IMPACT OF E-COMMERCE ON PERFORMANCE INDEX OF BUSINESS

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ABSTRACT

The paper deals with in-depth study of e-commerce implementation in few select companies(Facebok Inc, Ebay Inc, Google Inc and Priceline Inc), analyses their strategies, Balancesheet, Profit Statement, calculates and analyses Financial Ratios and then finally presents a comparative analysis of the profit index of the above four select companies based on facts and figures.

1. INTRODUCTION

During the last decade, lives of millions around the globe have been irrevocably changed by the emergence and growth of the Internet. Nowhere is the impact of this revolution more pronounced than in the world of business i.e. business online. The emergence of E-commerce has created a novel marketplace. Despite the benefits provided by e-commerce, however, adopting e-commerce does not ensure competitive advantage, because the technologies are open and available to competitors. Economic impacts do not emanate from IT investments directly, but through the value created by the interaction of the IT assets with the ‘‘complementary assets’’ of the firm. Researchers propose that the ability to mobilize IT resources in conjunction with other resources is critical to superior performance. Therefore, corporations that see e-commerce integrated with its strategic orientation would be more likely to leverage complementary assets and achieve efficiency and effectiveness benefits. The market orientation of a firm is particularly important in e-commerce. Market oriented firms engaging in e-commerce would be more inclined to obtain both efficiency and effectiveness benefits. For instance, customer information could be used to predict or assess customer demand; with this firms could tailor their products to meet the unique needs of their customers. Also, IT can be used to detect competitor’s initiatives, and thus, keep abreast of rival’s market profiles. With technology driving new competition, a Fortune 500 stalwart that once seemed unstoppable is now challenged by a start-up that uses Internet technologies and integrates their systems and processes more effectively.

2.0 INTERNET USAGE

2.1 Internet Usage in USA: Internet access in the United States is largely provided by the private sector and is available in a variety of forms, using a variety of technologies, at a wide range of speeds and costs. In 2012, 81% of Americans were using the Internet, which ranks the U.S. 28th out of 211 countries in the world. Fixed (wired) and wireless broadband penetration have grown steadily, reaching peaks of 28.0% and 89.8% respectively in 2012. The Pew Research Center survey results published in February 2014, revealed 68% of adult Americans connect to the Internet with mobile devices like smartphones or tablet computers. The report also put Internet usage by American adults as high as 87%, while young adults aged between 18 and 29 were at 97%.

2.2 Internet Usage in India: As of 203 countries, India was the third-largest online market with more than 270 million internet users, ranked behind China and the United States. According to the 'Internet in India 2014' report published by Internet and Mobile Association of India and IMRB International, with a massive growth of 32%, the number of internet users in India have reached to 302 million by the end of the year 2014. Electronic retailing as estimated is growing by 70% while the brick & mortar retailing is struggling at 20% as per CAGR forecast. The researcher studied consumers' Internet usage pattern, their profile and their shopping pattern through this study on e- retailing. The smart phone is playing crucial role in increasing the internet consumption. Consumer electronics is having largest share in e-retailing. Approximately two third consumers prefer to buy though CoD (Cash on Delivery). Metamorphosis of Indian consumers is being taking place from buyers to e-buyers. The total retail size in India is 455 billion dollar (Technopak, 2012), out of this organized retail is 34 billion dollar (pwc, 2012). E-Commerce is 10 billion dollar (Technopak, 2012), E-retailing is 0.6 billion dollar (Forrester, 2012). India's E-commerce market is growing at 20 to 30% as per CAGR.

A disciplined approach to evaluating the business opportunity, and correctly assessing how a competitive advantage may be gained using Internet technologies combined with leveraging the existing investment, is key to a successful e-business.

The paper deals with in-depth study of e-commerce/e-technology strategy and its subsequent implementation in few select companies (Facebok Inc, Ebay Inc, Google Inc and Priceline Inc). Further, study of these e-strategies and its impact on financial statements (Balance sheet, Profit Statement) on the selected four companies has been dealt exhaustively. Financial Ratios has been calculated and examined to understand the value addition and performance enhancement if any. A comparative analysis of the profit index of the above four select companies based on the facts and figures have been done. The impact of e-commerce on the performance index of the business has been discussed and analyzed.

3. RESEARCH OBJECTIVES

3.1 Research Objective

a) To study present scenario of e-business
b) To study the application of e-business in service industry (few selected companies as Facebok Inc, Ebay Inc, Google Inc and Priceline Inc)
c) To investigate the degree of e-commerce awareness in the selected companies
d) To determine the degree of utilization of e-commerce technologies
e) To identify the major challenges in implementing e-commerce for competitive advantage
f) To determine relationship between e-commerce and business profitability using IT tools.

3.2 Research Methodology

Methodology plays a significant role in any study including social science research. It provides the essential tools/techniques to carry out the study in a scientific manner. The reliability and validity of the study /project depend upon the methods/procedures used. Keeping this in view, secondary data as obtained from published data of the selected companies, internet, journals, magazines, books has been used as resource. Data analysis tools were used for Ratio analysis and subsequent interpretation.

The research is based on thorough study of the degree of e-commerce strategy and its subsequent implementation, effective usage, acceptability etc., calculation of various financial ratios and then finally analyzing the impact of these implementations on the profitable index of the selected four companies.

3.3 Important Statistics on selected four companies:

	FACEBOOK	EBAY	GOOGLE	PRICELINE
Global Ranking	2	19	1	625
Rank in United States	2	8	1	173
Location of Visitors	USA –23.4% INDIA—8.8%	USA –54.9% INDIA—2.8%	USA –34.4% INDIA—9.7%	USA –81.2% INDIA—1.1%
Bounce rate	35.20%	20.3%	20.3%	14.00%
Daily page views per visitor	11.57	13.58	19.52	5.65
Daily time on site	17:27	13:05	18:22	5:06
Keywords that send traffic to this site	Facebook-23.42% Fb—4.3%	Ebay—33.48% Ebayuk—0.78%	Gmail-10.44% Google—4.71%	Priceline-12.28% Carnival-2.91%
Sites linked to this site	7,442,768	204,363	3,804,847	7,063
Sites related to this site	xanga.com myspace.com	ebay.com.au paypal.com	amazon.com wikipedia.org	travelzoo.com travelocity.com
Registrant Org	Facebook, Inc. is associated with ~1,923 other domains	eBay Inc. is associated with ~5,676 other domains	Google Inc. is associated with ~17,046 other domains	priceline.com LLC is associated with ~933 other domains
Registrar	MarkmonitorInc	MarkmonitorInc	MarkmonitorInc	Markmonitor Inc.
Dates	Created on 1997-03-29 - Expires on 2020-03-30 - Updated on 2012-09-28	Created on 1995-08-04 - Expires on 2018-08-03 - Updated on 2014-12-04	Created on 1997-09-15 - Expires on 2020-09-14 - Updated on 2011-07-20	Created on 1997-06-19 - Expires on 2016-04-06 - Updated on 2014-04-07
IP Address	173.252.120.6	23.198.158.44	74.125.28.99	64.6.21.1
IP Location	North Carolina - Forest City	Washington - Seattle	California - Mountain View	Connecticut - Norwalk

***Source**: www.alexa.com [4], www.whois.domaintools.com [15]*

4.0 FACEBOOK INC

4.1 Overview of Facebook INC

The mission of the company is to give people the power to share and make the world more open and connected. It builds technology to enable faster, easier and richer communication. Hundreds of millions of people use Facebook's websites and mobile applications every day to stay connected with their friends and family, to discover and learn about new developments, and to share and express the issues concerning them. The company's business focuses on creating value for users, marketers, and developers. There were 757 million daily active users (DAUs) on average in

December 2013, an increase of 22% compared to December 2012. Also 556 million DAUs accessed Facebook from a mobile device on average in December 2013, an increase of 49% compared to December 2012.

Facebook focuses on providing value for all kinds of marketers, including brand marketers, direct marketers, small and medium sized businesses, and developers. It helps marketers achieve their business objectives, such as increasing online sales, in-store sales, or awareness of their brands, products, or services. It generates the substantial majority of its revenue from selling advertising placements to marketers.

FB supports developers' efforts to build, grow, and monetize their mobile and web applications. The Facebook mobile apps and website enable people to connect, share, discover, and communicate with each other on mobile devices and personal computers.

4.2 BALANCE SHEET OF FACEBOOK INC

FACEBOOK, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except for number of shares and par value)

	December 31,	
	2013	**2012**
Assets		
Current assets:		
Cash and cash equivalents	$ 3,323	$ 2,384
Marketable securities	8,126	7,242
Accounts receivable	1,109	719
Income tax refundable	51	451
Prepaid expenses and other current assets	461	471
Total current assets	13,070	11,267
Property and equipment, net	2,882	2,391
Goodwill and intangible assets, net	1,722	1,388
Other assets	221	57
Total assets	$ 17,895	$ 15,103
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 87	$ 65
Developer partners payable	181	169
Accrued expenses and other current liabilities	555	423
Deferred revenue and deposits	38	30
Current portion of capital lease obligations	239	365
Total current liabilities	1,100	1,052
Capital lease obligations,	237	491
Long-term debt	—	1,500
Other liabilities	1,088	305
Total liabilities	2,425	3,348
Commitments and contingencies		

Additional paid-in capital	12,297	10,094
Accumulated other comprehensive income	14	2
Retained earnings	3,159	1,659
Total stockholders' equity	15,470	11,755
Total liabilities and stockholders' equity	$ 17,895	$ 15,103

4.3 STATEMENT OF INCOME OF FACEBOOK INC.

FACEBOOK INC.
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)

Year Ended December 31,	2013	2012	2011
Revenue	$ 7,872	$ 5,089	$ 3,711
Costs and expenses:			
Cost of revenue	1,875	1,364	860
Research and development	1,415	1,399	388
Marketing and sales	997	896	393
General and administrative	781	892	314
Total costs and expenses	5,068	4,551	1,955
Income from operations	2,804	538	1,756
Interest and other income (expense), net:			
Interest expense	(56)	(51)	(42)
Other income (expense), net	6	7	(19)
Income before provision for income taxes	2,754	494	1,695
Provision for income taxes	1,254	441	695
Net income	$ 1,500	$ 53	$ 1,000
Less: Net income attributable to participating securities	9	21	332
Net income attributable to Class A and Class B common stockholders	$ 1,491	$ 32	$ 668
Earnings per share attributable to Class A and Class B common stockholders:			
Basic	$ 0.62	$ 0.02	$ 0.52
Diluted	$ 0.60	$ 0.01	$ 0.46
Weighted average shares used to compute earnings per share attributable to Class A and Class B common stockholders:			
Basic	2,420	2,006	1,294
Diluted	2,517	2,166	1,508

Source: *http://investor.fb.com/annuals.cfm [7]*

4.4 CALCULATION OF FINANCIAL RATIO OF FACEBOOK INC.

4.5 INTERPRETATION AND COMMENTS ON RATIOS OF FACEBOOK INC

Short Term Liquidity Ratios	
Current Ratio = Current Assets / Current Liabilities	
Year 2012: 10.71,	**Year 2013** = 11.88
Acid test ratio = cash + cash eq + Marketable securities + acct receivable / Current Liabilities	
Year 2012 = 9.83	**Year 2013** = 11.41
Collection Period = Average acct receivable / Credit sales÷ 360	
Year 2012 = 45 days	**Year 2013** = 42 days
Capital Structure and Solvency Ratios	
Total Debt to total capital = Current Liabilities + Long term liabilities / Equity capital + Total Liabilities	
Year 2012 = 0.2217 = 22.17%	**Year 2013** = 0.1355= 13.55%
Long term Debt to equity = Long term liabilities / Equity capital	
Year 2012 = 0.1953 = 19.53%	**Year 2013** = 0.0856 = 8.56%
Times Interest Earned = Income before income taxes + Interest expense / Interest Expense	
Year 2012 = 10.68	**Year 2013** = 50.17
Return on Investment Ratios	
Return on Assets = Net Income + Interest / Av Total Assets	
Year 2012 = 0.0097 = 0.97%	**Year 2013** = 0.0943= 9.43%
Return on Common Equity = Net Income / Av Equity Capital	
Year 2012 = 0.0064 = 0.64%	**Year 2013** = 0.1102 = 11.02%
Operating Performance Ratios	
Gross Profit Ratio = Gross Profit / Net Revenue	
Year 2012 = 0.1171 = 11.71%	**Year 2013** = 0.3641 = 36.41%
Operating Profit to sales = Income from operations / Net Revenue	
Year 2012 = 0.1057 = 10.57%	**Year 2013** = 0.3562 = 35.62%
Net Income to sales = Net Income / Net Revenue	
Year 2012 = 0.0104 = 1.04%	**Year 2013** = 0.1905 = 19.05%
Asset Utilisation Ratios	
Sales to cash = Net Revenue / Av Cash	
Year 2012 = 2.6124	**Year 2013** = 2.7587
Sales to Acct Receivable = Net Revenue / Av Acct Receivable	
Year 2012 = 8.0395	**Year 2013** = 8.6127
Sales to total assets = Net Revenue / Av Assets	
Year 2012 = 0.4749	**Year 2013** = 0.9317

4.5.1 Short Term Liquidity Ratios: Facebook Inc's current ratio for 2013 is 11.88 which implies that $11.88 of current assets available to meet each $1 of current maturing obligations. The ratio has improved from the year 2012 which is a healthy sign as it indicates a lower risk. A more stringent test, the acid test ratio, indicates $11.41 of liquid assets to cover each $1of current liabilities. This ratio also shows a positive gain. The company's collection period has also shown improvement from 45 to 42 days.

4.5.2 Capital Structure and Solvency Ratios: Structure and solvency ratios refer to company's source of funding and long term financial viability and its ability to cover long term obligations. Its total debt has reduced from 22% to approx 14%. The long term debt has also reduced from 20% to approx. 9% which indicates no apparent concern with this aspect of company's financial condition. The times interest earned indicates a growth from $10.68 to $50.17 of earnings to cover each $1 of interest.

4.5.3 Return on Investment Ratios: Facebook's return on investment shows an increase from 0.97% to 9.43% which implies a $1 asset investment now generates 9.43 cents of earning before after tax interest. But shareholders are interested in management's performance and return on common equity of 11.02% is fair.

4.5.4 Operating Performance Ratios: The gross profit ratio has shown an increase from 11.71% to 36.41% which is impressive and should cover all its expenditure and would also be able to finance future direct discretionary expenditure. There is a healthy increase in operating profit to sales and net income to sales also.

4.5.5 Asset Utilisation Ratios: Facebook's asset utilization is generally stable over the two years analysis.

5.0 EBAY INC. is an American multinational corporation and e-commerce company, providing consumer to consumer & business to consumer sales services via Internet. It is a multi-billion dollar business with operations localized in over thirty countries. The company manages eBay.com, an online auction and shopping website in which people and businesses buy and sell a broad variety of goods and services worldwide. In addition to its auction-style sales, the website has since expanded to include "Buy It Now" shopping; shopping by UPC, ISBN, or other kind of SKU (via Half.com); online classified advertisements (via Kijiji or eBay Classifieds); online event ticket trading (via StubHub); online money transfers (via PayPal) and other services.

It is not a free website, but charges users an invoice seller fee on the basis of if they have sold or listed any item. EBay enables global commerce and payments on behalf of users, merchants, retailers and brands of all sizes. eBay measure its footprint in this addressable market using a metric that it calls "Enabled Commerce Volume". Enabled Commerce Volume, or ECV, is the total commerce and payment volume that runs through its platforms which eBay enable on behalf of its users, merchants, retailers and brands. ECV is the total commerce and payment volume across all three segments consisting of GMV, PayPal Merchant Services TPV and Merchandise Sales not earned on eBay or paid for via PayPal or Bill Me later during the period. The Marketplaces segment includes core global ecommerce platform, ebay.com; other localized sites around the world such as eBay.de and eBay.co.uk; related commerce platforms, including its vertical shopping websites, such as StubHub, and classifieds websites, such as Marktplaats.nl and mobile.de; and advertising services business.

In June 2011, eBay acquired GSI Commerce, Inc., or GSI, which provides commerce technologies, omni-channel operations and marketing solutions for large, nationally recognized retailers and brands that operate in general merchandise categories, including apparel, sporting goods, toys & baby, health & beauty and home.

5.1 BALANCE SHEET OF EBAY INC

eBay Inc.
CONSOLIDATED BALANCE SHEET

	December 31, 2013	December 31, 2012
	(In millions $, except par value amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	4,494	6,817
Short-term investments	4,531	2,591
Accounts receivable, net	899	822
Loans and interest receivable, net	2,789	2,160
Funds receivable and customer accounts	9,260	8,094
Other current assets	1,310	914
Total current assets	23,283	21,398
Long-term investments	4,971	3,044
Property and equipment, net	2,760	2,491
Goodwill	9,267	8,537
Intangible assets, net	941	1,128
Other assets	266	476
Total assets	41,488	37,074
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	6	413
Accounts payable	309	301
Funds payable and amounts due to customers	9,260	8,094
Accrued expenses and other current liabilities	2,799	1,916
Deferred revenue	158	137
Income taxes payable	107	63
Total current liabilities	12,639	10,924
Deferred and other tax liabilities, net	841	972
Long-term debt	4,117	4,106
Other liabilities	244	207
Total liabilities	17,841	16,209
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.001 par value; 3,580 shares authorized; 1,294 and 1,294 shares outstanding	2	2
Additional paid-in capital	13,031	12,062
Treasury stock at cost, 296 and 271 shares	(9,396)	(8,053)
Retained earnings	18,854	15,998
Accumulated other comprehensive income	1,156	856
Total stockholders' equity	23,647	20,865
Total liabilities and stockholders' equity	**$ 41,488**	**$ 37,074**

Source: *http://investor.**ebay**inc.com/secfiling.cfm [6]*

5.2 STATEMENT OF INCOME OF EBAY INC

eBay Inc.
CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31,		
	2013	**2012**	**2011**
	(In millions, except per share amounts)		
Net revenues	$ 16,047	$ 14,072	$ 11,652
Cost of net revenues	5,036	4,216	3,461
Gross profit	11,011	9,856	8,191
Operating expenses:			
Sales and marketing	3,060	2,913	2,435
Product development	1,768	1,573	1,235
General and administrative	1,703	1,567	1,364
Provision for transaction and loan losses	791	580	517
Amortization of acquired intangible assets	318	335	267
Total operating expenses	7,640	6,968	5,818
Income from operations	3,371	2,888	2,373
Interest and other, net	95	196	1,537
Income before income taxes	3,466	3,084	3,910
Provision for income taxes	(610)	(475)	(681)
Net income	$ 2,856	$ 2,609	$ 3,229
Net income per share:			
Basic	$ 2.20	$ 2.02	$ 2.50
Diluted	$ 2.18	$ 1.99	$ 2.46
Weighted average shares:			
Basic	1,295	1,292	1,293
Diluted	1,313	1,313	1,313

Source: *http://investor.**ebay**inc.com/secfiling.cfm [6]*

5.3 CALCULATION OF FINANCIAL RATIOS OF eBAY INC

Short Term Liquidity Ratios	
Current Ratio = Current Assets / Current Liabilities	
Year 2012: 1.9588	**Year 2013:** 1.8422
Acid test ratio = cash + cash eq + Marketable securities + acct receivable / Current Liabilities	
Year 2012: **1**.8751	**Year 2013:** 1.7385
Collection Period = Average acct receivable / Credit sales÷ 360	
Year 2012: 19 days	**Year 2013:** 19 days
Capital Structure and Solvency Ratios	
Total Debt to total capital = Current Liabilities + Long term liabilities / Equity capital + Total Liabilities	
Year 2012: 0.4372 = 43.72%	**Year** 2013: 0.4300 = 43.0%
Long term Debt to equity = Long term liabilities / Equity capital	
Year 2012: 0.2533 = 25.33%	**Year** 2013 = 0.2200 = 22.0%
Return on Investment Ratios	
Return on Assets = Net Income + Interest / Av Total Assets	
Year 2012 = 0.0871 = 8.71%	**Year** 2013 = 0.0751 = 7.51%
Return on Common Equity = Net Income / Av Equity Capital	
Year 2012 = 0.1345 = 13.45%	**Year** 2013 = 0.1283 = 12.83%
Operating Performance Ratios	
Gross Profit Ratio = Gross Profit / Net Revenue	
Year 2012: 0.7004 = 70.04%	**Year** 2013: 0.6862 = 68.62%
Operating Profit to sales = Income from operations / Net Revenue	
Year 2012: 0.2052 = 20.52%	**Year** 2013: 0.2101 = 21.01%
Net Income to sales = Net Income / Net Revenue	
Year 2012: 0.1854 = 18.54%	**Year** 2013: 0.1780 = 17.8%
Asset Utilization Ratios	
Sales to cash = Net Revenue / Av Cash	
Year 2012: 2.4456	**Year** 2013: 2.8374
Sales to Acct Receivable = Net Revenue / Av Acct Receivable	
Year 2012: 1.6337	**Year** 2013: 1.3359
Sales to total assets = Net Revenue / Av Assets	
Year 2012: 0.**4371**	**Year 2013:** 0.4085

5.4 INTERPRETATION AND COMMENTS ON RATIOS OF eBAY INC

5.4.1 Short Term Liquidity Ratios

EBay Inc's current ratio for 2013 is 1.8422 which implies that $1.8422 of current assets available to meet each $1 of current maturing obligations. The ratio has deteriorated from the year 2012 which is an issue of concern as the ratio in itself is very low. A more stringent test, the acid test ratio, indicates $1.7385 of liquid assets to cover each $1of current liabilities. This ratio also shows a negative trend. The company's collection period of 19 days has also remained constant over two years.

5.4.2 Capital Structure and Solvency Ratios

EBay's total debt has reduced from 22% to approx. 14%. The long term debt has also reduced marginally by 0.72% and long term debt to equity has also reduced by 3.33%. This reduction though good trend but is too less which indicates a need to evaluate company's financial conditions over a much longer period.

5.4.3 Return on Investment Ratios

EBay's return on investment shows a decrease from 8.71% to 7.51% which implies a $1 asset investment now generates only 7.51 cents of earning before after tax interest. But shareholders are interested in management's performance and return on common equity has also reduced from 13.45% to 12.83%.

5.4.4 Operating Performance Ratios

The gross profit ratio has also shown a decrease from 70.04% to 68.62%. The operating profit to sales and net income to sales has remained almost constant.

5.4.5 Asset Utilization Ratios

EBay's asset utilization indicates a marginal decreasing trend over the two years analysis.

6.0 GOOGLE INC

6.1 Overview of Google INC

Google is an American multinational corporation specialized in Internet-related services and products. These include online advertising technologies, search, cloud computing, and software. Most of its profits are derived from AdWords, an online advertising service that places advertising near the list of search results.

Rapid growth since incorporation has triggered a chain of products, acquisitions and partnerships beyond Google's core search engine. It offers online productivity software including email (Gmail), a cloud storage service (Google Drive), an office suite (Google Docs) and a social networking service (Google+). Desktop products include applications for web browsing, organizing and editing photos, and instant messaging. The company leads the development of the Android mobile operating system and the browser-only Chrome OS for a netbook known as a Chromebook. Google has moved increasingly into communications hardware. It partners with major electronics manufacturers in the production of its "high-quality low-cost" Nexus devices and acquired Motorola Mobility in May 2012. In 2012, a fiber-optic infrastructure was installed in Kansas City to facilitate a Google Fiber broadband service.

The corporation has been estimated to run more than one million servers in data centers around the world and to process over one billion search requests, and about 24 petabytes of user-generated data, each day (as of 2009).

Its Motorola business is comprised of two operating segments. The Mobile segment focuses on mobile wireless devices and related products and services. The Home segment focuses on technologies and devices that provide video entertainment services to consumers by enabling subscribers to access a variety of interactive digital television services.

6.2 BALANCE SHEET OF GOOGLE INC.

Google Inc.
Consolidated Balance Sheets
(In millions, except share and par value amounts which are reflected in thousands, and par value per share amounts)

	As of December 31,	
	2012	**2013**
Assets		
Current assets: Cash and cash equivalents	$ 14,778	$ 18,898
Marketable securities	33,310	39,819
Total cash, cash equivalents, and marketable securities (including securities loaned of $3,160 and $5,059)	48,088	58,717
Accounts receivable, net of allowance of $581 and$631	7,885	8,882
Inventories	505	426
Receivable under reverse repurchase agreements	700	100
Deferred income taxes, net	1,144	1,526
Income taxes receivable, net	0	408
Prepaid revenue share, expenses and other assets	2,132	2,827
Total current assets	60,454	72,886
Prepaid revenue share, expenses and other assets, non-current 2,011		1,976
Non-marketable equity investments	1,469	1,976
Property and equipment, net	11,854	16,524
Intangible assets, net	7,473	6,066
Goodwill	10,537	11,492
Total assets	$ 93,798	$ 110,920
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,012	$ 2,453
Short-term debt	2,549	3,009
Accrued compensation and benefits	2,239	2,502
Accrued expenses and other current liabilities	3,258	3,755
Accrued revenue share	1,471	1,729
Securities lending payable	1,673	1,374
Deferred revenue	895	1,062
Income taxes payable, net	240	24
Total current liabilities	14,337	15,908
Long-term debt 2,988 2,236		
Deferred revenue, non-current	100	139
Income taxes payable, non-current	2,046	2,638
Deferred income taxes, net, non-current	1,872	1,947
Other long-term liabilities	740	743
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock, $0.001 par value per share, 100,000 shares authorized; no shares issued and outstanding 0 0 Class A and Class B common stock and additional paid-in capital, $0.001 par value per share: 12,000,000 shares authorized (Class A 9,000,000, Class B 3,000,000); 329,979 (Class A 267,448, Class B 62,531) and par value of $330 (Class A $267, Class B $63) and 335,832 (Class A 279,325, Class B 56,507) and par value of $336 (Class A $279, Class B $57) shares issued and outstanding	22,835	25,922

Class C capital stock, $0.001 par value per share: 3,000,000 shares authorized; no shares issued and outstanding	0	0
Accumulated other comprehensive income	538	125
Retained earnings	48,342	61,262
Total stockholders' equity	71,715	87,309
Total liabilities and stockholders' equity	$ 93,798	$ 110,920

Source**: https://investor.**google**.com/**pdf [8]

6.3 STATEMENT OF INCOME OF GOOGLE INC.

Google Inc.

Consolidated Statements of Income

(In millions $, except per share amounts)

	Year Ended December 31, 2011	2012	2013
Revenues: Google (advertising and other)	$ 37,905	$ 46,039	$ 55,519
Motorola Mobile (hardware and other)	0	4,136	4,306
Total revenues	$ 37,905	$ 50,175	$ 59,825
Costs and expenses:			
Cost of revenues - Google (advertising and other)	13,188	17,176	21,993
Cost of revenues - Motorola Mobile (hardware and other)	0	3,458	3,865
Research and development	5,162	6,793	7,952
Sales and marketing	4,589	6,143	7,253
General and administrative	2,724	3,845	4,796
Charge related to the resolution of Department of Justice investigation	500	0	0
Total costs and expenses	26,163	37,415	45,859
Income from operations	11,742	12,760	13,966
Interest and other income, net	584	626	530
Income from continuing operations before income taxes	12,326	13,386	14,496
Provision for income taxes	2,589	2,598	2,282
Net income from continuing operations	$ 9,737	$ 10,788	$ 12,214
Net income (loss) from discontinued operations	0	(51)	706
Net income	$ 9,737	$ 10,737	$ 12,920

*Source: https://investor.**google**.com/**pdf/ [8]***

6.4 CALCULATION OF FINANCIAL RATIOS OF GOOGLE INC.

Short Term Liquidity Ratios	
Current Ratio = Current Assets / Current Liabilities	
Year 2012 = 4.2166	**Year 2013** = 4.5817
Acid test ratio = cash + cash eq + Marketable securities + acct receivable / Current Liabilities =	
Year 2012 = 3.9041	**Year 2013** = 4.2494
Collection Period = Average acct receivable / Credit sales÷ 360	
Year 2012 = 48 days	**Year 2013** = 50 days
Capital Structure and Solvency Ratios	
Total Debt to total capital = Current Liabilities + Long term liabilities / Equity capital + Total Liabilities	
Year 2012 = 0.2354 = 23.54%	**Year 2013**= 0.2129 = 21.29%
Long term Debt to equity = Long term liabilities / Equity capital	
Year 2012 = 0.1080 = 10.8%	**Year 2013** = 0.0882 = 8.82%
Return on Investment Ratios	
Return on Assets = Net Income + Interest / Av Total Assets	
Year 2012 = 0.1366 = 13.66%	**Year 2013**= 0.1314 = 13.14%
Return on Common Equity = Net Income / Av Equity Capital	
Year 2012 = 0.1654 = 16.54%	**Year 2013** = 0.1625 = 16.25%
Operating Performance Ratios	
Gross Profit Ratio = Gross Profit / Net Revenue	
Year 2012 = 0.2668 = 26.68%	**Year 2013** = 0.2423 = 24.23%
Operating Profit to sales = Income from operations / Net Revenue	
Year 2012 = 0.2543 = 25.43%	**Year 2013** = 0.2334 = 23.34%
Net Income to sales = Net Income / Net Revenue	
Year 2012 = 0.2140 = 21.4%	**Year 2013** = 0.2160 = 21.6%
Asset Utilisation Ratios	
Sales to cash = Net Revenue / Av Cash	
Year 2012 = 4.0527	**Year 2013** = 3.5530
Sales to Acct Receivable = Net Revenue / Av Acct Receivable	
Year 2012 = 7.5383	**Year 2013** = 7.1360
Sales to total assets = Net Revenue / Av Assets	
Year 2012 = 0.6032	**Year 2013** = 0.5845

6.5 INTERPRETATION AND COMMENTS ON RATIOS OF GOOGLE INC

6.5.1 Short Term Liquidity Ratios

Google Inc's current ratio for 2013 is 4.5817 which implies that $4.5817 of current assets available to meet each $1 of current maturing obligations. The ratio has marginally improved from the year 2012 which is a healthy trend. A more stringent test, the acid test ratio, indicates $4.2494 of liquid assets to cover each $1of current liabilities. This ratio also shows a positive trend. The company's collection period has increased from 48 to 50 days.

6.5.2 Capital Structure and Solvency Ratios

Google's total debt has reduced from 23.54% to approx. 21.29%. The long term debt has also reduced by almost 2%. This reduction is a good trend.

6.5.3 Return on Investment Ratios

Google's s return on investment is 13.14% which implies a $1 asset investment now generates only 13.14 percent of earning before after tax interest. But shareholders are interested in management's performance and return on common equity is 16.25%. The returns have remained stable over the last two years.

6.5.4 Operating Performance Ratios

The gross profit ratio has also shown a decrease from 26.68% to 24.23%. The operating profit to sales has declined by approx. 2% and net income to sales has remained almost constant.

6.5.5 Asset Utilization Ratios

Google's asset utilization indicates a marginal decreasing trend over the two years analysis.

7.0 PRICELINE GROUP INC.

7.1 Overview of Priceline Group Inc.

Priceline Group is a leading provider of online travel and travel related reservation and search services. Through their online travel agent ("OTA") services, it connects consumers wishing to make travel reservations. The company offer consumers accommodation reservations through Booking.com, priceline.com and agoda.com brands. Priceline.com brand also offers consumers reservations for rental cars (rentalcars.com), airline tickets, vacation packages and cruises. It allows consumers to easily compare airline ticket, hotel reservation and rental car reservation information from hundreds of travel websites at a click through KAYAK. The company recently acquired OpenTable, a leading provider of online restaurant reservations.

Priceline.com is an Internet-based transactional service that offers products in two categories: a travel service that offers leisure airline tickets, hotel rooms, rental cars, packaged vacations and cruises; and a personal finance service that markets home mortgages, refinancing and home equity loans through an independent licensee.

Riding on its own momentum, the company took a two-pronged approach to expanding its operations. The first of these involved exporting the priceline.com concept, signing on licensees overseas. These included the priceline.co.uk, in the United Kingdom; MyPrice in Australia and New Zealand; Priceline.com Europe, created by General Atlantic Partners and headed by former Burger King CEO Dennis Malamatinas; Hutchison Whampoa's Priceline Asia in Hong Kong; and Softbank's Priceline.com Japan. In another expansion move, the company acquired online discount travel agent Lowestfares .com, combining the Priceline model with more "traditional" online ticket sales.

7.2 BALANCE SHEET OF PRICELINE GROUP INC.

The Priceline Group Inc.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,148,651	$ 1,289,994
Restricted cash	843	10,476
Short-term investments	1,142,182	5,462,720
Accounts receivable	643,894	535,962
Prepaid expenses and other current assets	178,050	107,102
Deferred income taxes	153,754	74,687
Total current assets	5,267,374	7,480,941
Property and equipment, net	198,953	135,053
Intangible assets, net	2,334,761	1,019,985
Goodwill	3,326,474	1,767,912
Long-term investments	3,755,653	—
Other assets	57,348	40,569
Total assets	$ 14,940,563	$ 10,444,460
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 281,480	$ 247,345
Accrued expenses and other current liabilities	600,758	545,342
Deferred merchant bookings	460,558	437,127
Convertible debt	37,195	151,931
Total current liabilities	1,379,991	1,381,745
Deferred income taxes	1,040,260	326,425
Other long-term liabilities	103,533	75,981
Long-term debt	3,849,756	1,742,047
Total liabilities	6,373,540	3,526,198
Commitments and Contingencies		
Convertible debt	329	8,533
Stockholders' equity:		
Common stock, $0.008 par value, authorized 1,000,000,000 shares, 61,821,097 and 61,265,160 shares issued, respectively	480	476
Treasury stock, 9,888,024 and 9,256,721, respectively	(2,737,585)	(1,987,207)
Additional paid-in capital	4,923,196	4,592,979
Accumulated earnings	6,640,505	4,218,752
Accumulated other comprehensive income (loss)	(259,902)	84,729
Total stockholders' equity	8,566,694	6,909,729
Total liabilities and stockholders' equity	$ 14,940,563	$ 10,444,460

*Source: http://ir.**priceline**group.com/**annual**s.cfm [9]*

7.3 STATEMENT OF OPERATIONS OF PRICELINE GROUP INC.

The Priceline Group Inc.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2014	**2013**	**2012**
Agency revenues	$ 5,845,802	$ 4,410,689	$ 3,142,815
Merchant revenues	2,186,054	2,211,474	2,104,752
Advertising and other revenues	410,115	171,143	13,389
Total revenues	8,441,971	6,793,306	5,260,956
Cost of revenues	857,841	1,077,420	1,177,275
Gross profit	7,584,130	5,715,886	4,083,681
Operating expenses:			
Advertising — Online	2,360,221	1,798,645	1,273,637
Advertising — Offline	231,309	127,459	35,492
Sales and marketing	310,910	235,817	195,934
Personnel expense	950,191	698,692	466,828
General and administrative	352,869	252,994	173,171
Information technology	97,498	71,890	43,685
Depreciation and amortization	207,820	117,975	65,141
Total operating expenses	4,510,818	3,303,472	2,253,888
Operating income	3,073,312	2,412,414	1,829,793
Other income (expense):			
Interest income	13,933	4,167	3,860
Interest expense	(88,353)	(83,289)	(62,064)
Foreign currency transactions and other	(9,444)	(36,755)	(9,720)
Total other income (expense)	(83,864)	(115,877)	(67,924)
Earnings before income taxes	2,989,448	2,296,537	1,761,869
Income tax expense	567,695	403,739	337,832
Net income	2,421,753	1,892,798	1,424,037
Less: net income attributable to noncontrolling interests	—	135	4,471
Net income applicable to common stockholders	$ 2,421,753	$ 1,892,663	$ 1,419,566
Net income applicable to common stockholders per basic common share	$ 46.30	$ 37.17	$ 28.48
Weighted average number of basic common shares outstanding	52,301	50,924	49,840
Net income applicable to common stockholders per diluted common share	$ 45.67	$ 36.11	$ 27.66
Weighted average number of diluted common shares outstanding	53,023	52,413	51,32

*Source: http://ir.**priceline**group.com/**annual**s.cfm [9]*

7.4 CALCULATION OF FINANCIAL RATIOS OF PRICELINE GROUP INC.

Short Term Liquidity Ratios

Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	
Year 2014 = 3.8170	**Year 2013** = 5.4141
Acid test ratio = $\frac{\text{cash + cash eq + Marketable securities + acct receivable}}{\text{Current Liabilities}}$	
Year 2014 = 3.5765	**Year 2013** = 5.2826
Collection Period = $\frac{\text{Average acct receivable}}{\text{Credit sales} \div 360}$ =	
Year 2014 = 25 days	**Year 2013** = 24 days
Capital Structure and Solvency Ratios	
Total Debt to total capital = $\frac{\text{Current Liabilities + Long term liabilities}}{\text{Equity capital + Total Liabilities}}$	
Year 2014 = 0.4268 = 42.68%	**Year 2013** = 0.3376 = 33.76%
Long term Debt to equity = $\frac{\text{Long term liabilities}}{\text{Equity capital}}$	
Year 2014 = 0.5829 = 58.29%	**Year 2013** = 0.3104 = 31.04%
Times Interest Earned = $\frac{\text{Income before income taxes + Interest expense}}{\text{Interest Expense}}$	
Year 2014 = 34.83	**Year 2013** = 28.57
Return on Investment Ratios	
Return on Assets = $\frac{\text{Net Income + Interest}}{\text{Av Total Assets}}$	
Year 2014 = 0.2230 = 22.3%	**Year 2013** = 0.1919 = 19.19%
Return on Common Equity = $\frac{\text{Net Income}}{\text{Av Equity Capital}}$	
Year 2014 = 0.3130 = 31.3%	**Year 2013** = 0.3503 = 35.03%
Operating Performance Ratios	
Gross Profit Ratio = $\frac{\text{Gross Profit}}{\text{Net Revenue}}$	
Year 2014 = 0.8984 = 89.84%	**Year 2013** = 0.8414 = 84.14%
Operating Profit to sales = $\frac{\text{Income from operations}}{\text{Net Revenue}}$	
Year 2014 = 0.3641 = 36.41%	**Year 2013** = 0.3551 = 35.51%
Net Income to sales = $\frac{\text{Net Income}}{\text{Net Revenue}}$	
Year 2014 = 0.2869 = 28.69%	**Year 2013** = 0.2786 = 27.86%
Asset Utilisation Ratios	
Sales to cash = $\frac{\text{Net Revenue}}{\text{Av Cash}}$	
Year 2014 = 3.8039	**Year 2013** = 4.8071
Sales to Acct Receivable = $\frac{\text{Net Revenue}}{\text{Av Acct Receivable}}$	
Year 2014 = 14.3102	**Year 2013** = 15.0382
Sales to total assets = $\frac{\text{Net Revenue}}{\text{Av Assets}}$ =	
Year 2014 = 0.6651	**Year 2013** = 0.7985

7.5 INTERPRETATION AND COMMENTS ON RATIOS OF PRICELINE GROUP INC.

7.5.1 Short Term Liquidity Ratios

Priceline Inc's current ratio for 2014 is 3.8170 which implies that $3.8170 of current assets available to meet each $1 of current maturing obligations. The ratio has decreased from the year 2012. A more stringent test, the acid test ratio, indicates $3.5765 of liquid assets to cover each $1of current liabilities. This ratio also shows a negative trend. The company's collection period has increased from 24 to 25 days.

7.5.2 Capital Structure and Solvency Ratios

Priceline's total debt has increased from 33.76% to 42.68%. The long term debt to equity has also increased by almost 27%. The times interest earned indicates a growth from $28.57 to $34.83 of earnings to cover each $1 of interest.

7.5.3 Return on Investment Ratios

Priceline's s return on investment is 22.3% which implies a $1 asset investment now generates only 22.3 cents of earning before after tax interest. But shareholders are interested in management's performance and return on common equity is 31.3%. The returns have reduced over the last two years.

7.5.4 Operating Performance Ratios

The gross profit ratio has also shown an increase from 84.14% to 89.84%. The operating profit to sales and net income to sales have indicated a marginal increasing trend.

7.5.5. Asset Utilization Ratios

Priceline's asset utilization indicates a marginal decreasing trend over the two years analysis.

8.0 Consolidated Comprehensive Table for Financial Ratios (Year 2013) of all four selected companies- Inference based on Financial Ratios:

2013/Ratios	Facebook Inc.	EBay Inc.	Google Inc.	Priceline Group Inc.
Current Ratio	11.88	1.8422	4.5817	5.4141
Acid test ratio	11.41	1.7385	4.2494	5.2826
Collection Period	42 days	19 days	50 days	24 days
Total Debt to total capital	13.55%	43.0%	21.29%	33.76%
Long term Debt to equity	8.56%	22.0%	8.82%	31.04%
Return on Assets	9.43%	7.51%	13.14%	19.19%
Return on Common Equity	11.02%	12.83%	16.25%	35.03%
Gross Profit Ratio	36.41%	68.62%	24.23%	84.14%
Operating Profit to sales	35.62%	21.01%	23.34%	35.51%
Net Income to sales	19.05%	17.8%	21.6%	27.86%
Sales to cash	2.7587	2.8374	3.5530	4.8071
Sales to Acct Receivable	8.6127	1.3359	7.1360	15.0382
Sales to total assets	0.9317	0.4085	0.5845	0.7985

8.1 Facebook Inc has the healthiest current ratio and the Acid Test ratio. The ratios of Google Inc and Priceline Inc are also healthy. However, it appears that eBay Inc overcomes this lower short term availability of current assets by having the better collection period. EBay Inc has a collection period of 19 days as compared to 42 days of Facebook Inc and 50 days of Google Inc. To improve financial efficiency, it is opined that Facebook Inc and Google Inc need to reduce their Collection Period.

8.2 Debt to capital ratio depicts percent of assets financed by creditors and equity investors. Facebok Inc has lowest debt to equity ratio indicating 13.55% of assets being financed by creditors and the rest by equity investors. However, the lowest long term debt to equity indicates greater reliance on short term debt. Based on these ratios, it is opined that Facebook Inc has the safest near term financial survival and at the same time long term solvency is also healthy.

8.3 Return on assets need to be analyzed along with operating ratios. A lower return on asset ratio with a higher profit ratio indicates a lower asset turnover. It brings out the fact that the asset turnover or asset utilization is best in Google Inc and least in Ebay.

8.4 Ebay has the lowest sales to acct receivable and simultaneously lowest collection period. A low sales to acct receivable ratio is indicative of over extending credit or poor collection activity which is not so in this case owing to low collection period. It is indicative of efficiently managed system.

9.0 CONCLUSION & RECOMMENDATIONS

9.1 In developing countries, due to strong sense of hierarchical relationships (UNCTAD, 2001; Vreede et al, 1999), the extent to which top management is involved and champions e-commerce initiatives has significant impact. The findings indicates that e-commerce initiatives supported and championed by top management are likely to be successful. That is, championship builds momentum throughout the organisation and channels appropriate resources. In addition, sustaining initial commitment is a crucial issue. The initial commitment is of limited value if managers withdraw their support at a later stage (Galleries et al, 1998; Munene, 1995; Vreede et al 1999). The key lesson here is that managers in developing countries require a shift from the "ignore" and "isolate" approaches (Heeks, 1998) that they commonly maintain towards IT projects. Instead, they need to get involved actively and through out.

9.2 Organisations that cultivate broad-based buy-in of e-commerce throughout the organisation and that communicate their vision and goals as well as the extent and impact of changes to all their employees appear to be performing well. On the other hand, e-commerce might perform poorly in the absence of integration with other systems of the organisation. This will definitely be a challenge for most of the organisations that are grappling to "automate" even their basic applications.

9.3 Human, business and technological resources contribute to marketplace performance. This is consistent with the tenets of resource-based theory whereby the routines, processes, skills and other resources give them a competitive advantage in the marketplace (April and Cradock, 2000). Organisations' ability to maintain and manage their relationships with suppliers, customers and other partners occupy a central role in e-commerce. The finding in this regard reveals that building and maintaining trustworthy and economically-viable relationships and subsequently leveraging these relationships using e-commerce applications could contribute significantly towards better market performance.

9.4 The companies need to clean up their accounting and improve governance, induct seasoned independent directors, build a second line of leadership. There is requirement for these companies to reinvent themselves all over again to remain relevant in the rapidly changing technology and consumer expectation landscape. There is a need to learn how to do business at ten times their current pace, scale and efficiency.

9.5 The companies need to figure out the next billion dollar bets. They need to realize that the linear growth is a myth in this competitive era. Instead, growth is a series of S curves. Each S Curve is a new inning which the e-commerce companies have to overcome to remain relevant and successful. These e-commerce companies need to put in place processes and architecture that will support continuous breakthrough, innovation and rapid growth.

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