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Inside Amazon's Push to Crack Trader Joe's—and Dominate Everything

A secret war room and other tactics fueled the retail giant's rise

By [Dana Mattioli](#) [Follow](#)

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When Amazon [AMZN -1.54%](#) ▼ was working on a new private-label food brand called Wickedly Prime, members of the team pitched management this vision for the brand: to replicate the top 200 items sold at Trader Joe's, the grocery-store chain with a rabid fan following.

To help in its quest, the team recruited a senior manager from Trader Joe's snack-foods business. The recruit wasn't told specifically what she'd be working on when Amazon conducted her interview in 2015.

But during her first week she walked into a conference room at headquarters with brown paper covering the windows and door to ensure privacy, and she started piecing things together. The mysterious conference room was filled with boxes of Trader Joe's snack foods piled high on shelves, which Amazon had bought up to study for its own brand. This alarmed the employee, who was eventually told she was hired to help create the product assortment for Wickedly Prime.

The problem was that Trader Joe's secrets were well guarded. The grocer doesn't offer online shopping, so there is less known about the company's top sellers than about products sold by retailers that sell online, which have customer reviews. Much of what Trader Joe's sells, it makes itself—interesting concoctions that fly off shelves, like cinnamon bun spread and rosemary croissant croutons. Amazon wasn't sure exactly which 200 items to copy, but a manager on the team was determined that their new employee would help them figure that out.



An Amazon team recruited a senior manager from Trader Joe's snacks division and pressured her to turn over information about the grocer's most popular snacks. PHOTO: MADDIE MEYER/GETTY IMAGES

A part of Amazon's success is a cutthroat culture where employees are incentivized to win to an unusual degree. Amazon uses stack ranking, grading employees against each other and cutting the bottom 6% of performers each year. New employees get the majority of their restricted stock units paid in their third and fourth year at the company, which can mean they never receive them, since there is notoriously high employee turnover at Amazon.

An environment where every year employees are cut from an already all-star pool of talent at a company with unprecedented access to data meant that accessing data to gain an edge—as well as using other tactics to hurt competition—was a powerful way to stay ahead and make it to their restricted stock units.

This reporting draws on hundreds of pages of internal documents and emails, and interviews with more than 600 employees, partners, competitors and regulators. They show that Amazon often had its thumb on the scale, creating scenarios to give itself a leg up or create hit products at the expense of rivals.

Amazon's spokesman said Amazon has innovated for customers, spurred lower prices, enabled millions of successful small businesses, and significantly increased competition in retail. Its "culture centers on innovating for customers to make their lives better and easier," he said. It doesn't do stack ranking, he said, but admitted that Amazon currently has a percentage goal for what Amazon calls unregretted attrition in place.



Amazon competes with the biggest companies in the U.S., including FedEx, Walmart, Kroger, Netflix, Google and Microsoft. PHOTO: LIZ HAFALIA/THE SAN FRANCISCO CHRONICLE/GETTY IMAGES

Amazon is the number one, two or three player in a staggering number of industries from e-commerce to cloud computing, giving the company unrivaled access to partner, seller and even competitor data. An intense culture combined with unparalleled leverage and data across industries has made Amazon one of the most powerful and most feared companies in business history.

Well beyond snacks, Amazon's private-label employees for years have looked at the proprietary data of its third-party sellers on Amazon.com to reverse engineer bestsellers and undercut them on pricing. Entrepreneurs who have met with Amazon's dealmaking or venture-capital arms complain that Amazon executives pumped them for intelligence about their inventions and shared proprietary information with other Amazon teams that stood to benefit only to ghost the entrepreneurs and create similar Amazon products. Amazon's spokesman said the company doesn't use seller or entrepreneur data to create competing products. Amazon's own employees describe lax firewalls that allowed information that was supposed to be safeguarded to bleed between business units.

Snack attack

After stumbling upon the secret Trader Joe's room at Amazon's Seattle headquarters, things only became more stressful for the former Trader Joe's employee. For six months, her manager hounded her for information about the grocer's bestselling products. She tried to deflect, but the pressure kept ratcheting up. Finally, the manager demanded that the employee email any documents she had kept from her time at Trader Joe's to another colleague on the team. She emailed over an Excel spreadsheet that detailed Trader Joe's top-selling items nationally over the course of a week. It contained the number of units sold per item over that time period.

Her manager didn't stop with the sales data. He also demanded that she share Trader Joe's margins for each product. When she refused, her manager angrily screamed at her, "You just have to give us the data!" a person who witnessed the exchange recalled. The employee, who had been pressured for months, burst into tears. But she declined to share the margins data.



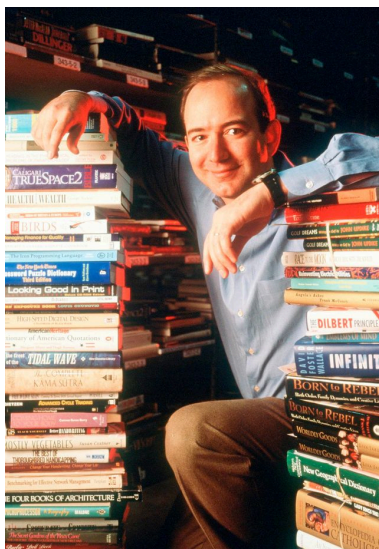
Amazon's Wickedly Prime food brand wanted its snacks to achieve the viral, fan-favorite status of some Trader Joe's hits like its cinnamon bun spread or its rosemary croissant croutons. PHOTO: JEENAH MOON/BLOOMBERG NEWS

Nonetheless, the team disseminated her sales document and started to think about how to incorporate it. Another employee became uncomfortable with the ethics of using Trader Joe's proprietary data and reported it to someone in Amazon's legal department. Soon, the handful of employees who had accessed the data were fired. Amazon responded to the behavior appropriately, but employees on the team say the use of the data was emblematic of the type of pressure they were under.

"We do not condone the misuse of proprietary confidential information, and thoroughly investigate any reports of employees doing so and take action, which may include termination," an Amazon spokesperson said.

A free pass

Amazon.com launched in 1995 as an online bookstore during the start of the internet frenzy. Its revolutionary business model at a time when malls and department stores reigned king allowed it to grow for years without showing profits—an extraordinarily long leash from shareholders who demanded quarterly profits from its retail competitors. That free pass from Wall Street—coupled with a loophole permitting mail-order catalogs to forgo collecting sales taxes in states where they didn't have physical locations—allowed Amazon to grow unfettered, and to leave a trail of competitors' corpses in its wake.



Founder Jeff Bezos described a world where customers made Amazon a 'daily habit.' PHOTO: PAUL SOUDERS/GETTY IMAGES

Even early on, Amazon's most senior team of leaders talked about Amazon's "total addressable market" (finance speak for a company's top revenue potential) as "everybody else's operating margin," recalls Warren Jenson, Amazon's chief financial officer until 2002. Put another way, if your company made money, Amazon viewed you as the competition and was coming for your business.

In 2006, Amazon founder and then Chief Executive Jeff Bezos attended a retail gala and panel in Manhattan. The event attracted largely the same guest list of clubby retail CEOs each year, such as the leaders of Macy's, Saks Fifth Avenue and J. Crew. At the time Amazon had just a \$19 billion

market value. Most CEOs in the room didn't think the company could upend apparel, where shoppers liked to touch merchandise and try it on.

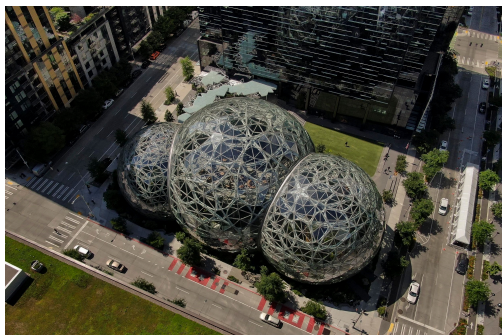
David Jaffe, the former chair and CEO of Ascena Retail Group, the owner of Lane Bryant, and other brands, recalls spotting Bezos at the bar.

“What are you doing here?” he asked. Bezos’s answer made him raise his eyebrows.

“Your margin is my opportunity,” Jaffe recalls Bezos responding to him.

An Amazon spokesman said Bezos didn’t say that.

While ambitious, the company would make good on that. The guest list of attendees from that year — Linens ’n Things, Filene’s Basement, and Modell’s — now reads like a bankruptcy docket.



Amazon.com headquarters in Seattle. PHOTO: DAVID RYDER/GETTY IMAGES

The daily habit

In meetings with senior leaders, Bezos would describe a world where customers didn’t visit Amazon.com once a month for various items like paper towels and batteries. Instead, Amazon would become embedded in the customer’s lifestyle.

Bezos came to call this the “daily habit,” which would make Amazon an essential part of people’s lives in both implicit and explicit ways. The company dissected habits that people formed, like watching videos or listening to music, and decided that whatever those categories were, Amazon needed to be in them.

“Jeff was talking about making Amazon a ‘daily habit’ at a bunch of meetings,” recalls Roy Price, who headed up Amazon Studios until October 2017. “When you think about music and video, that puts you in touch with the brand on a daily basis, so if you want to increase [the] frequency of touchpoints, transform the brand from someplace I occasionally go to get a book to something I am in touch with every day. The change for Amazon was moving from a retailer that you went to when you needed to buy something to a service provider who was just part of your lifestyle,” Price said.

Just as Amazon had fully disrupted retail, it would now methodically spread into other industries, with a focus on integrating itself into everyday life.



Wall Street often bet on which industry Amazon might disrupt next. Amazon entertainment executives, above, spoke at an event in Beverly Hills, Calif., in 2015. PHOTO: FREDERICK M. BROWN/GETTY IMAGES

Wall Street has made vocal bets on Amazon’s ability to disrupt ever-new sectors. The day Amazon acquired Whole Foods in 2017, for instance, nearly \$22 billion of market value among American grocery chains was erased.

As it continued entering industries, watching Amazon decimate rivals became a pastime on Wall Street, with one firm even keeping a “Death by Amazon” index.

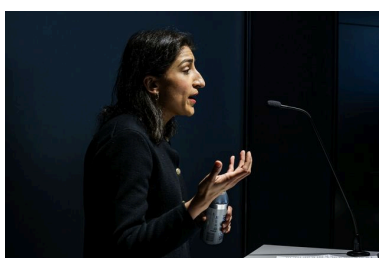
The astonishing range of commercial activities the company entered has put it head-to-head with juggernauts such as FedEx, Google, Netflix, Microsoft, Apple, Walmart and Kroger.

Big enough?

In recent years, concerns have mounted about Amazon's dominance, first abroad and then at home.

On Sept. 26, 2023 the company faced its biggest challenge to date. The Federal Trade Commission sued Amazon for being an illegal monopoly, contending that Amazon's dominance in e-commerce in the U.S., where 40% of all online shopping happens on Amazon.com, creates higher prices for consumers.

"Amazon now takes one of every \$2 that a seller makes, so sellers are effectively paying a 50% Amazon tax that has steadily been increasing over the last decade. And prices are higher for shoppers as a result," said FTC Chair Lina Khan of the lawsuit. The agency made the case that Amazon's dominance in e-commerce is so asymmetrical that the giant's power causes prices to rise not just on Amazon.com but at other online retailers as well.



Lina Khan, Chair of the Federal Trade Commission, saw parallels between Amazon and Standard Oil. PHOTO: VALERIE PLESCH/BLOOMBERG NEWS

"The company fundamentally disagrees with the FTC's allegations because they are wrong or misleading, and they would harm consumers and independent businesses," an Amazon spokesman says.

Khan early on in her career saw parallels between Amazon and Standard Oil, and viewed Bezos as a modern-day Rockefeller. The

showdown between Amazon and regulators isn't dissimilar to what befell Standard Oil more than a century ago when the oil giant was forced to break up, though the question remains: will the same fate befall Amazon?

In the midst of these assaults, Amazon continues to forge ahead, seeking new areas to spread its tentacles. As regulators around the world decry the company as being too big, Amazon's CEO Andy Jassy has told his senior leaders it isn't big enough. Jassy recently told his deputies that Amazon could become a \$10 trillion company—the world's largest by valuation—over the next decade.

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