



Show Notes | S3 Ep3 | Amazon as a Platform

INTRODUCTION

Amazon is a platform. Though we are starting to see others following this business model, Amazon offers a scale unrivaled. But if you've created a great brand and want to extend your offering, there's clearly an opportunity to leverage your brand equity and customer base to create a network and ecosystem that supports services or products. We discuss the real opportunities Amazon has found.

There are 4 types of business models. Asset Builders. Service Providers. Technology Creators. Network Orchestrators. Amazon is the ultimate Network Orchestrator through a platform that allows participants to interact or transact with many other members of the network through content, services and physical goods. Amazon delivers value through connectivity.

THE CONVERSATION

We kicked off the discussion with a short conversation about Amazon's internal Pan Amazon group.

<https://www.theinformation.com/articles/how-amazon-uses-aws-to-drive-business-in-retail-ads-and-shipping?tpcc=nldatasheet>

<https://fortune.com/2022/09/26/apple-iphone-14-pro-max-sales-deal-wireless-carrier/?tpcc=nldatasheet>

HISTORY OF LAUNCHES

Cristene shared a short history of Amazon product and services launches. Here's a summary:

1. Ecommerce bookstore - launched July 16, 1995
2. Marketplace - 2000
 - a. <https://www.history.com/this-day-in-history/amazon-opens-for-business>
3. Advertising - 2003 with the launch of A9.com, a search and advertising technology
4. AWS, 2006 – with the launch of Simple Storage Service, S3
 - a. https://en.wikipedia.org/wiki/Timeline_of_Amazon_Web_Services
5. FBA - 2006
6. Amazon prime video - Launched Sept 7, 2006, in its early incarnation known as unbox
7. The Kindle - 2007
8. Amazon agreed to buy Audible in 2008.
 - a. <https://www.nytimes.com/2008/02/01/technology/01amazon.html>
9. Amazon Locker - 2011
10. Echo and dot devices - with Alexa - 2014, 2015
11. The fire phone – Launched 2014, RIP 2015
 - a. <https://www.cnet.com/tech/mobile/fire-phone-one-year-later-why-amazons-smartphone-flamed-out/>
12. Whole Foods - Acquired June 15, 2017
13. Just Walk Out - 2018, with the opening of the first Amazon Go store

<https://www.businessinsider.com/jeff-bezos-amazon-history-facts-2017-4>



https://en.wikipedia.org/wiki/History_of_Amazon#cite_note-MyUser_Phx.corporate-ir.net_January_17_2016c-98

FBA – FULFILLMENT BY AMAZON

FBA helps power the marketplace. FBA offers access to Amazon’s shipping and fulfillment centers, packing and shipping logistics, and customer service programs.

We compared this offering with Ebay and Etsy.

<https://www.shipcalm.com/blog/fulfilled-by-amazon-worth-it/>
<https://www.junglescout.com/blog/what-is-amazon-fba/>
<https://www.nextsmartship.com/blog/ebay-fulfillment>
<https://www.shipbob.com/blog/etsy-fulfillment/>
<https://www.junglescout.com/blog/is-amazon-fba-worth-it/>

We also compared profit margins across Amazon, Walmart, Target, Lowes and Macy’s.

- Walmart’s worldwide gross profit margin this year is 24.4%, according to Statista.
 - <https://www.statista.com/statistics/269414/gross-profit-margin-of-walmart-worldwide-since-2006/>
- Target’s US gross profit margin in 2021 was 28.3%
 - <https://www.statista.com/statistics/1113241/gross-margin-of-target-in-the-us/>
- Lowe’s gross profit margin so far in 2022 is in the low 30%
 - <https://www.macrotrends.net/stocks/charts/LOW/lowes/gross-margin>
- Macy’s gross margin so far in 2022 is in the low 40%
 - <https://www.macrotrends.net/stocks/charts/M/macys/gross-margin>

MARKETPLACE

Cristene spoke about the shift to a marketplace and how it extended their offering to deliver on their desire to be “The Everything Store.” In 2021 Amazon stated there were nearly 2 million third-party sellers in Amazon—mostly small and midsize businesses (SMBs)

<https://www.aboutamazon.com/news/small-business/economic-impact-for-small-businesses-powered-by-partnership-with-amazon>

Jeff shared a couple comparisons...

- ETSY, which has 7.5M sellers in 2021, which was a 74% increase on the previous year....
 - <https://www.businessofapps.com/data/etsy-statistics/>
- EBAY has over 19M sellers with accounts. Gross merchandise volume reached over \$100B in 2020, but dropped to about \$83B in 2021.
 - <https://www.businessofapps.com/data/ebay-statistics/>

Cristene concluded this topic by asking the question, Amazon has been called The Everything Store. Is this still true based on Etsy and Ebay? Has The Everything Store arrived? There’s no doubt that



Amazon's marketplace has made a huge impact to Amazon's business. According to Statista, 57% of paid units were sold by third-party sellers in the 2nd quarter of 2022.

<https://www.statista.com/statistics/259782/third-party-seller-share-of-amazon-platform/>

AWS – AMAZON WEB SERVICES

AWS provides on-demand cloud computing platforms and APIs to individuals, companies, and governments, on a metered pay-as-you-go basis. These cloud computing web services provide distributed computing processing capacity and software tools via AWS server farms

https://en.wikipedia.org/wiki/Amazon_Web_Services

ADVERTISING

Cristene spoke about how Amazon's heavy move into media has allowed them the opportunity to extend beyond the website into ads - well - nearly everywhere on their estate.

Amazon Ads offers a range of options to help you achieve your advertising goals to registered sellers, vendors, book vendors, Kindle Direct Publishing (KDP) authors, app developers, and/or agencies. Products include Sponsored Products, Sponsored Brands, Sponsored Display, and Stores. Display ads, video ads, and ads run through the Amazon DSP (Demand Side Platform) can be managed independently or with an Amazon Ads account executive.

Cristene also referenced an AP article which stated, Amazon's Echo devices, which house the voice assistant Alexa, have dominated the US smart speaker market, accounting for roughly 70% of sales.

<https://apnews.com/article/technology-whole-foods-market-inc-amazoncom-f715bd73590cd9e19951e4ca77c75e2e>

JUST WALK OUT

Jeff mentioned that we spoke about this technology in our Season 2, Episode 3 podcast, "Fixing the Broken Checkout Experience." Amazon developed this in-house and has implemented it in their Amazon Go! And some Amazon Fresh stores.

It offers convenience, ease, simplicity. The technology isn't just about a simplified checkout, although that alone is very beneficial. But this technology also offers insights into store and shelf performance, labor efficiencies, planogram optimization and more...

ADDITIONAL SERVICES

Cristene mentioned these additional services:

- Amazon Pay
- Amazon Transportation Services
- Sell on Amazon
- Amazon Design
- The acquisition of [iRobot](https://www.iRobot.com), the maker of the popular robotic Roomba vacuum
 - <https://apnews.com/article/colin-angle-d4de06cdcf36beeec71166ff44abdf68>



- <https://apnews.com/article/technology-whole-foods-market-inc-amazoncom-f715bd73590cd9e19951e4ca77c75e2e>

CONCLUSION

Amazon will account for nearly 40% of ecommerce sales in 2022

- Amazon will account for nearly \$2 in \$5 spent online in 2022, making up 39.5% of all US retail ecommerce sales. Altogether, the next 14 biggest digital retailers will make up just 31%, with the remaining 29.5% of the ecommerce pie going to everybody else.
- That's \$400 billion out of the forecasted \$1 trillion in sales revenue, which is five times more than its closest rival, Walmart.
 - <https://www.insiderintelligence.com/content/amazon-us-ecommerce-market?ecid=NL1001>

Amazon is the most visited online marketplace in the US

- Amazon gets 2 billion monthly visits in the US alone, almost triple the monthly visits of eBay, which trails behind at second place with close to 700 million monthly visits.
 - https://www.webretailer.com/b/online-marketplaces-usa/#The_largest_online_marketplaces_in_the_USA

More than half of US consumers start their product searches on Amazon

- When searching the internet for products, most consumers start on Amazon. Amazon is the most popular search destination for consumers (63%), above search engines (46%), Walmart (31%), Facebook (26%), and YouTube (24%).
 - <https://www.junglescout.com/consumer-trends/>
- What is more interesting is that 88% of consumers who last shopped at Amazon started their next purchase journey at the Amazon website, instead of starting with search engines. This is highly indicative that most Amazon buyers don't look anywhere else.
 - <https://www.digitalcommerce360.com/article/amazon-prime-membership/>

Nearly 50% of consumers shop on Amazon at least once a week

- In the Jungle Scout report, 48% of shoppers purchase something from Amazon at least once a week, and they tend to spend more, too. In fact, 57% of consumers say they will spend over \$50 on Amazon by the end of the first quarter of 2022, and 51% would pay over \$100 for a single item from Amazon.
 - <https://www.junglescout.com/consumer-trends/>

In 2020, Amazon invested \$18 billion in selling partner success, including in logistics and tools like Brand Follow and Stores that allow sellers to directly connect to millions of customers.

<https://www.aboutamazon.com/news/small-business/economic-impact-for-small-businesses-powered-by-partnership-with-amazon>

With Amazon absorbing the increased costs (surcharge and fee changes) brought about the pandemic, roughly 3,700 sellers were still added daily to its roster in 2021.

<https://www.businessinsider.com/amazon-pulls-in-thousands-new-independent-sellers-a-day-2021-3>



Most Amazon 3P sellers are profitable

According to Jungle Scout, more than 90% of Amazon SMB sellers are profitable, with some 65% earning profit margins higher than 10% and a third earning profit margins above 20%.

https://www.junglescout.com/amazon-seller-report/?_ga=2.173189091.190745793.1651856173-1271891644.1651763714

During the pandemic, 44% of Amazon sellers claim that their businesses performed better than expected.

<https://www.junglescout.com/wp-content/uploads/2021/02/State-of-the-Amazon-Seller-2021-Jungle-Scout.pdf>

3P sellers account for 54% of Amazon's revenue.

<https://www.aboutamazon.com/news/small-business/economic-impact-for-small-businesses-powered-by-partnership-with-amazon>

HEROES & CHANGE MAKERS | *Our New Feature*

Our new feature, **Heroes and Change Makers**, concluded our discussion.

We selected... **Yvon Chouinard**, Founder and CEO of **Patagonia** who stated, "instead of going public, we are going purpose."

100% of the company's voting stock transfers to the Patagonia Purpose Trust, created to protect the company's values; and 100% of the nonvoting stock had been given to the Holdfast Collective, a nonprofit dedicated to fighting the environmental crisis and defending nature.

He wrote, "The funding will come from Patagonia: Each year, the money we make after reinvesting in the business will be distributed as a dividend to help fight the crisis."

<https://www.patagonia.com/ownership/>

This is **RETAIL DONE RIGHT**. Thank you for listening. And please join our conversation.

- Michael Cooke via Upwork is our brilliant sound engineer and editor - and Jade Siriwad composed our theme music.
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Let's go shopping!

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RETAIL DONE RIGHT is produced and hosted by Jeff Fisher & Cristene Gonzalez-Wertz