technologies and serve as a prototype for launching an online ecommerce superstore. Chose Seattle as a location to launch the new venture to be close to one of the largest book distributors, Ingram. Wrote the business plan and chose the company name while driving cross country with his wife.

1995: Between July 1994, when the company was incorporated, and July 1995 when the Amazon online bookstore was officially launched, Bezos and a few employees built the software that powered the website. By September 1995, the company was selling over $20,000 per week out of the founder's garage.

1996: Amazon focused on enhancing its product and service offerings and capabilities with increasingly sophisticated browsing and focused search capabilities, personalized store layout and recommendations, shopping carts, 1-Click shopping (which was later patented), wish lists, and greeting cards. Efforts to redefine and enhance the online shopping experience continued and, in 1999, Amazon was one of the first online retailers to enable shopping through wireless devices.

1997: By the first quarter of 1997, Amazon revenues had increased to over $16 million, which was equivalent to the company's yearly revenues in 1996. Amazon went public on May 15, 1997.

1998: Beginning in 1998, Amazon began aggressively expanding into new product categories and into international markets through organic growth and through a series of equity partnerships with leading online e-commerce retailers (e.g., Drugstore.com, living.com, pets.com), initially providing both e-retailing services and, as its fulfillment infrastructure was launched, it also provided online logistics services.

1999: During 1999, Amazon began exploring new business models including, auctions and marketplaces. For these businesses, Amazon provided e-retailing services but did not assume control of inventory and did not provide logistics services in its distribution centers. In these new business, Amazon acted as an agent—not a retailer—for individuals and small businesses that wanted to use Amazon's retailing infrastructure to sell products online.

2000: By late 2000, living.com and Pets.com had declared bankruptcy. But, Amazon executives had already begun to re-evaluate their business model and had sold their equity stakes in these "dot.com" aggregators in late 1999. To increase the categories of merchandise that it sold online, attention shifted to traditional retailers that wished to develop online retailing, distribution and fulfillment capabilities to enable the end-to-end visibility and speed required to do business online. In August 2000, Amazon's launched a partnership with Toys"R"Us that enabled the company to explore a new business model as a logistics services provider as it simultaneously expanded into a new market (traditional retailers) with its existing online retail and fulfillment services that had been tested with its online equity partners and with the individuals and small businesses using its auction and marketplace services.

Source: Author. Based on company press releases and analyst reports.

Exhibit 2 Amazon Historical Income Statements (in thousands)

	Year Ended December 31,			
	2000	**1999**	**1998**	**1997**
Net sales	$2,761,983	$1,639,839	$609,819	$147,787
Cost of sales	2,106,206	1,349,194	476,155	118,969
Gross profit	655,777	290,645	133,664	28,818
Gross margin	*24%*	*18%*	*22%*	*20%*
Operating expenses:				
Fulfillment	414,509	237,312	65,227	15,944
Marketing	179,980	175,838	67,427	24,133
Technology and content	269,326	159,722	46,424	13,384
General and administrative	108,962	70,144	15,618	6,741
Stock-based compensation	24,797	30,618	1,889	1,211
Amortization of goodwill and other intangibles	321,772	214,694	42,599	-
Restructuring-related and other	200,311	8,072	3,535	-
Total operating expenses	1,519,657	896,40	242,719	61,413
Income (loss) from operations	(863,880)	(605,755)	(109,055)	(32,595)
Operating margin	31.2%	37%	18%	22%
Interest income	40,821	45,451	14,053	1,901
Interest expense	(130,921)	(84,566)	(26,639)	(326)
Other income (expense), net	(10,058)	1,671	-	-
Other gains (losses), net	(142,639)	-	-	-
Total non-operating expenses, net	(242,797)	(37,44	(12,586)	1,575
Operating income (loss)	(1,106,677)	(643,199)	(121,641)	(31,020)
Other	(304,596)	(76,769)	(2,905)	-
Net income (loss) - GAAP	$(1,411,27)	$(719,968)	$(124,546)	$(31,020)
Basic income (loss) per share - GAAP	$(4.02)	$(2.20)	$(0.42)	$(0.12)
Diluted income (loss) per share - GAAP	$(4.02)	$(2.20)	$(0.42)	$(0.12)

Exhibit 2 (continued) Amazon Historical Balance Sheet (in thousands, except per share data)

	December 31, **2000**	December 31 **1999**
Assets		
Current assets		
Cash and cash equivalents	$822,435	$133,309
Marketable securities	278,087	572,879
Inventories	174,563	220,646
Prepaid expenses & other current assets	86,044	79,643
Total current assets	1,361,129	1,006,477
Fixed assets, net	366,416	317,613
Goodwill, net	158,990	534,699
Other intangibles, net	96,335	195,445
Investments in equity method investees	52,073	226,727
Other equity investments	40,177	144,735
Other assets	60,049	40,154
Total assets	$2,135,169	$2,465,850
Liabilities & Stockholders' Equity (Deficit)		
Current liabilities		
Accounts payable	$485,383	$463,026
Accrued expenses & other current liabilities	272,683	176,208
Unearned revenue	131,117	54,790
Interest payable	69,196	24,888
Current portion of long-term debt & other	16,577	14,322
Total current liabilities	974,956	733,234
Long-term debt	2,127,464	1,466,338
Commitments & contingencies		
Stockholders' equity (deficit):		
Preferred stock, $0.01 par value:		
Authorized shares – 500,000		
Issued & outstanding shares - none		
Common stock $0.01 par value		
Issued & outstanding shares – 357,140 & 345,155 shares at Dec. 31, 2000 & 1999 respectively	3,571	3452
Additional paid-in capital	1,335,303	1,194,369
Deferred stock-based compensation	(13,448)	(47,806)
Accumulated other comprehensive loss	(2,376)	(1,709)
Accumulated deficit	(2,293,301)	(882,028)
Total stockholders' equity (deficit)	(970,251)	266,278
Total liabilities & stockholders' equity (deficit)	$2,135,169	$2,465,850

Exhibit 2 (continued) Amazon, Inc. 2000 Historical Statements of Cash Flow (in thousands)

	Year Ended December 31,		
	2000	**1999**	**1998**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	$133,309	$71,583	$110,119
OPERATING ACITIVITIES:			
Net income (loss)	(1,411,27)	(719,968)	(124,546
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation of fixed assets and other amortization	84,460	36,806	9,421
Stock-based compensation	24,797	30,618	2,386
Equity in losses of equity method investees, net	304,596	76,769	2,905
Amortization of goodwill and other intangibles	321,772	214,694	42,599
Non-cash restructuring-related and other	200,311	8,072	1,561
Loss (gain) on sale of marketable securities, net	(280)	8,688	271
Other losses (gains), net	142,639	-	-
Non-cash interest expense and other	24,766	29,171	23,970
Changes in operating assets and liabilities			
Inventories	46,083	(172,069)	(20,513)
Prepaid expenses and other current assets	(8,585)	(54,927)	(16,758)
Accounts payable	22,357	330,166	78,674
Accrued expenses and other current liabilities	93,967	95,839	31,232
Unearned revenue	97,818	6,225	-
Amortization of previously unearned revenue	(108,211)	(5,837)	-
Interest payable	34,341	24,878	(167)
Net cash provided by (used in) operating activities	(130,442)	(90,875)	31,035
INVESTING ACTIVITIES:			
Sales and maturities of marketable securities	545,724	2,064,101	227,789
Purchases of marketable securities	(184,455)	(2,539,39)	(504,435
Purchases of fixed assets, including internal-use software and web-site	(134,758)	(287,055)	(28,333)
Investments in equity-method investees and other investments	(62,533)	(369,607)	(19,019)
Net cash provided by(used in) investing activities	163,978	(951,959)	(323,998
FINANCING ACTIVITIES:			
Proceeds from exercise of stock options	44,697	64,469	5,983
Proceeds from issuance of common stock, net of issuance costs	-	-	8,383
Proceeds from long-term debt and other	681,499	1,263,639	325,987
Repayment of long-term debt	-	(175,744)	(75,000)
Repayment of capital lease obligation and other	(16,927)	(13,142)	(3,108)
Financing costs	(16,122)	(35,151)	(7,783)
Net cash provided by (used in) financing activities	693,147	1,104,071	254,462
Effect of exchange-rate on cash and cash equivalents	(37,557)	489	(35)
Net increase (decrease) in cash and cash equivalents	689,126	61,726	(38,536)
CASH AND CASH EQUIVALENTS, END OF PERIOD	$822,435	$133,309	$71,583
SUPPLEMENTAL CASH FLOW INFORMATION:			
Fixed assets acquired under capital leases	$4,459	$25,850	$-
Fixed assets acquired under financing agreements	4,844	5,608	-
Equity securities received for commercial agreements	106,848	54,402	-
Stock issued in connection with business acquisitions	2,130	774,409	217,241
Cash paid for interest	67,252	30,526	26,629

Exhibit 2 (continued) Amazon Business Segment Analysis ($ in thousands)

	Revenues		Gross Profit		Operating Profit	
	1999	2000	1999	2000	1999	2000
US Books, Music & Video	1,308,292	1,698,266	262,871	417,452	(31,000)	62,836
Y-O-Y Growth	122%	104%	59%	n/a	n/a	
% of Revenues	80%	20.1%	24.6%	(2.4)%	3.7%	
International	167,743	381,075	35,575	77,435	(79,223)	(139,215)
Y-O-Y Growth	669%	618%	118%	n/a	n/a	
% of Revenues	10%	21.2%	20.3%	(47.2)%	(26.0)%	
Early-Stage Businesses & Other	163,804	535,442	(7,801)	50,790	(242,148)	(240,621)
Y-O-Y Growth	n/a	n/a	n/a	n/a	n/a	
% of Revenues	10%	(4.8)%	9.5%	(147.8)%	(44.9)%	
Services (Marketplace and Auctions)		147,200		110,100	(352,371)	(317,000)
Y-O-Y Growth	n/a	n/a	n/a	(21.5)%	(11.5)%	
% of Revenues		n/a	74.8%			
Consolidated Revenues	**1,639,839**	**2,761,983**	**290,645**	**655,777**		
Sequential Growth	n/a	n/a	n/a			
Y-O-Y Growth	169%	**117%**	**126%**			
Gross Margin			**23.7%**	**18%**		

Key: n/a = Not Available

Distribution & Shipping Services	**1999**	**2000**
Revenue	239,000	338,174
% of Revenues	14.6%	12.2%
Gross Profit	11,700	(1,341)
Gross Profit Margin	4.9%	(0.4)%
Customers	16,900	29,400
New Customers	10,700	12,200
Sales per Customer	$97.0	$93.9
Customer Acquisition Cost	$16.3	$14.8

Source: Author. Based on data from Amazon annual reports and website.

Exhibit 3 Addressable Market (U.S. only)

Categories	2000 U.S. Market		2005 U.S. Market Estimate	
	Online Retail	% of Total Market	Online Retail	% of Total Market
Books	$2.2B	9%	$3.7B	15%
Music	$0.7B	5%	$4.4B	25%
Video/DVD	$0.5B	4%	$1.6B	10%
Total BMV	$4.4B	7%	$9.7B	17%
Toys	N/A	2.9%	N/A	4.8%
Video Games	N/A	N/A	N/A	N/A
Computers	$6.1B	25%	$11.7B	46%
Software	$1.4B	17%	$3.8B	43%
Consumer Electronics	$1.1B	2.4%	$3.6B	2.9%
Home & Garden	$1.0B	0.3%	$12B	2.9%
Auctions (Consumer Only)	$3.3B	N/A	$28.5B	N/A

Source: Author. Based on data from Cassar, K. et al, "Shopping: Online Projections, Volume 3." Jupiter Media Metrix, 2001. Salomon Smith Barney. "Amazon." December 9, 1999. Rowen, M., Prudential Securities. "Amazon." September 23, 1999.; and Farley, S. and Modi N., PaineWebber. "Amazon." February 23, 2000.

Comparison of Performance Metrics for Online and Offline Retailers

	Traditional Retailers				Online Retailers		
Fiscal Year: 1999	**Wal-Mart**	**Toys"R"Us**	**Barnes & Noble**	**Sears**	**Amazon.com**	**Barnesand Noble.com**	**eBay.com**
Sales ($ MM)	165,013	11,862.00	3486.04	41,071.00	1,639.84	202.57	224.724
COGS ($MM)	127,289	8,321.00	2483.73	27,212.00	1,312.39	146.09	38.083
Gross Margin (%)	23	30	29	34	18	28	83
Advertising as % Sales	0.003	N/A	N/A	0.04	0.09	0.21	0.20
SG&A (% of Sales)	.16	.23	.19	.23	0.41	0.816	0.72
Operating Margin (%)	5.04	4.38	6.25	9.06	(36.45)	(60.54)	1.42
Employees (000's)	1,140	76	37.41	326	7.6	1.24	1.212
Sales/Employee ($)	144,748	156,079	100,347	125,985	215,768	163,363	185,416
Inventory Turnover	6.91	4.24	2.43	5.51	10.49	53.46	N/A
Working Capital Turnover	112.91	168.26	10.99	2.73	6.12	0.8	1.01
Reach (%) (Oct. 1999)					17.8	6.9%	N/A
Unique Visitors (Oct. 1999)					11,283,000	4,381,000	N/A
Customer Average Minutes/Day on the website (Oct 1999)					6.5	5.0	N/A

Source: Author. Based on data from Standard & Poors' Research Insight; Becker, H., "Amazon." Salomon Smith Barney Equity Research, December 9, 1999 (based on data from Media Metrix).

Exhibit 4 Projected Economics of the Amazon / Toys"R"Us Partnership

	4Q 2000	2001E
Toys"R"Us product revenues	$130M	$280M
Amazon revenues		
Shipping fees ($6/order)	$14.4M	
Credit card fees (2.5% of product & shipping)	$3.6M	
Transaction fees ($6/order)	$14.4M	
Total Revenues	$32.4M	$75M
Amazon cost of goods sold		
Shipping costs ($5/order)	$12.0M	
Credit card costs (2% of product & shipping)	$2.9M	
Fulfillment costs ($4/order)	$9.6M	
	$24.5M	
Amazon gross profit	$7.9M	$22M
Amazon gross margin	24.4%	30%

Source: Author. Based on data from: Patel, J.J. and McCluskey, N., "Amazon," Deutsche Bank Alex Brown Equity Research, April 23, 2001.

Endnotes

[1] Amazon Annual Report, 2001, p. 1.

[2] The concept of using a "Minimal Viable Product" to test uncertain assumptions when launching a new venture had not been invented when Bezos was evaluating his Internet e-commerce opportunity in the early 1990s.

[3]"Amazon.com is Creative When Hiring Employees," WSJ, May 1999. Downloaded on 6-6-18 from: https://www.wsj.com/articles/SB925770861613013 90

[4]"Walmart Agrees to Settle Lawsuit Against Amazon," Bloomberg News, April 6, 1999. Downloaded on 6-8-18 from: https://www.nytimes.com/1999/04/06/business/the-media-business-wal-mart-agrees-to-settle-lawsuit-against-amazon.html

[5]"Black & Decker Alum Hits it Big at Amazon," Bloomberg News, May 2000, Downloaded on 6-8-18 from: http://articles.baltimoresun.com/2000-03-17/business/0003180425_1_amazon-com-galli-shares

[6] R.J. Schiller, Irrational Exuberance, Princeton, N.J.: Princeton University Press, 2000.

[7] Kawamoto, D., "Amazon.com IPO Skyrockets," CNet, May 7, 1997. Downloaded on 2-7-17 from: https://www.cnet.com/news/amazon-com-ipo-skyrockets/.

[8] M. Rowen, "Amazon," Prudential Securities Research, September 23, 1999, p. 3.

[9] Friday, April 14, 2000, ended a week of major downslides for both technology and blue-chip stocks. This downturn marked the end of what had become known as the "Internet Bubble." The NASDAQ tumbled 355.46 points (9.7%), which was the worst one-day price drop since the Nasdaq opened in 1971. The Dow Jones Industrial Average slipped 616.23 points (5.6%, its worst ever on-day point loss. Task, A., "Ruthless selloff hits all sectors: This was one for the record books," www.TheStreete.com (April 14, 2000).

[10] In 2000, Jupiter Research analysts estimated that U.S. retail sales had exceeded $2.7 trillion, while U.S. online retail sales were over $12 billion (up 66% from 1999). "Jupiter Consumer Survey Report," *Jupiter Media Metrix*, Vol 2, 2001.

[11] Founded in 1974, Interbrand was a leading global brand management consultancy. Its yearly ranking of the world's most valuable brands was published in *BusinessWeek* and was also available on the Interbrand website (www.interbrand.com).

[12] Amazon 2000 Annual Report.

[13] J. Bezos, Keynote Speech at Harvard Business School Cyberposium, February 26, 2000.

[14] In their July 2000 report, Suria and Oh stated that Amazon did not pay its suppliers for Q4 inventory until Q1 of the following year.

[15] R. Suria and S. Oh, "Amazon Credit Update," *Lehman Brothers Investment Research,* June 22, 2000; Suria, R. and Oh, S., "Amazon Credit Update," *Lehman Brothers Investment Research,* July 27, 2000.

[16] On August 28, 2000, *The Industry Standard* reported that, after selling inventory, Living.com, eToys, boo.com, and Garden.com had, or were in the process of, selling assets in bankruptcy court.

[17] Amazon.com 1999 Annual Report (Seattle: Amazon.com, 2000).

[18] S. D'Eathe and D. Bernstein, "Amazon—Underperform," *Thomas Weisel Partners Equity Research,* March 2, 2001.

[19] H. Becker and M. Gross, "Amazon, Inc., Lehman Brothers Equity Research, March 2, 2001.