



Amazon's Culture of Innovation



Customer Engagements – Past and Present



THOMSON REUTERS



MELIÀ
HOTELS
INTERNATIONAL



portbase®
home of logistics intelligence



Why is innovation important today?

- Is it a necessity or a potential distraction?
- How does it help us survive 'now'?
- Does the “new normal” present new opportunities?

How have different innovation strategies fared?

Probability of achieving market leadership post downturn

Aggressive cost cutters: **21%**

Bold investors: **26%**

Balanced Movers **37%**

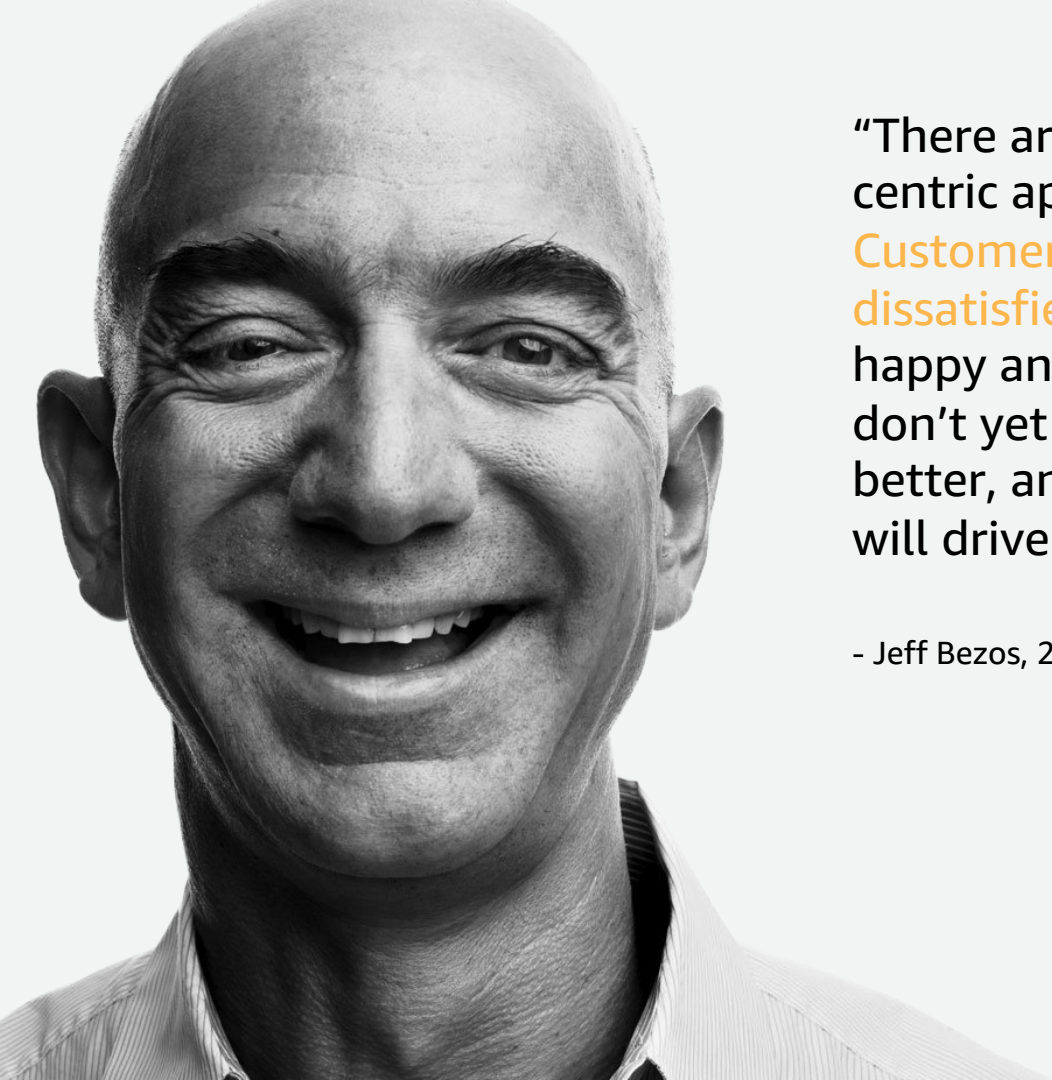
Source: Harvard Business Review, “Roaring out of Recession”, March 2010

Our mission

to be Earth's most
customer-centric company

Where innovation begins

start with the customer
and work backwards



“There are many advantages to a customer-centric approach, but here’s the big one: **Customers are always beautifully, wonderfully dissatisfied**, even when they report being happy and business is great. Even when they don’t yet know it, customers want something better, and your desire to delight customers will drive you to invent on their behalf.”

- Jeff Bezos, 2016 letter to shareholders

How do we organize for innovation?

Culture

Customer obsession, hire builders, let them build, support them with a belief system

Mechanisms

Encoded behaviors that facilitate innovative thinking

Architecture

Structure that supports rapid growth and change

Organization

Small, empowered teams that own what they create

How do we organize for innovation?

Culture

Customer obsession, hire builders, let them build, support them with a belief system

Mechanisms

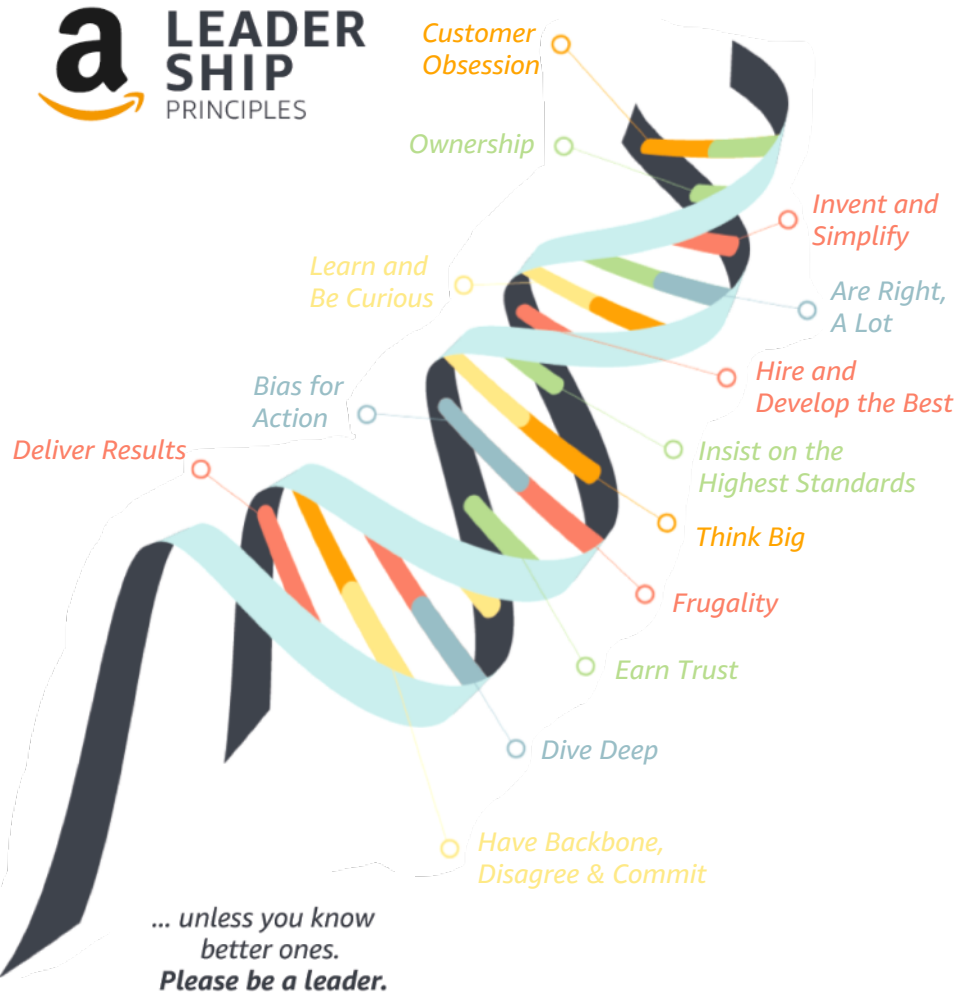
Encoded behaviors that facilitate innovative thinking

Architecture

Structure that supports rapid growth and change

Organization

Small, empowered teams that own what they create



... unless you know better ones.
Please be a leader.

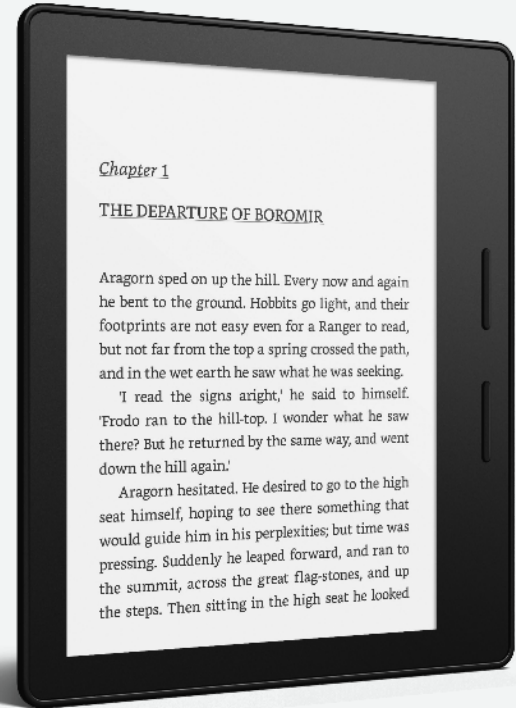
Every one of us is a **leader** on our mission



Invent and Simplify

Leaders expect and require innovation and invention from their teams and always find ways to simplify. They are externally aware, look for new ideas from everywhere, and are not limited by “not invented here”. As we do new things, **we accept that we may be misunderstood for long periods of time.**

Willingness to be **misunderstood** for a long time...





78

Price Reductions (since '06)

1957

New Services and Features
introduced in FY 18

Millions of

Monthly Active Customers

Bias for action

Speed matters in business. **Many decisions and actions are reversible** and do not need extensive study. We value calculated risk taking.



Is it a **one-way** or
a **two-way** door?

How do we organize for innovation?

Culture

Customer obsession, hire builders, let them build, support them with a belief system

Mechanisms

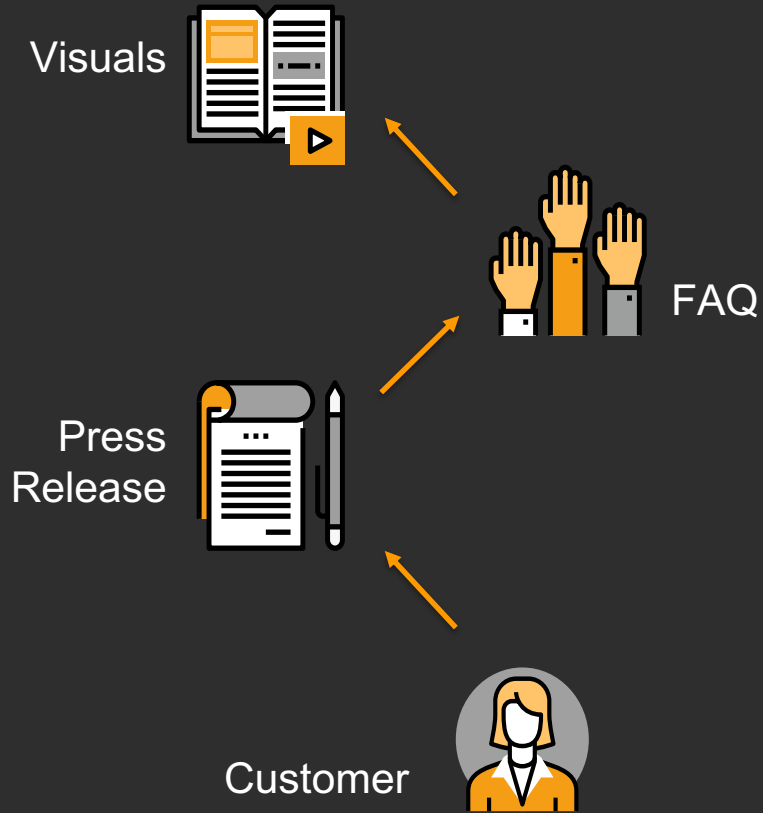
Encoded behaviors that facilitate innovative thinking

Architecture

Structure that supports rapid growth and change

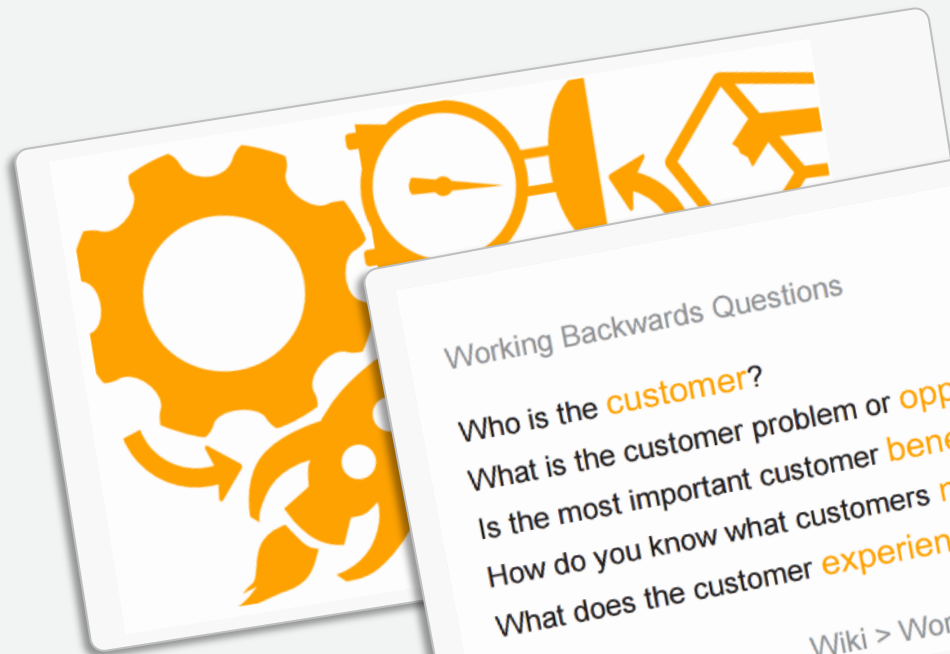
Organization

Small, empowered teams that own what they create



Working Backwards is a process

Use it to get clarity, not to document
what you've already decided to do



Working Backwards Questions

- Who is the **customer**?
- What is the customer problem or **opportunity**?
- Is the most important customer **benefit** clear?
- How do you know what customers **need** or **want**?
- What does the customer **experience** look like?

Wiki > Working Backwards

Artifacts from the Working Backwards process

Press Release

Amazon Campus

Amazon.com confidential

Amazon Campus Launches First Multi-Channel Student Store at the University of California Berkeley
www.amazon.com/Campus & berkeley.amazon.com

SEATTLE (BUSINESS WIRE) – August 31st, 2014 – Since returning to school for the Fall semester, Berkeley students experienced a fresh take on the college bookstore as the new Berkeley Student Store opened at an on-campus location.

The Amazon-run online Student Store brings Amazon's broad selection, low prices, and convenient shipping to the Berkeley campus and offers a number of additional student-focused features. With the launch of the Student Store, students can now pay for any purchase on Amazon with their Cal1Card, buy course materials in any Learning Management System or directly on Amazon.com, pick up orders at convenient locations across campus, and enjoy Free One-Day Shipping on textbooks sent to the campus area. Amazon Student members at Berkeley are also eligible for Free Two-Day shipping on millions of additional products plus FREE Two-Day shipping on millions more.

"I've been an Amazon Student member for two years," explained Senior Aubrey Robinson. "Getting things delivered to my door was huge. I've been ordering everything from Amazon since I got back to school. I may never have to go to a bookstore again."

Students can access these campus-specific payment methods and shipping benefits, along with the full range of Amazon.com products, by activating the Amazon Student program. To activate the program, students can click on an external link, 2) joining the Amazon Student program and selecting their school, 3) shopping their school's Learning Management System, 4) clicking on a Student Store merchandising placement or banner on campus, all students will have access to an Amazon Student Lounge.

In place of a traditional campus bookstore, Amazon has deployed lockers across campus and built the Student Store space that features a package pick up desk, technology showroom, and lounge area for students to study and hang out. The Student Store also features a technology showcase, instead of making the trip to the bookstore.

FAQs

Amazon Campus

Amazon.com confidential

Student Customer FAQs

Q4: What do I get when Amazon is on my campus? Students get a number of benefits when Amazon is on campus. In addition to the standard benefits of the program plus Free One Day shipping to the campus area on millions of top-selling products, the ability to pay with their university ID card, and the ability to pick up Amazon.com orders on campus. On campus, all students will have access to an Amazon Student Lounge.

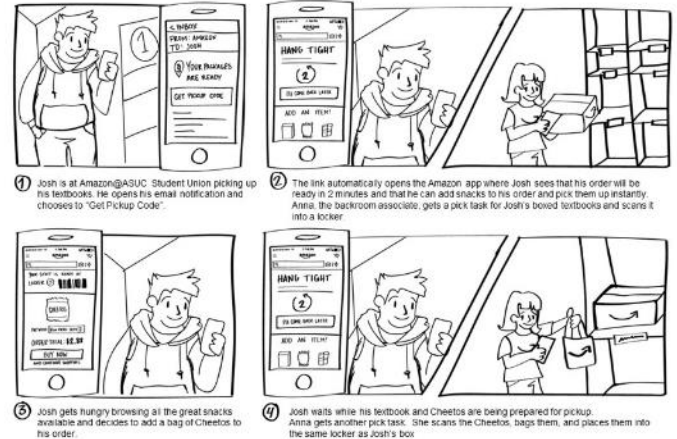
Q5: How do I activate the co-branded experience? Students at client universities will have four method to activate the co-branded experience: 1) visiting the co-branded subdomain directly by typing the URL (berkeley.amazon.com), 2) clicking an external link, 3) shopping their school's Learning Management System, 4) clicking on a Student Store merchandising placement or banner on campus, all students will have access to an Amazon Student Lounge.

Q6: What do I get if I sign up for Amazon Student when Amazon is on my campus? Amazon Student members at Berkeley are eligible for Free Two-Day shipping on Prime eligible items, unlimited instant streaming of Prime Instant Video, and access to the Kindle Owners' Lending Library. The cost of a Student membership will remain \$39/year.

Q7: Why aren't there any 'grab and go' items available for purchase at the Student Lounge? At launch, the Student Lounge will offer products to customers "on demand" at the Student Lounge because we do not have a Point of Sale system in place. However, we intend to offer this in the future for a small selection of top-selling products.

Q8: Why is Free One Day shipping limited to campus addresses? Why don't I get Free One Day shipping on all my orders? By working directly with a university, Amazon is able to reduce costs associated with shipping orders to the campus area. This benefit is available to all students at the school via Free One Day shipping for textbooks, and to our Amazon Student Store on millions of other eligible products. However, in order to provide these benefits at no additional cost to the university, we limit this benefit to those zip codes served from our on-campus delivery station. Amazon Student members always receive Free Two-Day shipping on Prime eligible items, to campus or most other addresses.

Visuals



How do we organize for innovation?

Culture

Customer obsession, hire builders, let them build, support them with a belief system

Mechanisms

Encoded behaviors that facilitate innovative thinking

Architecture

Structure that supports rapid growth and change

Organization

Small, empowered teams that own what they create

A shift to **microservices**

- Single-purpose
- Connect only through hardened APIs
- Largely “black boxes” to each other
- Business logic and data only accessible through APIs



Self-service platforms without **gatekeepers**

Creating powerful self-service platforms
that enable builders to use the right tool
for the right job



(THOUSANDS
OF TEAMS)

X

(MICROSERVICE
ARCHITECTURE)

X

(CONTINUOUS
DELIVERY)

X

(MULTIPLE
ENVIRONMENTS)

=

194
MILLION
DEPLOYMENTS
A
YEAR

How do we organize for innovation?

Culture

Customer obsession, hire builders, let them build, support them with a belief system

Mechanisms

Encoded behaviors that facilitate innovative thinking

Architecture

Structure that supports rapid growth and change

Organization

Small, empowered teams that own what they create

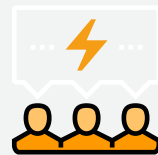


Amazon hires
builders and lets
them build



Two pizzas, one above the other, on a wooden table. Both pizzas are topped with pepperoni and tomato slices. The top pizza is whole, while the bottom one is cut into slices.

Two-Pizza teams are fast and agile, fostering ownership and autonomy

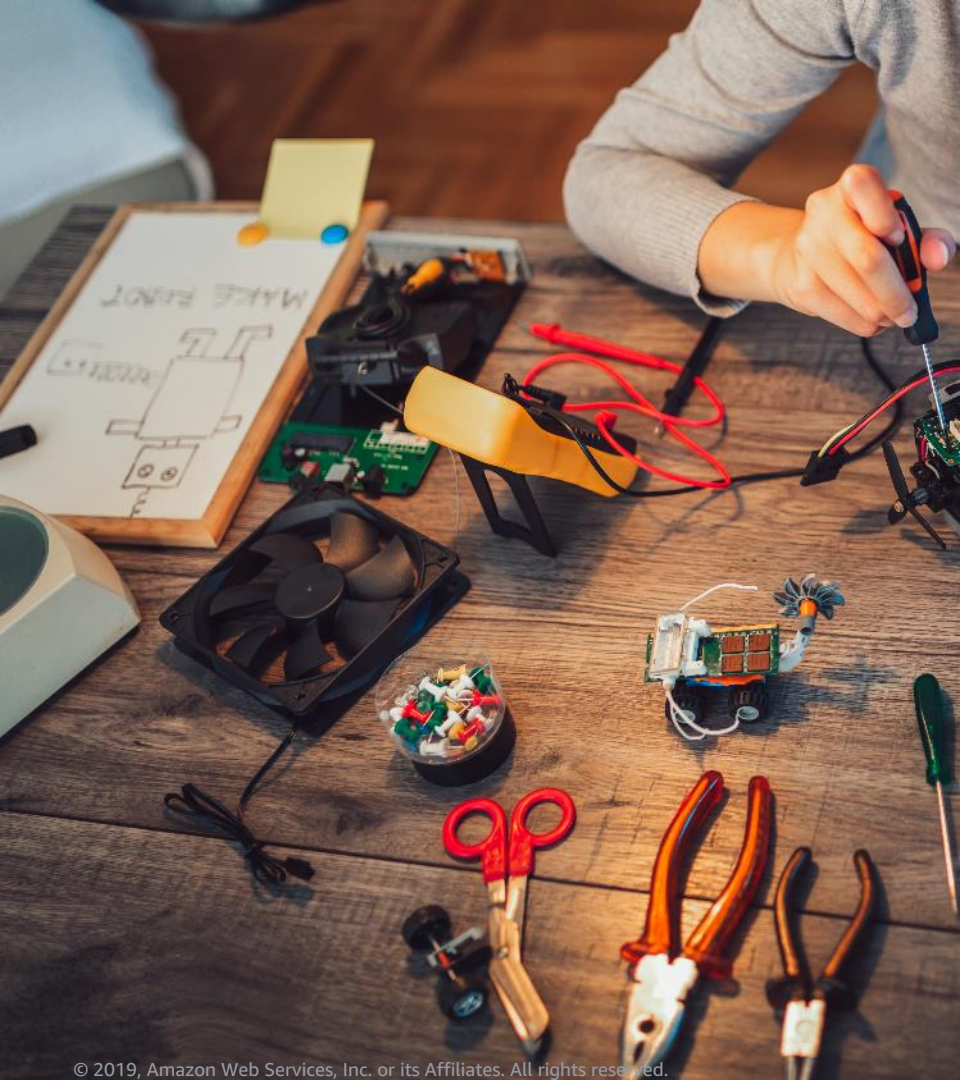


Small, decentralized teams are nimble



Own and run what you build





Experiment early & frequently





To our shareowners (2015)

This year, Amazon became the fastest company ever to reach \$100 billion annual sales. Also this year, Amazon Web Services is reaching \$10 billion in annual sales.

One area where I think we are especially distinctive is failure. I believe we are the best place in the world to fail (we have plenty of practice!), and failure and invention are inseparable twins. **To invent you have to experiment, and if you know in advance that it's going to work, it's not an experiment.** Most large organizations embrace the idea of invention, but are not willing to suffer the string of failed experiments necessary to get there. Outsized returns often come from betting against conventional wisdom, and conventional wisdom is usually right. Given a ten percent chance of a 100 times payoff, you should take that bet every time. But you're still going to be wrong nine times out of ten. We all know that if you swing for the fences, you're going to strike out a lot, but you're also going to hit some home runs. The difference between baseball and business, however, is that baseball has a truncated outcome distribution. When you swing, no matter how well you connect with the ball, the most runs you can get is four. In business, every once in a while, when you step up to the plate, you can score 1,000 runs. This long-tailed distribution of returns is why it's important to be bold. Big winners pay for so many experiments.

Learn from failures...

Auctions, zShops, Marketplace



fire Phone



How do we organize for innovation?

Culture

Customer obsession, hire builders, let them build, support them with a belief system

Mechanisms

Encoded behaviors that facilitate innovative thinking

Architecture

Structure that supports rapid growth and change

Organization

Small, empowered teams that own what they create

Digital Innovation is about creating new products & services



1 EXPLORE innovation at Amazon
– the principles behind our organization, architecture, mechanisms and culture



2 DEFINE a new product, service, or experience that will delight your customers; start with the customer and work backwards



3 BRING your new digital offering to life; test it with your customers.

Let's partner to invent something your customers will love.

Customer brings:

- Senior executive business sponsor (e.g. Single-threaded leader)
- Specific customer & customer focused problem/opportunity
- Willingness to invest in complete engagement (2-3 months)

AWS brings:

- Our innovation knowledge, mechanisms & experience
- End-to-end engagement facilitation
- Bias for action with prototyping capability and credits

Case study: AI-powered graph database helps users visualize connections



Challenges

Journalists and data scientists at The Globe and Mail needed to be able to quickly understand connections among millions of records to aid in investigative journalism and bring additional value to readers.

Solution

With the AWS Digital Innovation program the team learned how to work backwards from their customer, and developed an AI-powered graph database that connects the dots across people, events, organizations, etc. to help journalists see relationships that otherwise may not be apparent. It also enables readers to examine the data behind the stories – adding a level of transparency that had never been possible.

Benefits

- Reduced project development time by 4 years
- Increased staff productivity
- Improved customer experience

“The solution changes the [social] contract we have with our readers, and has a huge potential to change journalism. The biggest takeaway from the entire program is the idea that anything is possible. Where I would have spent five years persuading the team internally that we needed to create an entirely new data structure... it was done in under a year.”

- Editor-in-Chief David Walmsley

Industry: Publishing

Headquarters: Canada

Website: www.theglobeandmail.com/

About The Globe and Mail

The Globe and Mail is Canada's foremost news media company, reaching more than 6 million readers across print and digital every week.

Thank you for your time

- Please fill out our quick 3 question survey that should be up on your screen as soon as you leave the webinar.
- If you are interested in *AWS'* support in Digital Innovation, please reach out to your Account Manager and fill out the survey so we can follow up with you.