

# Jeff Bezos – How To Start A Business Transcript

Jeff Bezos:

It has been one foot on front of the other. And I think that that is true for most businesses; where you kind of proceed adaptively, it's step by step, you figure it out. You have a success, and then you kind of double down on that success and you figure out what else you can do, what customers want. Everything we've done and all the success we have is, at it's root, primarily due to the fact that we have put customers first.

Customers are always dissatisfied, even when they don't know it. Even when they think they're happy, they actually do want a better way; and they just don't know yet what they should be. And that's why I always warn people customer obsession is not just listening to customers. Customer obsession is also inventing on their behalf because it's not their job to invent for themselves.

If you already know it's going to work, it's not an experiment. And only through experimentation, can you get real invention. The most important inventions come [00:01:00] from trial and error, with lots of failure. And the failure is critical, and it's also embarrassing. And so that's why people ... When we're kids, we always are doing trial and error and we're never embarrassed. If you want a little toddler, and they will try for hours to put a square peg in a round hole. And it never works, but it doesn't keep them from trying. They try things like that, and that's how they learn.

And we all have that when we're little, and then as we get older, [00:01:30] somehow we get in our grooves, we have a set of expertise and skills, this kind of comfort zone. And you have to constantly push yourself to say, "No, I don't care about failure." In fact, I say at Amazon, "We have to grow the size of our failures as the size of our company grows. We have to make bigger and bigger failures because otherwise, none of our failures will be needle movers."

And so, I would see it as a very bad sign, over the long run, if Amazon wasn't making larger and larger failures. [00:02:00] And if you do that all along the way, that is going to protect you from ever having to make that big, kind of Hail Mary bet that you sometimes see companies make right before they fail and go out of existence.

What we are ...First of all, we want to be Earth's most customer-centric company, so we think of ourselves as a customer company. We want our brand to be known for this abstract notion of starting with the customer and working backwards. And I think those abstract brands provide more flexibility and robustness than brands that are associated with concrete things like product categories.

Want to be the amazon.com

Of the web. And what that means is, that we want to personalize the ... So there are all these things that you can only do online, like personalize. We have 20 million customers today, who want to have 20 million different stores. Each store, customized for that individual customer. And that's something that you can't even begin to-

Charlie Rose: How many stores?

Jeff Bezos: 20 million stores. If we have 20 million customers-

Charlie Rose: You want 20 million stores.

Jeff Bezos: The Charlie Rose store should not be the same as the Jeff Bezos store because we undoubtedly have some different interests.

Charlie Rose: And different products to sell.

Jeff Bezos: You'll be interested in different things than I will.

Charlie Rose: How do you stay in touch with that kind of experimentation and that kind of energy?

Jeff Bezos: Hire smart people.

Charlie Rose: And how do you go about that?

Jeff Bezos: If you don't hire ... Because a single individual cannot keep in touch with the plethora of new things happening. So what you have to do is you have to put [00:03:30] in place a recruiting process that attracts and retains smart, talented, hardworking people who want to be a part of your mission, whatever it is.

People collect themselves in a way where they like that culture, and then it becomes self-sustaining.

Charlie Rose: But then when you talk to them, when they bring out the CEO to talk to these people, what's the mission statement you tell them?

Jeff Bezos: First, it's Earth's most customer-centric company. And we have a very ... I explain what we mean by that, because we have a very precise definition for customer-centric. It means listen, invent, and personalize. So first, you have to listen to customers. Companies that don't listen to customers fail. Second, you have to invent for customers because customers that only listen to customers fail. It's not the customer's job to invent for themselves, it's our job at amazon.com to invent things like 1-Click and other things. Sales rank going from 1 to 18 million; those kinds of things that customers really like, that's our job, not theirs to think of that. And third, is personalize; take every individual customer and put them at the center of their own universe.

And then, when we talk about Earth's most customer-centric company, we mean that in a very broad way. This is bigger than amazon.com. What we want to do is sort of uplift the world wide standards for customer service and customer centricity. So this is sort of like Sony. Born right after World War II, is a company that set out ... If you go and look at their early mission statement, it was not to be known for quality, it was to make Japan known for quality; not Sony, Japan. And that's sort of what we want to do. We want to do something bigger than amazon.com.

Charlie Rose: To make what? Well, define it for me.

Jeff Bezos: It would be that we set a new example for customer service and customer centricity that other companies look at, admire, and want to emulate. And that is a mission that people can get excited about.

Charlie Rose: [00:05:30] I've talked to a lot of people who have created great companies. Most of them believe, at least in conversation with me, that if they had to start over, they could do it again.

Jeff Bezos: Well, so first of all, I believe that as hard as we have worked at amazon.com, and I'm talking about all 7,000 of us, we have also been incredibly lucky. So I believe that all-

Charlie Rose: Because of timing, or because of-

Jeff Bezos: Timing is the main thing. There are lots of things that ... Even decisions we made that were the wrong decision that somehow, miraculously worked out anyway.

Charlie Rose: [00:06:00] Yeah.

Jeff Bezos: I believe that all startup companies require huge amounts of luck. So certainly if you don't work hard and you don't have a good plan, no amount of luck will save you. But there are lots of companies that work hard, lots of companies with smart folks, and lots of them don't succeed.

Charlie Rose: When did this dream start for you?

Jeff Bezos: I don't really remember the exact day or anything, but when I was in college is when I started thinking about wanting to be an entrepreneur someday. I was [00:06:30] not the kid with the lemonade stand. I wasn't one of these kids who was always trying to raise money. I always wanted to be a scientist when I was little. But I had also always loved computers. I was lucky because at my age, this is unusual to have access to a mainframe computer from my elementary school when I was in fourth grade, and quickly learned that there was a preprogram Star Trek game on that computer. And then, I never did anything except play Star Trek with the computer, so I don't know how formative that was. It certainly helped my Star Trek knowledge [00:07:00] considerably.

But I've always loved computers. Somewhere in college, I started watching some of the people who were setting up college pizza delivery services, and kind of the core entrepreneurs, and thinking, "You know, this looks like a really fun thing to do."

Charlie Rose: When will this be a profitable company? When will I see in your annual report, bottom line, profitability?

Jeff Bezos: We will tell them, "Thanks for asking. [00:07:30] But we're not going to share that information."

Charlie Rose: Because what we're doing is more important to us in the long-range health of this company?

Jeff Bezos: No, that's not ... Just to be clear, no one cares more about profitability than amazon.com. And we're actually putting more focus on it today internally than we did a year ago.

Charlie Rose: Why?

Jeff Bezos: The reason is that the scale of our business is such, so now we have annualized revenues of about two and a half billion dollars a year. Let me give you ... That means that if you can make a one percent [00:08:00] improvement in efficiency, and believe me, we have these little one percent improvements laying all over the place to be picked up, it's an opportunity. And if you make a one percent improvement, that's 25 million dollars to the bottom line.

If you had a company with a few thousand dollars in annual revenue, or a million dollars, or 10 million dollars, to spend any time at all on trying to get that one percent improvement in efficiency would be crazy. You should be spending that [00:08:30] time trying to get more revenue so that you have more operating leverage so that then when you do the operating efficiency improvements.

So the simple answer to your question is, so that you get more leverage, the simple answer is we just have such a big company now, in terms of revenues, that it would be irresponsible not to focus on efficiency.

Charlie Rose: What do you say to them? If they say, "Give us some free advice, Jeff. You're coming down road and we know how fast you were going [crosstalk 00:08:55]"

Jeff Bezos: The physical stores?

Charlie Rose: Yeah.

Jeff Bezos: Well, the first thing I would say is we're talking [00:09:00] about 15 percent, not 100 percent, so I think even over 10 plus years. The second thing I would say is

figure out what your strengths are, and emphasize those. One of the things I do think you see is companies that are great in the physical world spending too much time, energy, and attention online. And I think they should have a certain amount of skepticism when I say this, because of course I'd like them not to do that. But I really do believe it's the [00:09:30] truth.

I really do believe that they could ... Let's say you have two really big competitors in the physical world and one of them decides to go whole hog for the internet, and the other one says, "You know what we're going to do? Is we're going to just try to get a bigger piece of that 85 percent and really focus on our physical world business while our competitor is distracted." I actually think that would be a very good strategy, and it's what I might do if I were in their position.

Charlie Rose: Are you serious?

Jeff Bezos: Yeah.

Charlie Rose: So you'd say to Barnes & Noble [00:10:00] and Borders, "Forget this online stuff and just take care of your own business."

Jeff Bezos: Well, I would certainly say that. But I actually do believe that the skill sets are so different. I've always said-

Charlie Rose: But that's a different reason. They can't acquire the skills.

Jeff Bezos: They can acquire them, but slowly. And meanwhile, if they had ... Right now, they're not getting hurt very much because I think all of the ... If you take a segment like books, I think Borders and Barnes & Noble are equally distracted with online.

Charlie Rose: Yeah.

Jeff Bezos: [00:10:30] But I'd say if one of them had decided to just focus on their physical business while the other one was distracted with online, that could have been a tactical advantage for [crosstalk 00:10:39]

Charlie Rose: So you're saying Barnes & Noble, for example, probably by so focusing and looking what to do to your challenge and getting online, probably lost some ...

Jeff Bezos: I do think that's true. And I think that ... And I've always said too, that in my opinion, it would have been easier for Barnes & Noble ... And by the way, I picked them because they're a great physical [00:11:00] world retailer.

Charlie Rose: And they know a lot about how to sell books.

Jeff Bezos: They do a fantastic job. Probably one of the best physical world retailer. You compare them to the electronics guys, who I love to compete with because I think they're terrible.

Charlie Rose: Yeah, exactly.

Jeff Bezos: But Barnes & Noble's always done a great job. But I think it would have been easier for them to open a new chain of hardware stores than it was to sell books-

Charlie Rose: They could have found a better place to spend their time and money.

Jeff Bezos: The two businesses are actually so similar.

Charlie Rose: Won't be going for new financing in 2001.

Jeff Bezos: We don't need to. We've always said that we [00:11:30] reserve the right to in the case of we may want to increase the strength of the balance sheet, or for strategic reasons. We always reserve our flexibility. But we've said we don't need to.

Charlie Rose: So we're not going to be running out of money any time soon?

Jeff Bezos: No.

Charlie Rose: The other question that comes up is, in terms of this profitability thing, that everybody ... And inevitably, if you talk to you, you have to ask. It is, you have already pinpointed the last quarter of the year 2001, right?

Jeff Bezos: Mm-hmm (affirmative).

Charlie Rose: And that is or with not taking [00:12:00] and counting the interest that you have to pay on the money you borrowed?

Jeff Bezos: Not counting the interest. So this is the first step for us. What we've set as a goal is a pro form of operating profit this Q4. And so, the operating versus net. So a net profit would include the interest expense, and operating profit does not.

Charlie Rose: So you have an operating profit at the end of this year.

Jeff Bezos: That's what we're going for.

Charlie Rose: It's a goal, or are you pretty sure about this?

Jeff Bezos: Well, we resisted [00:12:30] for five years answering that question. SO we have a high degree of confidence. But at the same time, whenever I say that, I always

tell people that there are no guarantees, there's a lot of work to be done between now and then. But we're on track.

What startup companies do is they take their precious early capital dollars and systematically eliminate risks; that's what they do, the successful ones.

Charlie Rose: Mm-hmm (affirmative).

Jeff Bezos: What we worry about now [00:13:00] is that we don't do our job. And I'll tell you one of the things in this period that I kind of like, is that it's a lot easier in the year 2001 for amazon.com, as a company, to be humble working our butts off, than it was in 1999 when the world believed we couldn't lose. We're a company ... You know, it's kind of handy to be an underdog.

It's also very important, when planning a business like this, I think to look at what is the brand promise that you're going to make [00:13:30] to customers. And the brand promise that you make has to actually coincide very, very closely with the things that you can deliver; kind of an important but sometimes overlooked component, I think. And in our case, that led to the name of amazon.com; Earth's biggest river, Earth's biggest book store.

And we wanted to use this large selection to be able to build an authoritative store. Authoritative means a few things: authoritative selection, [00:14:00] authoritative prices, and authoritative information about books so that you can make a purchase decision. And the internet allowed us to do all of those things. We could have more selection, we could also have lower prices because we don't have to have retail real estate in high traffic areas that's very expensive. Inventorying books in this spaces, is very expensive. We get to inventory our books in very low-cost warehouse space. It's also possible to have more information online about products than [00:14:30] you could ever have in a physical shopping environment. So you can really build an authoritative store.

We opened the store in July of 1995, almost three years ago now, after doing about a year of software development. At this point, our sales are about the equivalent of 50 of those big chain super stores. And the interesting thing is that we opened the equivalent of 12 of those super stores in just the last three months. We ship books regularly to over 160 [00:15:00] different countries.

I believe that the primary success factor for amazon.com has been an obsession over the customer and focus on customer service. This is clearly important in any business, but especially important online. And the reason for this is that word of mouth is incredibly powerful online. If you make a customer unhappy on the internet, they won't tell five friends, they will tell five thousand friends. Likewise [00:15:30] of course, if you can make a customer happy by meeting or exceeding their expectations, they can also tell five thousand people and be evangelists for you; they can use the internet as a megaphone. So it's very important to do the things that you actually are going to claim to do. And what

this means to me is the balance of power has shifted away from the merchant, and toward the consumer; which is a great thing, I think, for everybody involved. And it's even great for the merchant, as long as the merchant realizes it.

One [00:16:00] of the statistics that we track most carefully at amazon.com, because we believe that this is so important, is the infraction of orders we receive everyday that are from repeat customers. And that number has consistently gone up, and it's now over 58 percent of our orders that we receive everyday, even in the context of very rapid new customer growth.

One of the great things, too, online is that the customers help you figure out what you're doing wrong and how to do things better. Email is this great [00:16:30] medium for receiving feedback because somehow email turns off that little piece of everyone's brain that causes them to mostly be polite. So what happens is, if you go into a restaurant and have a bad meal, very rarely ... You're trying to have a good time. I never go into the kitchen, grab the chef by the scruff of the neck, and say, "You know, you really shouldn't be cooking." But online with email, that will happen in a heartbeat. And [00:17:00] we've benefited greatly from that, and have, I believe in the three years that we've actually been doing business, I suspect we've received more feedback, both positive and negative, people helping us improve our service, than probably most business establishments have received in the last 20 years.

But we do work very hard. We'll never make amazon.com fun and engaging in the same ways that great physical bookstores are. You'll never be able to hear the bindings creak, and smell the books, and have lattes [00:17:30] and soft sofas at amazon.com, but we can do completely different things that will blow people away and make the experience an engaging and fun one. And I'll talk about some of the stuff that we can do in the future a little later.

There are dozens of off the shelf systems you can buy to handle inbound phone calls into a call center, and so on. We get thousands of email messages from our customers every day, and there aren't any great off the shelf inbound email center software packages yet. There will be. So we've had to write our [00:18:00] own. In fact, about 85 percent of all of our software development to date has actually gone in to the back-end systems that are completely invisible to customers; the logistics systems that handle two and a half million different items in six different availability categories.

Early on, we looked at, could be buy a software package that would do the logistics for us. And the problem is that if you look at the available packages that are built for mail-order companies, they typically have just two availability categories: in stock [00:18:30] and back-ordered. And we actually have six because we have books that are: shipped within 24 hours, 2 to 3 days, 1 to 3 weeks, 4 to 6 weeks, not yet published, shipped when available, and one more,

out of print, shipped within 1 to 3 months if we can find it at all. So some of this stuff just has to be done the hard way.

Charlie Rose: When you look at a magazine today, most of the ads are .com ads. When you look at television, an increasing number are.

Jeff Bezos: That won't be true anymore.

Charlie Rose: Because they have no money, or?

Jeff Bezos: Yes.

There [00:19:00] was a very irrational set of behaviors in 1999. There were companies had raised 60 million dollars ... There were lots of rational companies too. Okay? But there were lots of irrational ones. And they would raise 60 million dollars in venture capital and spend half of it, half of their cash, in a single quarter.

Charlie Rose: Or a single ad in the Super Bowl, or something.

Jeff Bezos: That's right. And that is ... The way the market works: the market [00:19:30] learns and then the market teaches. And what the market learned in Q4 of '99 is you cannot build a well-recognized national brand for 40 million dollars spent in a single quarter. It actually takes years and hundreds of millions.

Charlie Rose: I'm hear to tell you that's true. You don't get it over night.

Yes?

Speaker 3: Jeff, on of the advantages you had when you started is, if you look at your average order size, it was perfect for Visa, MasterCard, Discover, whatever you want. I think a lot of people, like my 16 [00:20:00] year old who uses Napster, would be willing to pay 99 cents if they could. Do we need a new payment system for things like next generation electronic intelligence and data?

Jeff Bezos: I suspect that there will be ... Of course there are lots of ... It's a really interesting question because I would say in theory, yes. But I would also say in practice, there have been dozens of companies that have gone down in flames trying to create these new payment systems, and not for lack through lack of technology.

Speaker 3: That's part two of my question.

Jeff Bezos: [00:20:30] So I don't know the answer to that. It's something I've puzzled over, myself. It's a hard nut to crack because I think it's a chicken and egg kind of problem. No merchants want to use the payment system until millions of customers are using it, and no customers are using it until merchants are using

it. So these are tricky things that probably get established very slowly. Perhaps it's going to take American Express or Visa or somebody, we'll have to wait and see how that develops. Probably some major market participant will have to really lead the way there.

[00:21:00] Well, I think it's different in all the categories. There are different ways of thinking about competitors. There are competitors that we learn from, and those tend to be other online companies that we can try to see: how are they sort of seeing their customers, what are they doing right, what are they doing wrong, how can we learn from that? And then, there are competitors who have customers. So those would usually physical world companies. So when we look at where our next 10 [00:21:30] million customers are going to come from, they're not going to come from other online companies because those companies today are too small to really provide that customer base. They're going to come from the physical world.

So most of the time, I would say we look at the physical companies. We have a tradition at amazon.com, which I think is very healthy, and I am a broken record on this inside the company, of asking people to be terrified not of our competitors, but of our customers because ... And try to be a customer obsessed, [00:22:00] as opposed to a competitor obsessed company. What we love is if we're heads down focused on our customers, and if our competitors are heads down focused on us, that's our preferred state of the world.

- Charlie Rose: What percentage of your sales come from outside the United States?
- Jeff Bezos: 22 percent.
- Charlie Rose: And what do you think the possibilities of that growth is? Five years now, it'll be 50 percent, or 60 percent?
- Jeff Bezos: Well, I don't want to attach a timeframe to it, but I think that over a long period of time, it may be 50 percent outside the U.S.
- Charlie Rose: Doesn't it make you feel like this when you think about all those people in China?
- Jeff Bezos: [00:22:30] One step at a time.
- Charlie Rose: Yes?
- Speaker 4: What's the next really big thing that's not incremental in the planet where everybody's connected to everybody?
- Jeff Bezos: First of all, I think there are some amazing inventions to be made in this world that I think will shock people; and some of those, we've already got on the

drawing board and are working on any they'll roll out over the next couple of years.

The mission we have, which is at the top level, the one thing that I think won't change [00:23:00] 10 years from now, 20 years from now, is Earth's most customer-centric company. That's what we're trying to do. Within that, we have a vision, which is to build a place where people can come to find and discover anything that they might want to buy online. Now it doesn't mean we're going to sell all those things ourselves directly, but it does mean we're going to help people find them. And we've put a lot of effort into personalization tools, search tools, different kinds of discovery tools that help people find products and [00:23:30] products find people, which is something you can really only do effectively online.

Charlie, one of the reasons that we have expanded into these new categories is because our customers have asked us to do it. And you can have a brand name which stands for a particular product category, but in my opinion, that brand will not be as valuable and robust as a brand which stands for something more abstract. So I would claim that the best brands in the world don't stand for a product category, [00:24:00] they stand for something at a higher level.

In our case, what we want Amazon to stand for is starting with the customer and working backwards. So that limits us. For example, when we do things, we have to have some twist; there has to be some innovation, there has to be something where customers are saying, "Yeah, that's what I would expect from Amazon, that's they're doing this in a way, an Amazonian way." But it doesn't limit you to books.

Charlie Rose: Okay. But then it does limit you to make choices.

Jeff Bezos: Indeed, absolutely.

Charlie Rose: And why PC and why [00:24:30] not cars? Well, we talked about cars before. But just take PC because to the uninitiated eye, business that's over-saturated, it's a business that's very competitive, and it's a business that is on the downside rather than the upside.

Jeff Bezos: Right.

Charlie Rose: So why do we want to be in that business?

Jeff Bezos: Well, that's a good question. And just for clarification, this is more about how do we choose product categories from a business point of view rather than will customers assume that that business fits into our brand name.

Charlie Rose: Looking at [00:25:00] the experience you've have over the last three years, just take three years. Over the last couple of years, was part of the business plan simply to grow faster? Would you change it, in hindsight?

Jeff Bezos: I don't think so. I think we have, for the most part, made the right set of trade offs. One of the things that you have to know about e-commerce is that it's a scale business. What that means is that it's very, very difficult to be a small or medium sized [00:25:30] e-commerce company.

Charlie Rose: As many, many, many, many have found out.

Jeff Bezos: As many are finding out.

So the difficulty there is because they're big fixed cost investments, so you have to write a bunch of software. And it's just as expensive to write that software if 10 customers use it as it is if 20 million customers.

Charlie Rose: Some say that the core competency you have is the best software around.

Jeff Bezos: Well, I certainly think that is one of our core competencies, and perhaps even one of our most [00:26:00] important. I think they brand name that we've developed over the years would clearly be another. I think the customer base that we have would be another asset that we've developed over the years. I think there are several.

But certainly, the e-commerce software that powers Amazon is the only demonstrated e-commerce software in the war at that scale. So there really aren't other e-retailers doing that volume of transactions. And it's difficult to build software that scales [00:26:30] and is feature rich. That's been one of, I think, one of the key ways we've built our reputation. And people see the front-end they see the website. I'll tell you, the majority of our effort has gone into the software systems on the back-end that do customer service, that let customers do self service-

Charlie Rose: Distribution?

Jeff Bezos: Distribution and fulfillment, [crosstalk 00:26:50] the logistics. That sorting nightmare, which we actually love. We like things to be hard because then you can get competitive advantage from it.

Charlie Rose: Biggest mistake you've made so far?

Jeff Bezos: [00:27:00] Well, I think the biggest mistake that we've made is a couple of years ago, we started investing in a series of smaller or medium sized e-commerce companies. And of all the companies that perhaps, in hindsight at least, could have known better, probably us. Because we did know that the fixed costs in this business were high.

Charlie Rose: So what happened?

Jeff Bezos: Well, I think that one of the things that we were very convinced of, and indeed it was definitely true in [00:27:30] the earlier days, is that there was a land-rush phase to internet. And so, when we saw product categories that we thought were important to our future, but they weren't the ones we were going to do first, so these were things we wanted to do at some point. You can take any of the pets.com, wine.com, there were a bunch of things that we were invested in that didn't work out. But we knew we weren't going to do those things any time soon, but we wanted [00:28:00] placeholders in those industries so that later, perhaps we could fold those companies back into amazon.com. So that was driven by a mentality, which was a land-rush mentality.

As Andy Grove has told countless audiences to be paranoid, and it pays to be humble and paranoid; hard to be actual paranoid enough if you're not humble. And we were very worried about what ... Barnes & Noble would be able to do with their purchasing power and their [00:28:30] brand name. We decided instantly that we weren't going to let the purchasing power get in the way, so we were going to fund any purchasing power difference. So we would have the same prices no matter if our margins were lower, and then we would adapt a strategy of "get big fast" so that we could eventually level the playing field in terms of purchasing power. And that became a consistent focus of ours that we have articulated now to Wall Street and everybody else. And it's actually, at this point, quite a well-understood [00:29:00] strategy.

But we let our mantra be that we were going to obsess over our customers and not our competitors. So we'd watch our competitors, learn from them, see what things they're doing good for customers and copy those things as much as we can, but we were never going to obsess over them. And that became our watchword. And it's actually worked very well.

Since Barnes & Noble launched their site, we've gone from having a revenue run rate of about 60 million dollars a year, so a revenue run rate of having 260 million dollars a year. [00:29:30] And I am convinced that ... That there are two things. A company like amazon.com can only compete against a much larger company if you really do offer a better service. We'd know by anecdotal evidence, focus groups, and quantitative research that there are three things that are important to our customers: selection, ease of use and convenience, and price. And so, everyday we work on making sure that each of those three things are better at amazon.com than they are [00:30:00] anywhere else.

And we have the saying that ... People ask me sometimes, "Are your customers loyal to you?" And I say, "Absolutely. Right up until the second that somebody else offers them a better service." So we work on that very hard. And then, I think the thing that makes it work for us is the word of mouth. And its that 58 percent of repeat customers everyday, the 58 percent of orders from repeat

customers. Those people are our evangelists and help us sign up new customers.

The most interesting [00:30:30] thing, though, is that I firmly believe this is day one. This is a time when we know very little about e-commerce and very little about e-merchandising. We're also working on product expansion, so we want to leverage our customer base, our competencies, and our brand name into products like music and videos.

I also think that corporate cultures are incredibly important, and they're one thing that can never be copied; competitors can never copy a culture. The unfortunate thing, [00:31:00] I think for businesses and entrepreneurs, is that you can set out from the very beginning with a particular culture that you want to form in mind, as we did. Our watch phrase for that was "intense and friendly", and we always talked about it in the sense that you have to be intense. And intense, if you ever had to give up friendly in order to have intense, we would do that. So if we needed to be intense and combative, we'd do that before we'd be not intense.

So you can start out with the way you [00:31:30] want things to be, and then really your early employees become the beginning that you carry around; they carry around the flame of what your culture begins. So I think you mostly ... It's a blend of 30 percent what you set out for it to be, 30 percent who your early employees happen to be, and 40 percent random chance. And the bad thing about the random chance part is that once it's set, you've got it; there's really [00:32:00] no way to change a corporate culture.

Speaker 5: Could you talk a little bit about who you've selected those seven people who are in that garage and whether they've evolved with the company?

Jeff Bezos: When we are looking for people, we're looking for intense, hardworking, smart people who want to be part of what we're doing. So passion is a part of it. Just plain old smarts, sort of high IQ, brainy people; we really like that. And people who can hire other [00:32:30] great people. When I interview somebody, I actually spend about a third of the interview asking them questions designed to ascertain whether or not they can hire great people, so it's sort of the meta interview. And different businesses have different criteria, but in this business ... We've reached an interesting inflection point where I would say 70 percent of the risk now, to amazon.com, is execution risk; so it's inside the company, it's [00:33:00] our ability to stumble. We've basically gotten past the point where 70 to 80 percent of the risk was external and where we needed a huge amount of luck to get to where we are now.

Now, all we need is a clear, consistent vision and the ability to execute on it very, very well at high speed. And that second piece comes from having large numbers of talented employees with lots of executive bandwidth to help guide them.

You need to identify [00:33:30] your big ideas; and there should only be two or three of them. And then, if a senior leader ... The main job of a senior leader is to identify two or three important ideas, and then to enforce great execution against those big ideas. And the good news is that the big ideas are usually incredibly easy to identify; you shouldn't need to think about them very much, you already know what they are. Let me give you an example. For Amazon, the consumer business, [00:34:00] the three big ideas are: low prices, fast delivery, and vast selection. The way you know that they're the big ideas is because they're so obvious. The big ideas should be obvious. And by the way, it's very hard to maintain a firm grasp of the obvious at all times. And the good thing about these big ideas is they will be stable in time.

Speaker 6: Jeff was talking to [00:34:30] us once about what to focus on as we ... Jeff's an investor in Base Camp, and he's the only investor in Base Camp. And we were talking to him about our long term growth. We want to be in business for 20, 30, 40 years. We want to be here for a long, long time. So I was asking him about that, and he said, "The secret to that is to focus on the things that don't change in your business." So to give you an example, he said, "Okay. At Amazon, people are not going to wake up 10 years from now and go [00:35:00] 'I wish Amazon selection was worse.'" People want great selection now, and they're going to want great selection later. So we can invest in what it would take to offer a wide selection of products.

People 10 years from now are not going to go, "I wish it took longer to get a part I purchased from Amazon. So people today want fast shipping, and they're going to want faster and faster and faster shipping in 10 years. So they can invest heavily in the infrastructure it takes to deliver packages faster, or make them more available, or whatever the things are. People in 10 years are not going to wake up and go, "I wish Amazon's customer service [00:35:30] was rude." They're going to go, "I wish it was better and friendlier." And so, that's going to matter today and tomorrow.

If you can make big investments in those things, those things are the things that are going to pay off over the long term versus chasing trends, what's hot right now, how are people working right now. So for our business, we thought a lot about this, and for us, customer service is a key thing. Right now, if you email us a question, our customer service team a question, you will get an answer in under two minutes, 24/7.

Speaker 7: Wow.

Jeff Bezos: So I know for a fact that 10 years from now, [00:36:00] customers are still going to like low prices. No matter what happens with technology and everything else. No matter what happens, people are going to like faster delivery. It is impossible for me to imagine a scenario where 10 years from now, a customer comes to me and says, "Jeff, I love Amazon. I just wish you delivered a little more slowly." This is so inconceivable, that you can have great conviction as a leader to

continue to put energy into driving [00:36:30] speed of delivery. And whatever your ... In AWS, I know that customers, they like low prices, they like availability, they don't want the services to be down, they like data security. It's not very hard to figure out what the big ideas are. And then, you can keep putting energy into those things. And you spin up those [inaudible 00:36:49] wheels, and they'll still be paying you dividends 10 years from now. Make sure that you picked things that'll still be true 10 years from now, 20 years from now.