The world at the feet of Amazon

The health crisis is giving the final stroke to a declining market model: physical sales. Walmart, an iconic company for two decades, succumbs day after day to the Amazon empire. In Spain, El Corte Inglés cannot fight against the Internet giant and transforms its business model. Meanwhile, the stock markets fold to the new king, increasing its value day after day, making it worth $ 1.5 trillion, something unthinkable not long ago, especially since the company did not even exist.

by Miguel Ángel Temprano
CEO Orfeo Capital
Jult 16th, 2020 Reading time. 6:25 min

Yesterday I had the opportunity to watch an interview on television with the current CEO of Walmart. If it were not because he must be a millionaire, I would have felt pity. The Walmart CEO was, literally, a soul in pain. He was in his home in Arkansas telling us about the problems that the pandemic was causing his company.

For those who do not know them, Walmart would be like an Inditex, but fallen from grace. Like Inditex, because its origins are similar, but nothing else. Well jokes aside, Walmart is the father of the Mall concept, or shopping center, as we call it in these parts. It is difficult to move around the US, and not bump into one of them. In fact, *El Corte Inglés* is nothing more than a copy of the Walmart concept.

Perhaps a purist will tell me that I am wrong and that a Mall is somewhat larger, that includes more stores, and it would be correct, but the concept of a large surface area is created by them. They create the concept of establishing a very large area, but outside the large urban centers. A place where everything is sold and surrounded in the same space as other satellite businesses, more or less large. In a single sentence, it is the original concept of centralized mass consumption.

"Walmart is the father of the Mall model that flooded the market and has been the test center for mass face-to-face selling techniques."

They have experimented and developed the techniques of mass sales, such as knowing the right smell in the store to stimulate sales or the volume of background music to encourage movement.

In them, the position of the product on the shelves has been studied and implemented as a sales incentive. And they have studied human physiological issues related to purchasing, such as the segregation of dopamine in response to the satisfaction produced by buying things.

Walmart has been so important that it has occupied a prominent position in the Champions League of the world's largest companies for more than two decades, being one of the five largest companies in the world by market capitalization. But one day someone came with the intention of selling books on the Internet, but in a short time they discovered they could sell not only books but EVERYTHING online and they took the cake.

Amazon has not only expelled Walmart from the market, and many other smaller ones before, but has managed to make the market decide that it will keep not only the cake but the whole store.

"The world already knows that Amazon will not only be the king of the online market, but that it will control its consumption."

All Spaniards will remember the *El Corte Inglés* advertisements. Intensive campaigns with heavy investment which always used international models. But no one will remember a single ad from Amazon's online sales business, simply because they don't exist, and they don't exist because they don't need them.

There is a Spanish saying that money calls money, and there should be another saying that luck calls luck, even if it is only valid for some, and in this case it is for Amazon.

Amazon's business is divided between Cloud Services and Online Sales. Precisely the two businesses that have shown that the pandemic, far from hurting them, has been as if they were winning the lottery. All videoconference systems, so in trend these past months, or telework which requires SaaS systems, must be hosted on trusted servers, which provide stability and reliability. And here the best are those of Amazon. And in this everyone agrees that it is here to stay.

"The health crisis has been very bad for the majority, but for Amazon it has not only being good but has made it bigger."

The lesser the people move around - short trips to the office or longer ones to other places that require cars, trains or planes, either because of the health crisis or because telework has become a pressing necessity – there is going to be more Internet consumption and therefore there will be more need for servers. And here the winner is Amazon. Every time we ask that travel be shortened to improve the environment, we are doing the advertising work for Amazon.

And what about the online business? E-commerce was not an incipient business, it was an imperative modality of sale in any business that claimed to survive.

I remember not many years ago saying that if you wanted something the place where you should go to look for it was at *El Corte Inglés*. There the service was exquisite. They carried to the end the expression “the customer is always right”. I went to *El Corte Inglés* at least once a week, because when I didn't want to think about where to find something, I went there, because if I didn't find what I was looking for, I found the best next thing. All that has become obsolete. And Amazon has made it obsolete.

Now I can find what I'm looking for, but exactly what I'm looking for, even if I don't even know what it's called. But not in *El Corte Inglés* but in Amazon.

Scarcely three years ago, I was at the *El Corte Inglés* cashier paying for some glasses, when an elderly woman asked the seller about a bag for a vacuum cleaner. He told her he was sorry but they no longer had that model because it was a little obsolete, but that, surely, she could find it in Amazon, because everything was there.

Regardless of how wrong, commercially speaking, the attitude of the seller was, he was right. Amazon has condemned *El Corte Inglés* to be a space rental, rather than a multiproduct sales center.

And going back to the beginning, almost no Walmart customer goes out in search of a product to any of the 11,000 stores distributed in 28 countries. No, the connect to the Internet.

This is why the fight is no longer about having a large store or where it is close to the consumer. The fight is in a more difficult place. It is to be just a click away on the mobile device.

But in the meantime, whilst Walmart has to keep a huge workforce in thousands of stores with all kinds of problems, Amazon can use all of its resources to improve its online sales process.

"An explanation for its constant stock market revaluation must be found in that day after day competitors disappear, while it just grows stronger."

I do not know how much it will directly help Amazon that the pandemic does not improve, but I can assure you that each day that passes clears more the forest, because small and large trees fall, and it is here where we can find a reasonable explanation for why the stock goes up and up despite the fact that health data is getting worse every day, and in the market that accounts for 68% of their business, the USA, Amazon is already worth five times more than Walmart, despite having symbolic assets in comparison.