

Mr. Amazon.com: An Interview With Founder Jeff Bezos

When Internet retailer Amazon.com opened its virtual doors in July 1995, no one (including its 30-year-old founder, Jeff Bezos) had more than a hope that today it would count 13 million customers in more than 160 countries, maintain its position as one of three “Net stock darlings,” and have a current valuation of \$30 billion (Rosner, 1999).

Although it all started with books, Amazon’s website now boasts that it’s “the place to find and discover anything you want to buy online” (Amazon.com, 1999a, p. 2). Amazon’s product affiliations offer not only books, music, and videos, but drugstore.com (an online retail and information source for health, beauty, wellness, personal care, and pharmacy), Gear.com (an online sporting-goods company offering deals on new equipment in a wide range of categories), HomeGrocer.com (a grocery-shopping and home-delivery service with operations in Seattle, Portland, and southern California), and Pets.com (the largest pet supply company on the Internet and a valuable source of free information for pet owners). In November 1999, the company launched four new e-commerce sites which include toys (Back to Basics, a catalog retailer of specialty toys) and luxury retailer Ashford.com—and it led the Web in the month’s orders (Lake, 1999). In addition to listing more than 15 million unique items customers can order online, the company also offers online auctions, a movie database, a web-based address book, and free electronic greeting cards. Additional sites (the U.K. and Germany) are bringing in even more customers.

Despite its obvious success, Amazon still has challenges to face. Although its stock rose on opening day in 1997 from \$18 to \$23.30 and was valued on December 6, 1999, at \$86.56, *The Standard* (Sullivan, 1999, p. 1) predicts that “eventually, the air will have to come out of this bubble.” Another forecaster (Rosner, 1999, p. 1) claims that “Amazon.com will need to grow annual revenues at a rate of 38 percent between 2003 and 2013 to support its current valuation”—a rate that would translate into revenues of almost \$100 billion in 2013, exceeding the entire forecasted U.S. market for books and music and accounting for 30-50% of worldwide sales in these categories.



COURTESY JEFF BEZOS

Bezos, who attended a Montessori school in Albuquerque from age 2½ to 4, remembers the bow frame, sandpaper letters, and a big easel.

According to Inc. Online (Seglin, 1997, p. 2), Amazon’s “hot strategy” is to be unprofitable for a long time. “What will always drive our business is transactions and sales of products,” Bezos responds. “We’re not just covering ourselves. We’re disclosing the facts of the situation. We’re going to be unprofitable for a long time. And that’s our strategy. . . . The key thing is sales growth—[not the] rate of growth [but] achieving a certain scale.”

In October 1999, Amazon.com sued competitor barnesandnoble.com, saying it has illegally copied Amazon’s innovative, patented 1-Click(R) technology that “makes online shopping as easy as a click of the mouse button” (Amazon.com, 1999b, p. 1). It was at least a temporary victory when a federal district judge granted a preliminary injunction that bars the competitor from using its version of the technology while the lawsuit is pending. Pleased that the judge recognized the innovation underlying the 1-Click feature, Bezos pointed out that “in 1997, this was a significant step forward for online shoppers that required thousands of hours of effort” (Amazon.com, 1999a, p. 1).

Why are we featuring a commercial retailer? There are several reasons. One, Jeff Bezos went to Montessori school as a child;

two, he is clearly in tune with the times; and three, he’s an unqualified success. His career has gone up like a rocket since his graduation from Princeton University in Electrical Engineering and Computer Science (summa cum laude, Phi Beta Kappa) in 1986. First he joined FITEL, a high-tech start-up company in New York. In 1988 he moved to Bankers Trust Company, where he led the development of computer systems that helped manage \$250+ billion in assets and became their youngest vice-president early in 1990. For the next 4 years, Bezos helped build one of the most technically sophisticated and successful quantitative hedge funds on Wall Street for D. E. Shaw & Co, becoming their youngest senior vice-president in 1992 (Ann Online, 1999). He left in 1994 to found Amazon.com.

Despite his company’s no-profit policy, Bezos made his first appearance on the 1998 Forbes list of 400 Richest People in America with a “worth” of \$1.6 billion, jumping to a value of \$7.8 billion in 1999. Yet in conversation (and his frequent television interviews over the past year), he comes across as unassuming, with a clear sense of humor and a ready laugh.

Joy Turner: *So which Montessori school did you attend, Jeff?*

Jeff Bezos: It was in Albuquerque, NM, and it would have been 1966 or 1967, something like that.

JT: *What kind of careers did your parents have?*

JB: My mom was a full-time mom. My dad works for Exxon and has for 30 years. At the time, we lived with my grandparents, and my grandfather worked for the federal government’s Atomic Energy Commission.

JT: *Why did they choose Montessori school for you? And how long did you go there?*

JB: I don’t know, actually, except that I think they believed in early stimulation, early education. I certainly do. I’m going to guess I went to Montessori school about a year and a half, starting probably at age 2½.

JT: *Wow, you were little!*

JB: Yes, I was little. My niece goes to Montessori school now, and she started when she was 2½, too. But I remember many things about Montessori school. I have these very clear visual images of tracing out letters on sandpaper. I remember having a little special board that you can use to practice tying your

shoes. Do you still use these same things?

JT: Many of them, certainly.

JB: And I remember painting on a big easel—well, at the time it seemed very large, to me anyway.

JT: It would have been a lot taller than you were at 2½, I'm sure!

JB: It's amazing, I think, what a good program it was.

JT: Did your siblings go to Montessori?

JB: I have a brother and a sister, 5 and 6 years younger, and no, they went to various preschools but they weren't Montessori. By that time we lived in Houston, so maybe there wasn't a Montessori school nearby.

JT: Do you have children of your own? A home? A wife?

JB: I have a great wife, and her name is MacKenzie. We met and got married while we were both living in New York. And a few months ago we moved into a new home and it is a totally beautiful place and we're very lucky to be able to live there. We have no children yet, just two great dogs! Kamala is a yellow lab and Suzi is a sheepdog.

JT: Does your wife work in the business with you?

JB: No, she helped out significantly in the early days, but she does not work here. She's working on a novel.

JT: Ahh, a writer. Are you going to send your children to Montessori school?

JB: Well, I know we're going to send them to some sort of preschool and I just don't even know what the situation is here in Seattle.

JT: There are many good Montessori schools in your area. When the time comes, let me know and I'll give you a list!

JB: Thank you! I'll do that!

JT: I know you've reflected a little on your Montessori experience since you've known about this interview, Jeff. What do you think it did for you? How did it influence you, if at all?

JB: Well, it's always hard to say, isn't it? Since I didn't get to do the experiment with me not going!



Person of the Year

Although we didn't know at the time Jeff Bezos was interviewed, he had been selected by *Time* magazine as their "Person of the Year" for 1999. Congratulations, Jeff!

JT: Right—no control group.

JB: But you know, intuitively, I think it was probably a very formative experience for me to be able to go to those classes, in that environment, and be so stimulated at an early age. I don't actually know what the scientific research shows, but intuitively I have to imagine that it's good for little kids.

JT: Unfortunately, there hasn't been much interest from the outside in researching Montessori.

JB: Is that right! That surprises me.

JT: Yes, it is surprising, I think. But when the Montessori system was re-introduced to this country in 1960, most psychologists were behaviorists and not interested in studying a developmental approach. Educators were interested in developing something innovative and getting HeadStart funding for it. And Montessorians have kept somewhat to themselves, rather than getting involved with the mainstream. Right now, AMS is taking an interest in promoting research on Montessori, and we're hopeful that will have some productive results. But meanwhile, Montessori just goes on! It's still in more than 80 countries; there are probably 5,000 schools in the U.S. now, serving infants through high

school; and I don't know how many thousands in other places. And if you consider that Montessori's first educational experiment occurred about 1900, the system is almost a hundred years old.

JB: That is fantastic.

JT: And it changes and adapts in certain ways. The basic premise is to deal with the children you have now, so that has contributed to keeping it viable. And of course it didn't hurt that Montessori herself was something of a genius!

JB: Absolutely.

JT: Where did you first connect with computers?

JB: Computers at that time were huge, room-sized affairs—not something you'd find in most schools. But I was very lucky, because in 4th grade I attended a special magnet school in Houston, which had great facilities as part of their special program. We had a teletype that had access to a mainframe computer downtown, which was terribly unusual for that time. A couple of other kids and I would stay after school and we taught ourselves to program the things. That lasted a few weeks, and then we found that there was a preprogrammed star-trek game, and from then on out we just played that!

JT: Do you swear by computer games, or not?

JB: Well, I actually love computer games and I love computers in general. I'm very passionate about them, because I think computers are tools for empowering people, if only you can program them well enough. And that's certainly what Amazon.com is all about.

JT: Were you a good student, Jeff, and did you like school?

JB: I was always a good student. I was always very studious, and I always liked school.

JT: You certainly performed well, both in school and afterward. You kept rising to the top of every organization you worked for, in a very short time. I'm wondering: what made you leave that to start Amazon?

JB: In the spring of 1994 I came across this most amazing statistic: web usage was growing at 2300 hundred percent a year! And I had never seen anything grow that fast. That was really the wake-up call, for me.

JT: Why did you choose to sell books?

JB: In developing a business plan, I first made a list of products, looking for the best first product to sell online. I picked books primarily because there are so many different books; that product category has more items in it than any other. So you could build a store online in the book category that simply couldn't exist in the physical world. Even when we launched, in 1995, we had over a million titles, and the largest physical superstores have only about 150,000.

JT: *I'm sure you're asked this a lot, but why did you call the company Amazon?*

JB: Earth's biggest river, earth's biggest selection.

JT: *Big thinking! And now you've expanded into many other markets.*

JB: *PC Magazine* just said that we have the best toy store online and we're the editor's choice; *Consumer Reports* has said the same thing. We have an electronics store, we have video games, videos, music—basically we're expanding to where you can get almost anything.

JT: *How does it physically work, though? I mean, yes, you have all these titles but no physical location where they all are.*

JB: Actually, we do. This is one of those great myths of Amazon.com. We have what is now probably one of the largest distribution center networks in the country, so we have over 3 million square feet of distribution center space. And those centers warehouse the toys and electronics and books and music and so on.

JT: *So it does get physical at a point.*

JB: You bet!

JT: *Why did you locate in Seattle, to start with?*

JB: It was primarily two things. First, this is a great concentration of technical talent, here in Seattle; and second, it was nearby what was at the time the largest book wholesaler in the world, which was in Roseberg, OR.

JT: *Really. I had no idea. Do you like books yourself, Jeff?*

JB: I love books. It was a little frustrating for my parents when I was young, because when I needed punishment, they would send me to my room—and I was always quite

Amazon.com's Toy Quest Winners

Amazon's Toy Quest '99 culminated December 4 with a celebration party in New York City for the 40 finalists and announcement of two grand prize winners. Nicky Englishis, 7, Morganville, NJ, winner from the 8-years-and-under category, invented the "My Favorite Friend Doll," whose face is a picture frame in which kids can put photographs of their friends. The doll comes with a disposable camera and other accessories. Winner from the 9-12 age group was Nadia Smith, 11, Voorhees, NJ. At the press of a button, her "Mr. Itchy Pants," a large, quirky character dressed in overalls with ants scurrying all over his body, dances and sings an upbeat song about "the ants in his pants that are making him dance." Each winner received a \$10,000 college savings bond and also will reap royalties when the company manufactures and sells their inventions at Amazon.com Toys in the year 2000.

happy to go, because then I could read!

JT: *How old were you when you learned to read?*

JB: I don't think I was that early a reader; I was probably about 5.

JT: *That's pretty early. What are you reading right now?*

JB: Let's see, I just finished reading Neil Stephenson's (1999) new novel, *Cryptonomicon*, which is absolutely fantastic. At 950 pages, it's a little bit of an investment; but it's really incredible. I just opened *American Caesar* (Manchester, 1996), the famous Douglas MacArthur biography, but I haven't even dipped into it yet.

JT: *What are people buying from Amazon these days—mostly books, still?*

JB: We're having a huge amount of sales. Certainly they're buying a lot of books, but also a lot of toys, here in the holiday season, electronics, software has exploded off the shelves; so it's really a very wide variety of things now.

JT: *What doesn't sell?*

JB: Everything sells, to one degree or another. We have a thing called zshops, where other people can come to sell things on Amazon.com, and we restrict what they can sell in a few small ways—they can't sell firearms or living creatures, for example. Some people were very skeptical about some of the things we started selling online, because they're big and heavy—for example, the 500-pound table saws in our home improvement store. People said, "Nobody's going to buy those!" But let me tell you, they are! They're selling off the shelf every day.

JT: *It's just too easy! Order now, pay later! I've loved Amazon for books, because I can always find what I need there.*

JB: Thanks for being a customer.

JT: *When will you make a profit?*

JB: I can't answer your question directly, because we don't make any external forward-looking statements about profitability. What I can say is that this is a conscious strategy on our part. We believe this is a critical category formation time and that we need to be investing in all these new businesses—like our toy business, like electronics and tools and home improvement and so on and so on. These are all new investments for us, and the way we think about profitability is that it will make more sense for us to focus more on shorter-term profitability as the ratio of mature businesses that we have, the new opportunities, starts to become large. Just to be clear, I should point out that no company cares more about profitability than Amazon.com. But it's very important to us that that be a long-term rather than a short-term goal, because we think this is an important time to invest.

JT: *And I assume you and your employees are all eating.*

JB: [laughs] Yes!

JT: *Has your net worth gone up in the past year?*

JB: Actually, I don't know, because I don't follow the stock price very carefully. Our stock price is always very volatile and I don't watch it on a daily or even weekly basis. Every minute spent watching the stock price is a minute wasted.

JT: *What does your everyday life look like,*

now? What are some of the things you do in an average work week?

JB: Well, I read a lot of Email! I meet frequently with people to go over various parts of the website, different designs and so on, to talk about how we're going to make things better for customers. You know, people like our website. *Consumer Reports* just said it's the *only* satisfying website online. But when we look at it, we hate it! We're very critical of the website and what we're doing, so we keep finding ways to make it better. I spend a lot of my time doing that—trying to figure out how to make it easier to use. Most of our customers are not computer people, not computer experts; most are regular people. They really appreciate ease of use—and that's something we've always focused on.

JT: What's the possibility that online shopping could disappear as quickly as it came? Is it just a fad, or here to stay?

JB: Oh, it's here to stay! It's not a fad, because it creates real usefulness for people. It saves people money. It saves people time. At Amazon.com, we're constantly focused on saving people money and time and giving them a bigger selection than they can get anywhere else. When you're doing that for people, that's something that's real; that's not something that goes away.

JT: I was really intrigued by your "Quest for Kids to Create Tomorrow's Toys" project. How many entries have you received?

JB: Thousands! It's unbelievable! And I'm told it's just incredible what these kids are coming up with. I think this is one of the best things we've ever done. With any luck this will be an annual event, so we'd love to have all your kids participate next year. You know, we're actually going to manufacture the toy. The winner will get a 7% royalty and we're giving away a number of \$10,000 college scholarships. It's really a very cool thing!

JT: I'll be interested to see how it turns out. What's next for you, Jeff, in your own plans? Any new projects?

JB: We're continuing on our path. The big thing for us is to be, first and foremost, earth's most customer-centric company, and within that to be a place where people can come to find and discover anything, with a capital A! That is a huge vision and project, and we're just going to keep heads down, focused on customers, plugging away at that project.

JT: And when you're 50, what do you think you'll be doing?

JB: Well, I know I'll be working, somehow! I don't know how, I can't look that far into the future with any certainty; but I do know that I'll be trying to use my life productively somehow.

JT: That's splendid, Jeff. I'm sure you'll be able to do that if it's important to you. And now, one last question: What advice would you give to today's parents and today's schools about preparing children for the future?

JB: That's a great question. In every decade that's gone by, it has become more and more important for kids to be well educated, well informed, to deal with this new economy-workplace—and to be great symbol manipulators. And I really believe that starting early in that process is a good idea.

JT: And how does a person get to be a good symbol manipulator?

JB: I think they work at it, and I think they start from a young age.



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