

In Jeff Bezos's last annual letter to shareholders as chief executive of Amazon, published in March, he encouraged his company, other firms and people to pay attention to a basic fact of biology: *that is, living things must work hard to be different from their environments and just to stave off death.* "The world wants you to be typical", wrote Mr. Bezos, "don't let it happen".

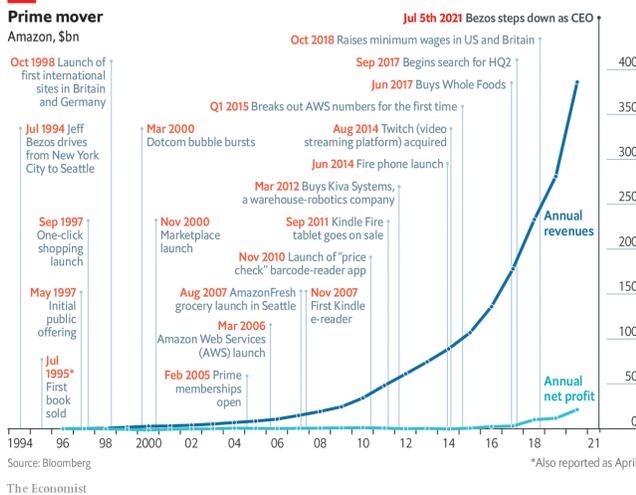


"It's a shopping list from the raccoons."

Amazon's story is anything but typical. Thanks to Mr. Bezos's requirement that employees at the firm approach every day as if it were day one at a youthful startup, revenues have continued soaring past the point where most companies head for equilibrium, stagnate and decline.

Mr. Bezos's first strange notion, of selling books on a new medium called the web, was succeeded by others. It was after Amazon came up with the outlandish idea of renting out its own computing infrastructure to other firms in 2006 that things really took off. The result -Amazon Web Services (AWS), now the world's undisputed leader in cloud computing, has powered the firm on. True, it was not Mr. Bezos himself who dreamt up AWS, but the corporate culture in which a junior engineer could get an original idea heard and funded was all his.

The widening gap between Amazon's profits and its revenues is another differentiator (see chart). For over two decades the company reported minimal profits, preferring to reinvest in growth. But in recent years AWS's high margins have provided profits as well as growth. In 2020 the pandemic accelerated a long-term trend towards online activities such as e-commerce, logistics and cloud computing -and pushed Amazon's revenue up by 38% to another record of USD \$386 billion.



Mr. Bezos's move to executive chairman is well timed: he is going out on a high. But Amazon faces mounting problems including regulatory scrutiny, labour unrest and, in some parts of the empire, maturing businesses. Amazon's further success depends on whether his successor proves to be equally atypical, and can build on the company's strengths of integrated digital platforms and extreme proficiency in supply chain management (a skill that has made Amazon the second largest retailer behind behemoth Walmart). As a big fan of Amazon Prime and its insanely-fast shipping, I am of the view that the company

will continue to be super-obsessed with the customer experience and will accelerate the culture of innovation. A culture that has Mr. Bezos leaving his corner office with a net worth of approximately USD \$200 billion -or about USD \$22 million a day for every day he's run the company since Amazon's founding in 1996.

Be safe, be well!

Martin

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