

# *The Economic Impact of Online Business*

## *—Taking Amazon as an Example*

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**Abstract:** The subject of the study is Amazon.com, which is based on the current rise of online commerce, which has a great impact on the traditional social economy. The main purpose of this article is to introduce the impact of online business on the social economy. It also aims to compare the impact on the development of brick-and-mortar businesses such as WalMart, IKEA, and even Nike by giving an example of the operation of Amazon, a representative of online business. The impact of the online economy on the real economy is illustrated by how these brick-and-mortar businesses are responding to the rapidly developing trend of online business sales, but it turns out that either way, the real economy is at a certain disadvantage in the face of the development of online business. The article also demonstrates the tremendous impact of Amazon on the social economy by parsing its membership and the countless jobs that Amazon provides to the community. The findings and conclusions of the study were derived from searching the data of the website, and the main tool of the study was the database of the university library.

**Keywords:** Amazon, online business, real economic, job opportunity, prime shipping

## **1. Introduction**

Amazon.com, Inc. is the largest online e-commerce company in the United States and is located in Seattle, Washington. It was founded in 1995 and was one of the first companies to start an e-commerce business on the Internet. According to Amazon's history as shown on its official website, it began by selling books on the Internet, but now it has expanded to include a variety of other products and has become the world's largest online retailer and the second largest Internet company in the world. Some researchers believe that Amazon's growth has enhanced many aspects of the social economy and provided many jobs for society, while others believe that Amazon's growth has hindered the development of the real economy to some extent. This is the significance of this scientific research, which is to explore how the online company, on behalf of Amazon, has affected the social economy in a multidimensional way without classifying it as more good things or more bad things. The research method was to find relevant information on the Internet. The point of this study is to inform the reader that the development of a company affects all aspects of the social economy in a multidimensional way, and then to detail which are the main aspects, how they are affected, whether they are viewed objectively as positive or negative, and what changes the real economy has made to face the trend of online shopping.

## 2. Amazon Economic Impact

As more and more consumers turn to the e-commerce market, many traditional brick-and-mortar retailers continue to feel stress. Also, brick-and-mortar stores still need to stock up on inventory, while online stores don't have to. Over the past 20 years, online retail sales have shown consistent growth. In the mid-1990s, online retailing accounted for 2.5% of all peddle sales. In the mid-2000s, that number twice as much to 5%, a figure that has bounced to about 10% of total peddle sales [1]. This shift towards online retailers and the shift in consumer inclination make it difficult for old retailer brands to compete productively. Traditional old fashioned retailers are finding methods to manage themselves be competing. Although some retailers, for instance, Walmart has made significant financing to develop the growth of theirs e-business side of the business, such as providing free two-day shipping on specific products, other merchant are still struggling. This also has something to do with the Amazon effect. Amazon's growth has made the Amazon effect start to emerge this time [2]. Amazon effect is a broad term, which means that with the advent of Amazon, customers' buying habits have changed. It also indicate the way in which e-business as a whole has become mature with the passage of the time. Contemporary clients are more likely to buy products than ever before. When they think of it, they can buy it immediately. They only need to click the mouse button, which is very convenient and fast. It turns out that retailers have been affected.

First of all, we have to mention Amazon's cooperation with well-known brands. In order to comply with this fast growing trend of e-commerce, Nike, Adidas, Columbia, CK and others have made strategies to cope with it. Now take Nike as an example and see what the impact of cooperation with Amazon is. Nike risks being jeopardized for offline store sales because one of the top reasons customers don't like to buy products online is that they can't get them right away. And Amazon's shipping advantage has transformed thousands of otherwise reluctant online shoppers into e-commerce shoppers by delivering online orders faster than ever before. As a result, instant gratification is no longer a part of e-commerce. Now that customers can purchase their products online and receive them within 1-2 days, a trip to Nike's offline stores may begin to feel inconvenient and unnecessary [3]. This means less revenue owned by Nike's offline stores and more revenue shared with Amazon under contractual agreements, which could affect their bottom line.

Plus, in terms of jobs, Amazon's official website says he has created many jobs for society. In the past decade, arguably no U.S. company has created more jobs than Amazon. The investment of Amazon have produced over 2.7 million jobs in America. They have over 800 thousand U.S. employees in 40 states and 250 counties. Furthermore, their investments have created a ripple effect of over than 780,000 indirect jobs that helping communities thrive across the country.[4] In addition, they backing the rapid development revenue of small and medium-sized enterprises (SMBs), launching and growing a number of social economies through online sales of products [4]. As a result of sales on Amazon, SMBs more than 1.1 million jobs have been created in communities across the United States. In the truth, according to IDC research, SMBs from all 50 states are hiring at more than twice the rate of other states when working with Amazon, at 25-50% [4]. In addition, with a \$15 lowest wage, all employees have approach to premium benefits and can participate in a extensive range of programs for studying new skills for shortage positions be the piece of Amazon's 2025 Skills Upgrades program, where Amazon has committed \$700 million to support all employees in gaining critical knowledge to move into higher-skilled, higher-paying technical or non-technical positions [4]. Thanks in part to these programs and benefits, they have also been recognized by Linked-In as the best company to work for. So, in terms of job opportunities, Amazon has really done a great job of providing the community with a lot of jobs and, in doing so, has contributed to the socioeconomic development of the community.

At the same time, Amazon Prime has contributed significantly to the company's growth. In 2009, Amazon had 2 million Prime members, which grew to 5 million in 2011; in 2015, the number of Prime members soared to 54 million. They adopted "free delivery" in the early 2000s when they started their Super Saver Transportation program, which offered free delivery on orders over \$25 [4]. In the promotion period, Amazon began the strategy that providing free delivery on the purchase of a second book, which led to a magnificent increase in sales. Clearly, Amazon recognizes the consumer's psychological tendency to label things as "free." And from this point, e-commerce transformed shipping, with U.S. trucking tonnage at about 115 tons in June 2005. The index reached an all-time high of about 130 in 2013 and 2014, with the only significant decline occurring during the recession of late 2008 to early 2009. The ATA projections that total U.S. truck ownership would increase by 26 percent in 2012; 38 percent increase for total miles traveled, and total tons would increase by 26 percent by 2023. " The freight industry is also expected to grow total revenues by nearly 66 percent, while rail tonnage and revenues are expected to fall to approximately 14.6 percent of total transport revenue. Similarly, Federal Highway Administration of the U.S. Department of Transportation projects that long-haul freight tonnage will grow by 44 percent from 2007 to 2040 [5]. Of course, trucks need people to drive them, and with the increase in truck tonnage and mileage, job opportunities are increasing. First of all, truck driving is unaffected by proliferation to global and automation; can't outsourcing services truck driving to India, for example; so a large number of transportation drivers are needed. In addition, the government has grouped truck drivers and delivery drivers into one large category, making it a very large occupation. Then, with the need for truck drivers adding, as well as the amount to be paid said by truck drivers plus the amount needed to pay for other fees such as petrol, maintenance, etc [6]. Then today, Amazon has taken over the shipping of its major products and companies like FedEx have lost much of their business as more and more online shopping shifts. As Amazon considers moving into non-Prime shipping, FedEx appears to be one of the most negatively affected. Therefore, Amazon prime increases job opportunities for society but also causes some negative impact for other shipping companies. But Amazon's growth is then bound to bring some good impact on the social economy, while companies in the same industry will face some challenges, which can also promote the development of companies in the same industry.

In additionally, Amazon's development is also inseparable from technology, and Amazon is among the technology industry, for example, Amazon and the University of California, Los Angeles established the Center for Artificial Intelligence Science. Also, as seen in Amazon's development, Amazon has developed various scientific models to help members make the most of their use. Technology has also served Amazon, or this community, well as an economic driver. And because of the increasing level of technology and labor efficiency, companies are able to increase their total production, which leads to higher profits and greater economic development. Thus, productive capacity is the crucial and long-term driver of economic growth, and creative in technology is a major factor in productive capacity development. Amazon.com has made a great contribution to social development

### 3. Conclusion

Amazon has had an impact on society in many ways. First, it has made many offline stores feel the pressure, so traditional stores are finding ways to follow this trend. Thanks to Amazon's efficient shipping system, many people who don't like online shopping have started to enjoy it. This is how the term "Amazon effect" started to appear. Then, Amazon provided many jobs for society and increased the demand for labor in the labor market. In addition, making Amazon.com a prime member brings huge benefits to the company and more benefits to the society's economy because it requires a lot of transportation work while the demand for trucks is growing. But there is also a blow to other transport companies. Finally, there is the technological development of Amazon. The development of con-

temporary Internet companies must be inseparable from the development of technology, which allows the company to have greater profits, and also allows the social output rate and supply to be increased. The benefit of the online store is that people do not need inventory. More and more people find it more convenient to shop online, and now Amazon is not even just a company, it also represents the Amazon effect. So, the multi-faceted development of Amazon has brought impact to all aspects of the social economy. In such a situation, some companies will face challenges and some will follow the trend. With the development of technology the output of society will gradually increase. What other changes will be made by the real companies in the future, will they slowly go down the slippery slope under this trend of rapid rise of online business? What else can they do to change the status quo or to be on par with online business, or they must also follow this trend?

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