

AMAZON.COM GET BIG FAST

Inside the Revolutionary Business
Model That Changed the World

ROBERT SPECTOR

ROBERT SPECTOR is the author of *The Nordstrom Way*. He has previously worked as a reporter on business for *USA Today*, UPI International, *NASDAQ Magazine* and *Women's Wear Daily*. He appears frequently on television and radio. A native of Perth Amboy, N.J., and a graduate of Franklin & Marshall College, Lancaster, Pa., Mr. Spector lives in Seattle. His Web site is located at <http://www.robertspector.com>.

SUMMARIES.COM is a concentrated business information service. Every week, subscribers are e-mailed a concise summary of a different business book. Each summary is about 8 pages long and contains the stripped-down essential ideas from the entire book in a time-saving format. By investing less than one hour per week in these summaries, subscribers gain a working knowledge of the top business titles. Subscriptions are available on a monthly or yearly basis. Further information is available at <http://www.summaries.com>.

1.

Most people are aware the founder of Amazon.com was Jeffrey Bezos – courtesy of his numerous appearances in business magazines, television interviews and other media.

The key events in his life prior to the establishment of Amazon.Com were:

- Jeff Bezos was born in New Mexico on January 12, 1964. His mother, Jacklyn Jorgensen divorced and remarried Mike Bezos who legally adopted Jeff when he was five years old. Mike Bezos was a petroleum engineer who moved from assignment to assignment with Exxon quite frequently. Jeff spent much of his formative years in Houston, Texas before moving to Pensacola, Florida.
- Jeff Bezos started studying at Princeton in the fall of 1982 majoring in electrical engineering and business administration. He graduated summa cum laude in 1986 with a grade point average of 3.9 and was elected to Phi Beta Kappa. For his thesis, Bezos designed and built a computer which calculated DNA edit distances. He also had summer jobs working as a programmer / analyst for Exxon and IBM.
- On graduation in May 1986, Bezos was recruited by Intel, Bell Labs and Andersen Consulting but ultimately ended up accepting the position of manager of administration and development at a financial telecommunications company called Fitel. Bezos oversaw the establishment of an international telecom network which simplified the transfer of transaction data from banks in one country to another. Less than a year later, Bezos became Fitel's associate director of technology and business development and he launched *Equinet* -- a network which linked investors, brokers and banks across national boundaries.
- In April 1988, Bezos moved to Bankers Trust Company where he was appointed assistant vice president for Global Fiduciary Services. This was quite an accomplishment since, at age 26, he was the youngest vice president in the history of Bankers Trust. Bezos managed the establishment of a communications network which linked Bankers Trust with more than one hundred Fortune 500 companies for the management of pension and profit-sharing plans – more than \$250 billion in assets.
- By 1990, Bezos was ready to move on to a new challenge and a headhunter put him in touch with David Shaw, the founder of his own quantitative hedge fund company. Starting with \$28 million in capital in 1988, Shaw (who held a Ph.D. in computer science from Stanford University) had built the most technologically sophisticated firm on Wall Street. Bezos was hired as a vice president in 1990, and two years later, at age 28, he became the firm's youngest senior vice president.
- In 1993, Jeff Bezos married Mackenzie Tuttle, a research associate on the staff of D.E. Shaw & Co.
- When the Internet started to become more widely known in commercial applications in 1993, David Shaw assigned Jeff Bezos the job of analyzing profitable Internet business possibilities. Bezos was astonished to learn Web usage was growing at a rate of 2,300-percent per year. Approaching the task systematically, Bezos compiled a list of 20 products that could be sold on the Internet. He came up with computer software, office supplies, apparel, music. But surprisingly, books, were at the top of the list.

There were several things about the concept of selling of books on the Internet which Jeff Bezos thought created an opportunity that did not exist in any other industry:

1. The book industry was large yet fragmented. That meant there weren't just a few dominant publishers with sufficient leverage to freeze out a new distributor. (More than 3 million titles are in print around the world).
2. Changes were already occurring in the sale channels, with the establishment of the discounters (Crown Books) and the superstores (Barnes & Noble and Borders).
3. An online bookstore would have a competitive advantage no physical store could match – a huge number of titles. In addition, it could also be programmed to respond to the preferences and buying history of individual customers.
4. Books could readily be acquired from distributors or publishers on a sale or return basis – making it possible to give a “satisfaction guaranteed” promise with each book sold.
5. Mail order was a small but growing part of the industry.
6. There were only two companies which had started selling books through the Internet in 1992 -- Computer Literacy of San Francisco (www.clbooks.com) and books.com which was owned by Charles Stack, a lawyer / software developer from Cleveland Ohio. (Before Amazon.com would get started, wordsworth.com would also be established by Wordsworth's of Cambridge, Massachusetts).
7. Everyone understands what a book is. There isn't any need to talk about product specifications -- a book that could be purchased over the Internet was exactly the same as something that was available in a physical store.

The more Jeff Bezos studied the concept, the more enthusiastic he became. His boss, David Shaw, didn't share the same vision, so Bezos informed him he was leaving to start his own company selling books over the Internet.

While in hindsight, this may look like an easy decision, the fact that Bezos was giving up the security of a seven figure annual income on Wall Street to pursue a business opportunity on something new called the Internet made it a tough call.

“When something is growing 2,300-percent a year, you have to move fast. A sense of urgency becomes your most valuable asset. I knew that when I was eighty there was no chance that I would regret having walked away from my 1994 Wall Street bonus in the middle of the year. I wouldn't even have remembered that. But I did think there was a chance that I might regret significantly not participating in this thing called the Internet, that I believed passionately in. I also knew that if I tried and failed, I wouldn't regret that. So once I thought about it that way, it became incredibly easy to make that decision.”

– Jeff Bezos

“Outside of Bill Gates, I think there are few other people who share Jeff's deep technical understanding and combine it with highly refined strategic and tactical insights. Jeff is one of the few hard-core developers who can do other things. He always had this dream of starting his own company.”

– Halsey Minor, founder and CEO of C/NET Inc., a leading Internet technology news and information companies

“Second-phase automation is the common theme that has run through my life. The first phase of automation is when you use technology to do the same old business processes, but just

Summaries.Com

The Ultimate Business Library



We condense **300+ page** business books into **8-page** summaries.

By reading summaries, you'll get the **key ideas** in **30 mins**, so you can spend more time turning your ideas into **dollars**.

Knowledge is Power — Invest in Your Future

For just **\$2 per week**, you will...

- Learn from the mistakes and success of the smartest people in business;
- Get fresh ideas, strategies & motivation that could be worth millions to you;
- Follow emerging trends, so you can catch the wave before your competitors do;
- Catch up on the classics you always wanted to read.

1,000 Top Business Book Summaries

Our catalog includes summaries on a range of topics for aspiring entrepreneurs, managers, and consultants.

BUSINESS PLANS

MANAGEMENT

PRESENTATIONS

SALES

LEADERSHIP

MOTIVATION

STRATEGY

AND MORE

