# Amazon pursues aggressive growth in generative AI and operational efficiency



Amazon.com Inc. is aggressively pursuing growth in generative artificial intelligence (AI) as part of a broader strategy to enhance its business capabilities, according to the latest report from AlphaStreet. This strategy includes an expanded collaboration with AI research firm Anthropic, signalling the e-commerce giant’s commitment to become a key player in the emerging AI landscape.

The company has seen robust performance across all its segments, with Amazon Web Services (AWS) notably excelling and delivering a marked increase in quarterly sales. In the last month, Amazon's shares reached a peak of $232.93, with market analysts predicting the stock could rise to nearly $250 this year. For 2024, forecasts suggest it will outperform both its industry peers and the S&P 500 index significantly. However, caution is advised as its current stock valuation appears elevated.

During the third quarter of this financial year, Amazon reported a substantial profit of $15.3 billion or $1.43 per share, a considerable rise from $9.9 billion or $0.94 per share in the same quarter the previous year. This growth exceeded expectations and marked the seventh consecutive quarter of surpassing profit estimates. Contributing to this bottom-line success was an 11% increase in net sales, reaching $158.9 billion, with North America—accounting for over 60% of sales—witnessing a 9% year-on-year growth. The strong performance led to a noticeable rally in the company's stock shortly after the earnings were announced.

Amazon's Chief Financial Officer commented during the Q3 2024 earnings call: “In the last few months, we’ve made hundreds of changes to our U.S. inbound network and opened more than 15 inbound buildings. While still relatively early in this re-architecture, we’ve already improved our ability to spread inventory across our fulfillment centers by 25% year over year, allowing us to have more of the requisite items in fulfillment centers closest to the customer so we can compile shipments and ship to customers even more quickly.” This initiative demonstrates the company's focus on enhancing operational efficiency directly linked to customer service improvements.

In a bid to strengthen its domestic retail business, Amazon is also targeting increased efficiency by expanding its physical store network. This expansion includes the introduction of same-day delivery options and just-walk-out checkout facilities, reinforcing the company's competitive edge in e-commerce.

Additionally, Amazon's advertising segment is demonstrating steady growth, with recent quarterly revenues rising by double digits. The company's thriving AWS and advertising businesses, recognised as the fastest-growing segments, have been key contributors to Amazon's profit margins. Last year, the firm solidified its strategic partnership with Nvidia, aimed at delivering advanced infrastructure, software, and services to bolster clients’ generative AI projects.

Looking ahead, Amazon anticipates net sales for the fourth quarter to range between $181.5 billion and $188.5 billion, indicating potential annual growth of between 7% and 11%. The forecast for the full year projects operating income between $16 billion and $20 billion. The fourth-quarter earnings report is set to be released on January 30, post-market closure. Analysts have predicted a year-over-year sales and profit growth, forecasting figures of approximately $187.26 billion in sales and $1.47 per share in earnings.

Despite experiencing a decrease in trading price on Tuesday morning at $227.61—slightly above its long-term average—Amazon's stock has seen a significant increase, approximately 48%, in value over the span of 2024.

Source: [Noah Wire Services](https://www.noahwire.com)

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