

# AMAZON



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amazonkindle

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There certainly have been blunders in the company’s first decade and a half. Yet following Bezos’ simple philosophy, Amazon defined online commerce and reshaped the book business. The site began to play the role of that relative, neighbour or co-worker whose book or musical taste you usually agree

## WISH LIST

- Mum
- Dad
- The kids
- Grandma
- Grandpa



“The first thing I know is that you have to obsess over customers,” says Amazon’s CEO and founder **Jeff Bezos**. That level of obsession has created the world’s biggest online retailer. Yet some analysts warn that Amazon.com has grown too big for its own good.

# THE BIG AMAZON

TEXT: WIF STENGER PHOTOS: ISTOCKPHOTO

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The site began to play the role of that relative, neighbour or co-worker whose book or musical taste you usually agree with. Recommendations by others who share customers’ tastes became a powerful tool, spawning today’s user-driven Web 2.0.

**Setting the standard.** According to **Robert Spector**, author of *Amazon.com: Get Big Fast*, “Amazon.com set the standards for buying, setting, bidding, and trading on the internet. The company tailored existing technology to suit its needs and developed its own software when ‘off-the-shelf’ products wouldn’t do.”

A central innovation was 1-Click checkout, backed by many other unseen cogs meshing into a hyper-efficient distribution infrastructure. This in turn has bred customer loyalty that makes Amazon the envy of competitors such as Barnes & Noble and Overstock.com. Only eBay has a comparable following – one which Amazon is directly trying to woo with its similar Amazon Marketplace.

One loyal customer with long Amazon experience both as a buyer and seller is author **Celeste White**, founder of Keswick House Publishers and managing editor of the California literary magazine *Hot Air Quarterly*.

“I started using Amazon as a buyer in the mid-nineties, soon after they launched,” she says. “I love it for the fact that I can find just about any title

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## Whiz kid blasts off

Earlier this year, a video of Amazon founder and CEO Jeff Bezos laughing hysterically on a TV talk show became a YouTube sensation. The video was a sign of what an iconic figure he is in the online world – and confirmed a basic tenet of the internet pioneer’s philosophy.

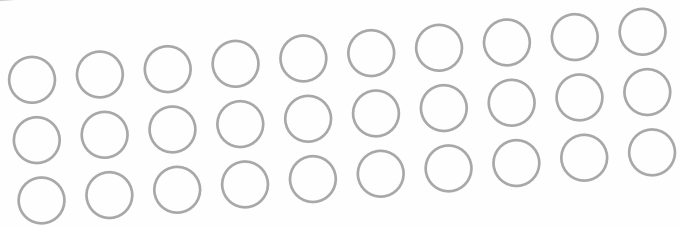
“I’ve never believed that you couldn’t be serious and have fun at the same time,” he told US News last year. “It’s perhaps most important to have fun when stumbling. You also need to have a willingness to repeatedly fail if you’re going to experiment.”

This suggests the harder side of Bezos’ personality: a shrewd micromanager who can be tough on employees and negotiating partners, a tough-skinned survivor who is able to shrug off – and learn from – failures.

Growing up in the south with a Cuban step-father whose name he bears and a Texas rancher grandfather, Bezos became a whiz-kid inventor. An ace student, he idolised Thomas Edison, Walt Disney and science fiction writers such as Isaac Asimov. Earning an honours computer degree from the venerable Ivy League university Princeton, he worked in New York, including a stint with a Wall Street hedge fund.

Moving to Seattle, known as the home of Microsoft, Nintendo, Starbucks and UPS, he launched Amazon.com in 1995 out of his garage. The rest is high-tech business history. Now 45, with four children and a net worth of nearly nine billion dollars, Bezos is fulfilling a life-long fantasy: building a spaceship on his Texas ranch.

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I'm looking for, especially living in an out-of-the-way area with no independent bookstore. I also buy DVDs and the occasional odds and ends. The very few times that I've had a problem with an order, they've taken care of it immediately and with minimal hassle. Generally,

the books are shipped quickly and arrive in good shape.

"I like the fact that readers, not just reviewers, can review titles," says White. "That helps me to get a better picture of a book that I can't examine physically."

However, as a seller, White's experiences with Amazon were not so rosy. "I liked Amazon's grassroots origins, so we began using its program for small presses, but found it too difficult to make money. Probably most readers don't realize that the publisher pays for shipping both ways. In addition, the discounts required are so deep that it's very difficult to make it work financially unless you sell a lot of volume quickly."

**Get big fast.** Volume helped Amazon survive the dot-com crash. Soon it expanded to become the world's largest electronic shopping centre, selling everything under the sun – virtually.

The firm's offerings 'from A to Z' are reflected in its logo, with an arrow swooshing between the two letters, forming a smile – meant to represent customer satisfaction. The combination attracts over 50 million visitors a month, making Amazon one of the few e-tailers to post consistent quarterly profits, even during the recession.

The company has more than tripled its revenues since 2002 and posted annual profits since 2003. However, it still has millions of dollars in cumulative losses, thanks to its aggressive investments in technology during its early years, when its motto was 'Get Big Fast'.

The undisputed top dog of e-tailing began with a simple idea: offer a big variety at low prices in an entertaining setting, complete with peer recommendations and safe, easy purchasing. From books, it quickly enlarged to sell CDs, DVDs and games, toys... and so on.

In the second quarter of this year, non-media sales for the first time outweighed books, music and films. That may be partly because Amazon has been expanding its private-label business, selling its own competitively priced brands of furniture, kitchenware and electronic accessories. By now, the site boasts more than 1000 custom-manufactured products. In

September, it announced an expansion of its fresh-grocery business, after selling non-perishable foods for years.

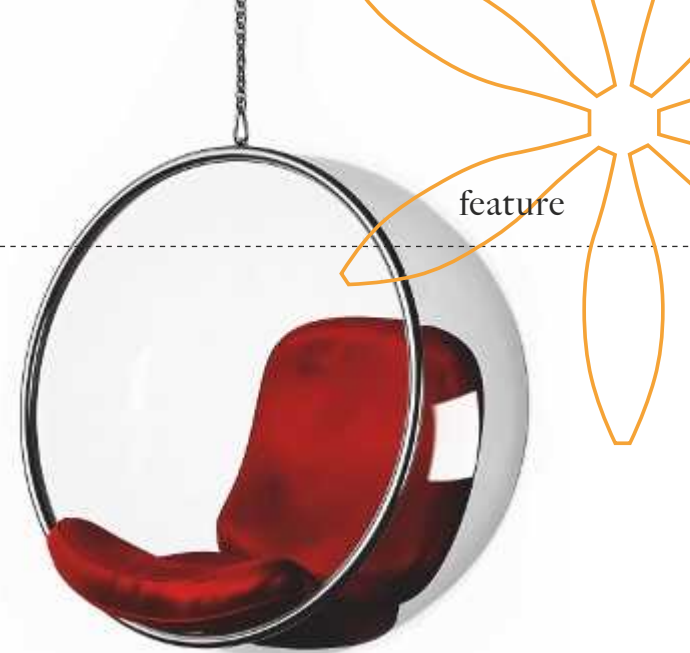
That month, its share price surged as analysts urged investors to buy, saying the company was benefiting from a return to discretionary spending. Meanwhile, Amazon's own rights-free music download system is stealing market share from Apple's iTunes. →

**NEW AND UPCOMING RELEASES**

Wärtsilä tug design

**CUSTOMER REVIEW**

Bezos has the quintessential rags-to-riches story

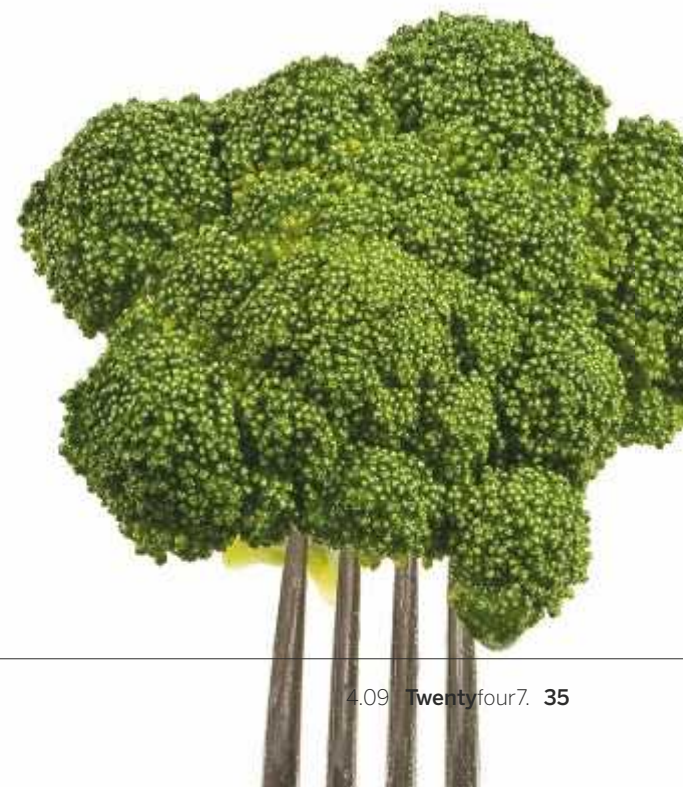


AmazonWireless.com aims to offer the ultimate selection of mobile devices and maps.

[right]

After selling non-perishables for years, Amazon is expanding into fresh food.

[bottom]





feature

**Steady growth.** Eric Savitz of Barron's declared that "Amazon.com is absolutely on fire," sparking "an investor lovefest". He notes that "Amazon continues to gobble up share." Over the past two years, its US business has been steadily growing at least 18 percentage points faster than e-commerce as a whole.

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In July, the company launched AmazonWireless.com, aiming to offer the ultimate selection of mobile phones and plans.

"We're bringing in some of the things that we're most well-known for: customer reviews, recommendations based on things you're looking at. That brings the

Amazon flavour into this new site," Paul Ryder, Amazon's VP of Consumer Electronics, told a tech blog. "Our customer base loves new products; they're early adopters of technology. Obviously they appreciate new technology because they're very comfortable shopping online."

Meanwhile, unseen to the public, Amazon has become a mighty force behind countless other e-businesses, selling software and services. Its S3 and EC2 cloud computing services are used by other companies from Microsoft to Web 2.0 start-ups. Tomorrow's e-successes may well be built on Amazon platforms.

However, stock analysts warn that the firm has a low profit margin, high P/E ratio and market capitalization of 40 billion dollars – nearly double its annual sales. Its share price is now more than 50 times as high as estimated earnings for this year.

Snapping up other e-businesses, from shoe retailer Zappos to audio-book distributor Audible to cinema site IMDb, even venturing into movie production itself, Amazon has become a sprawling conglomerate. Many say it has become too big and over-diversified, straying too far from its strengths.

Yet a company that has so many times defied the critics may well be poised to do just that again. ●

**NOVELS RATED BY AMAZON READERS AS THE BEST OF 2009**

Wolf Hall: A novel  
Beautiful Creatures



amazonkindle

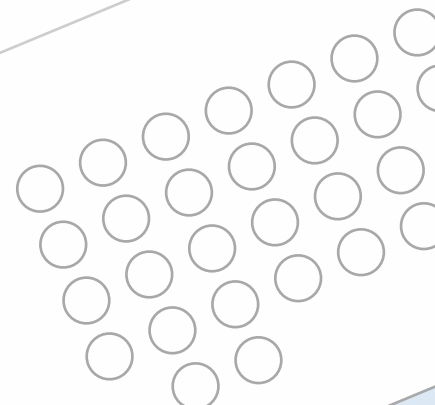
**Hi-tech papyrus**

One of the boldest – and riskiest – moves in Amazon's 15-year history came two years ago when it launched its electronic book reader, the Kindle. Critics called it ugly, hard to read, overpriced and doomed to failure because it lacked full web access. They were soon proved wrong. The popularity of the Kindle sent the company scrambling to keep up with demand, overhauling its manufacturing and distribution systems in the process.

This past February, Amazon released the Kindle2, tailored for text books and newspapers, appeared three months later. Both eradicating the initial version's bugs. The bigger KindleDX, aimed at sold briskly.

Some users continued to complain about the low contrast of the 'e-ink', its poor ergonomics and its user-unfriendly access to e-books. It also lacked an SD card slot and a light or self-replaceable battery. And there are still huge gaps in Kindle title availability – for instance no books by Graham Greene or Vladimir Nabokov.

However, in September, Jeff Bezos' alma mater, Princeton, became one of several US universities to replace printed textbooks with the KindleDX for certain courses. Says Prof. Harriet Flower, who uses the device in her course Religion and Magic in Ancient Rome: "The Kindle offers opportunities for students of classics to experience reading in a manner closer to that practiced in antiquity. The Kindle is much closer in format to a papyrus roll than to a modern book."



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