

Amazon: Balancing Customer Centricity With Employee Engagement

Larisa Tatge
Jaume Ribera
Alejandro Lago

Context

In January 2020, Amazon employed a total of 800,000 full-time, part-time and “associate” workers. Between 2016 and 2019, the company had increased its workforce by around 100,000 employees per year, mainly due to the opening of new distribution centers (or fulfillment centers, FC) in different parts of the world.

For its founder, Jeff Bezos, the main factor behind Amazon's success was its focus on the customer: "Our obsession with the customer is at the heart of our vision, and it is inspiring to see how [the customer] reacts"¹ Bezos said after celebrating Amazon's first position in the prestigious Customer Satisfaction Ranking of the American Customer Satisfaction Index (ACSI).

Continuous Innovation

Founded by Bezos in 1994, Amazon first started as an online bookstore. The company was generating weekly sales of \$20,000 USD by its second year in operation, and went public in May 1997, while recording yearly sales of \$148 million. In the years that followed, Amazon moved beyond books to sell movies, toys, electronics, tools, video games and other merchandise. In order to be able to deliver goods more quickly to its fast-growing customer base, the company began investing in distribution and customer service centers across the U.S., the U.K. and Germany.

¹ Business Wire. Amazon Thanks Customers for #1 Ranking in American Customer Satisfaction Index [Online]. March 16, 2017. <http://www.businesswire.com/news/home/20170316005297/en/Amazon-Customers-1-Ranking-American-Customer-Satisfaction>

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During the “dotcom bubble”, Amazon continued to grow its customer base. In November 2000, the company launched Amazon Marketplace, which gave sellers the opportunity to sell both new and used items on Amazon’s online platform. In March 2006, they created *Amazon Web Services*, marking the company’s entry into the cloud computing business. Ten years later, the company’s revenues in that sector represented more than \$10 billion USD. In 2019, it quadrupled to \$40 billion, making Amazon the leader in the cloud computing industry.

In 2007, Amazon made its first steps in hardware manufacturing with the release of the Kindle, an electronic tablet designed to read e-books. This was followed in November 2011 by the updated version Kindle Fire and in November 2014 by the release of Amazon Echo, a smart speaker equipped with an intelligent voice assistant called Alexa. This voice assistant, developed in Amazon Lab126 was similar to those offered by competitors like Apple’s Siri or Microsoft’s Cortana. The company’s focus on “made for home” products continued over the years with the release of, among others, Amazon Fire TV - a receiver of digital content taking the form of a USB stick used to stream content on Smart TVs similar to Apple TV or Google Chromecast -, Amazon Key and Amazon Blink – a smart key and a surveillance camera for homes – and the less successful Amazon dash button - a button connected to your home’s WIFI network that, associated with certain products, allowed direct purchases through Amazon marketplace by simply pressing it. Despite some failures, thanks to Alexa and other Artificial Intelligence powered services, the company positioned itself as a leader in the AI sector.

Amazon also continued to expand its distribution system worldwide. By the end of 2019, Amazon had more than 175 warehouses or fulfillment centers in the world: about 75 in the U.S., more than 60 in Europe and another 20 in Japan. In other emerging economies such as China (20 warehouses), India (12) and Latin America (operations only in Mexico and Brazil), Amazon faced strong competition from well-established local giants such as Alibaba and JD.com in China or Mercadolibre in Latin America. Amazon’s expansion has been supported by significant investments and innovations in the company’s own storage and transport businesses. For example, in 2014, Amazon introduced the Kiva robot in some of its warehouses. These robots were autonomous mobile platforms that collected pre-classified pallets of products and carried them to picking areas. In December 2016, Amazon made the first commercial drone delivery to a customer, in Cambridgeshire, UK.

Another recent successful logistical innovation had been the launch in 2016 of the Prime Now service in some metropolitan areas, including New York, San Francisco, London, Paris and later, Madrid and Barcelona. By 2020, Prime Now offered delivery in less than 2 hours for about 25,000 products (including food products). Amazon also offered the possibility to quickly deliver third-party products through Amazon Flex. This service was understood as a competitive response to the emergence of companies such as Uber or Instacart in the US, which also offered urgent collection and delivery services, often using a pool of subcontracted self-employed deliverers.

The company and its CEO have also made progress in the deployment of a wide range of projects, not all connected to the retail business. In 2013, Bezos bought *The Washington Post*, an iconic newspaper with over 140 years of history, for \$250 million. After upending the traditional bookstore industry in the 1990s, Amazon opened its first brick-and-mortar bookstore in Seattle in 2015, followed by openings in San Diego, Portland, Chicago and Boston. The company also began working on a new concept of supermarket (*Amazon Go*), with a high technological component allowing automatic check-out via phone when a user left the shop. The final push in the “brick and mortar business” with the purchase of the American supermarket chain Whole Foods and its 450 stores across the US. The operation was valued at \$13.7 billion.



Extreme Customer-Centricity

In a 2013 interview, Bezos told journalist Charlie Rose: “I would define Amazon by our big idea, which is customer centricity. We are always putting the customer at the center of everything we do.” This laser-sharp focus on the customer included:

- Offering easy ordering and rapid delivery;
- The use of data to personalize the shopping experience;
- Helping customers to get the best deal available.

All of Amazon’s departments were data-driven, based on the customers’ experience. This allowed Amazon to innovate and make informed decisions based on concrete and precise evidence.

To ensure that employees kept customers’ needs at the fore, Bezos had all managers –himself included – attend two days of call-center training each year. The goal was for managers to adopt the Amazon mindset of listening to customers and understanding their needs.

Bezos also employed the “empty chair” approach to set the tone of meetings. Early on, he brought an empty chair to meetings, to symbolize the presence of the customer and remind executives to always keep customers in mind when making decisions.

Another way the company accomplished customer-centricity was by having software developers “work backwards.” This process involved writing press releases about envisioned products before developers began programming. If the product benefits listed in the press release didn’t sound compelling to customers, then the project would not be developed.

As Bezos explained in a 2009 Newsweek interview: “We start with the customer and we work backwards. We first understand what the customer wants, then we develop the technology needed to serve the customer”².

In December 2011, Amazon was able to fulfill Bezos’s promise of delivering 99.9 percent of packages to customers on time before Christmas which involved managing and transporting millions of packages around the globe.

Amazon customer-centricity also involved accepting responsibility for the failures. Most notably, in 2009, Amazon made the decision to remotely delete some books from users’ Kindles. The move prompted an outcry among Kindle users. Bezos sent out the following personal apology:

This is an apology for the way we handled the illegally sold copies of 1984 and other novels on Kindle. Our “solution” to the problem was stupid, thoughtless, and painfully out of line with our principles. It is wholly self-inflicted, and we deserve the criticism we’ve received. We will use our scar tissue from this painful mistake to help make better decisions going forward, ones that match our mission.

My sincerest apologies to our customers,

Jeff Bezos, Founder & CEO

² Newsweek. “Why Bezos Was Surprised by the Kindle’s Success” [Online]. December 20, 2009. <http://www.newsweek.com/why-bezos-was-surprised-kindles-success-75509>