

Testimony before the Subcommittee on Antitrust, Commercial, and Administrative Law

Written by Jeffrey P. Bezos, published on July 28, 2020

Thank you, Chairman Cicilline, Ranking Member Sensenbrenner, and members of the Subcommittee. I'm Jeff Bezos. I founded Amazon 26 years ago with the long-term mission of making it Earth's most customer-centric company.

My mom, Jackie, had me when she was a 17-year-old high school student in Albuquerque, New Mexico. Being pregnant in high school was not popular in Albuquerque in 1964. It was difficult for her. When they tried to kick her out of school, my grandfather went to bat for her. After some negotiation, the principal said, "OK, she can stay and finish high school, but she can't do any extracurricular activities, and she can't have a locker." My grandfather took the deal, and my mother finished high school, though she wasn't allowed to walk across the stage with her classmates to get her diploma. Determined to keep up with her education, she enrolled in night school, picking classes led by professors who would let her bring an infant to class. She would show up with two duffel bags—one full of textbooks, and one packed with diapers, bottles, and anything that would keep me interested and quiet for a few minutes.

My dad's name is Miguel. He adopted me when I was four years old. He was 16 when he came to the United States from Cuba as part of Operation Pedro Pan, shortly after Castro took over. My dad arrived in America alone. His parents felt he'd be safer here. His mom imagined America would be cold, so she made him a jacket sewn entirely out of cleaning cloths, the only material they had on hand. We still have that jacket; it hangs in my parents' dining room. My dad spent two weeks at Camp Matecumbe, a refugee center in Florida, before being moved to a Catholic mission in Wilmington, Delaware. He was lucky to get to the mission, but even so, he didn't speak English and didn't have an easy path. What he did have was a lot of grit and determination. He received a scholarship to college in Albuquerque, which is where he met my mom. You get different gifts in life, and one of my great gifts is my mom and dad. They have been incredible role models for me and my siblings our entire lives.

You learn different things from your grandparents than you do from your parents, and I had the opportunity to spend my summers from ages four to 16 on my grandparents' ranch in Texas. My grandfather was a civil servant and a rancher—he worked on space technology and missile-defense systems in the 1950s and '60s for the Atomic Energy Commission—and he was self-reliant and resourceful. When you're in the middle of nowhere, you don't pick up a phone and call somebody when something breaks. You fix it yourself. As a kid, I got to see him solve many seemingly unsolvable problems himself, whether he was restoring a broken-down Caterpillar bulldozer or doing his own veterinary work. He taught me that you can take on hard problems. When you have a setback, you get back up and try again. You can invent your way to a better place.

I took these lessons to heart as a teenager, and became a garage inventor. I invented an automatic gate closer out of cement-filled tires, a solar cooker out of an umbrella and tinfoil, and alarms made from baking pans to entrap my siblings.

The concept for Amazon came to me in 1994. The idea of building an online bookstore with millions of titles—something that simply couldn't exist in the physical world—was exciting to me. At the time, I was working at an investment firm in New York City. When I told my boss I was leaving, he took me on a long walk in Central Park. After a lot of listening, he finally said, "You know what, Jeff, I think this is a good idea, but it would be a better idea for somebody who didn't already have a good job." He convinced me to think about it for two days before making a final decision. It was a decision I made with my heart and not my head. When I'm 80 and reflecting back, I want to have minimized the number of regrets that I have in my life. And most of our regrets are acts of omission—the things we didn't try, the paths untraveled. Those are the things that haunt us. And I decided that if I didn't at least give it my best shot, I was going to regret not trying to participate in this thing called the internet that I thought was going to be a big deal.

The initial start-up capital for Amazon.com came primarily from my parents, who invested a large fraction of their life savings in something they didn't understand. They weren't making a bet on Amazon or the concept of a bookstore on the internet. They were making a bet on their son. I told them that I thought there was a 70% chance they would lose their investment, and they did it anyway. It took more than 50 meetings for me to raise \$1 million from investors,

and over the course of all those meetings, the most common question was, “What’s the internet?”

Unlike many other countries around the world, this great nation we live in supports and does not stigmatize entrepreneurial risk-taking. I walked away from a steady job into a Seattle garage to found my startup, fully understanding that it might not work. It feels like just yesterday I was driving the packages to the post office myself, dreaming that one day we might be able to afford a forklift.

Amazon’s success was anything but preordained. Investing in Amazon early on was a very risky proposition. From our founding through the end of 2001, our business had cumulative losses of nearly \$3 billion, and we did not have a profitable quarter until the fourth quarter of that year. Smart analysts predicted Barnes & Noble would steamroll us, and branded us “Amazon.toast.” In 1999, after we’d been in business for nearly five years, Barron’s headlined a story about our impending demise “Amazon.bomb.” My annual shareholder letter for 2000 started with a one-word sentence: “Ouch.” At the pinnacle of the internet bubble our stock price peaked at \$116, and then after the bubble burst our stock went down to \$6. Experts and pundits thought we were going out of business. It took a lot of smart people with a willingness to take a risk with me, and a willingness to stick to our convictions, for Amazon to survive and ultimately to succeed.

And it wasn’t just those early years. In addition to good luck and great people, we have been able to succeed as a company only because we have continued to take big risks. To invent you have to experiment, and if you know in advance that it’s going to work, it’s not an experiment. Outsized returns come from betting against conventional wisdom, but conventional wisdom is usually right. A lot of observers characterized Amazon Web Services as a risky distraction when we started. “What does selling compute and storage have to do with selling books?” they wondered. No one asked for AWS. It turned out the world was ready and hungry for cloud computing but didn’t know it yet. We were right about AWS, but the truth is we’ve also taken plenty of risks that didn’t pan out. In fact, Amazon has made billions of dollars of failures. Failure inevitably comes along with invention and risk-taking, which is why we try to make Amazon the best place in the world to fail.

Since our founding, we have strived to maintain a “Day One” mentality at the company. By that I mean approaching everything we do with the energy and entrepreneurial spirit of Day One. Even though Amazon is a large company, I have always believed that if we commit ourselves to maintaining a Day One mentality as a critical part of our DNA, we can have both the scope and capabilities of a large company and the spirit and heart of a small one.

In my view, obsessive customer focus is by far the best way to achieve and maintain Day One vitality. Why? Because customers are always beautifully, wonderfully dissatisfied, even when they report being happy and business is great. Even when they don’t yet know it, customers want something better, and a constant desire to delight customers drives us to constantly invent on their behalf. As a result, by focusing obsessively on customers, we are internally driven to improve our services, add benefits and features, invent new products, lower prices, and speed up shipping times—*before* we have to. No customer ever asked Amazon to create the Prime membership program, but it sure turns out they wanted it. And I could give you many such examples. Not every business takes this customer-first approach, but we do, and it’s our greatest strength.

Customer trust is hard to win and easy to lose. When you let customers make your business what it is, then they will be loyal to you—right up to the second that someone else offers them better service. We know that customers are perceptive and smart. We take as an article of faith that customers will notice when we work hard to do the right thing, and that by doing so again and again, we will earn trust. You earn trust slowly, over time, by doing hard things well—delivering on time; offering everyday low prices; making promises and keeping them; making principled decisions, even when they’re unpopular; and giving customers more time to spend with their families by inventing more convenient ways of shopping, reading, and automating their homes. As I have said since my first shareholder letter in 1997, we make decisions based on the long-term value we create as we invent to meet customer needs. When we’re criticized for those choices, we listen and look at ourselves in the mirror. When we think our critics are right, we change. When we make mistakes, we apologize. But when you look in the mirror, assess the criticism, and still believe you’re doing the right thing, no force in the world should be able to move you.

Fortunately, our approach is working. Eighty percent of Americans have a favorable impression of Amazon overall, according to leading independent polls. Who do Americans trust more than

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Amazon “to do the right thing?” Only their primary physicians and the military, according to a January 2020 Morning Consult survey. Researchers at Georgetown and New York University found in 2018 that Amazon trailed only the military among all respondents to a survey on institutional and brand trust. Among Republicans, we trailed only the military and local police; among Democrats, we were at the top, leading every branch of government, universities, and the press. In Fortune’s 2020 rankings of the World’s Most Admired Companies, we came in second place (Apple was #1). We are grateful that customers notice the hard work we do on their behalf, and that they reward us with their trust. Working to earn and keep that trust is the single biggest driver of Amazon’s Day One culture.

The company most of you know as Amazon is the one that sends you your online orders in the brown boxes with the smile on the side. That’s where we started, and retail remains our largest business by far, accounting for over 80% of our total revenue. The very nature of that business is getting products to customers. Those operations need to be close to customers, and we can’t outsource these jobs to China or anywhere else. To fulfill our promises to customers in this country, we need American workers to get products to American customers. When customers shop on Amazon, they are helping to create jobs in their local communities. As a result, Amazon directly employs a million people, many of them entry-level and paid by the hour. We don’t just employ highly educated computer scientists and MBAs in Seattle and Silicon Valley. We hire and train hundreds of thousands of people in states across the country such as West Virginia, Tennessee, Kansas, and Idaho. These employees are package stowers, mechanics, and plant managers. For many, it’s their first job. For some, these jobs are a stepping stone to other careers, and we are proud to help them with that. We are spending more than \$700 million to give more than 100,000 Amazon employees access to training programs in fields such as healthcare, transportation, machine learning, and cloud computing. That program is called Career Choice, and we pay 95% of tuition and fees toward a certificate or diploma for in-demand, high-paying fields, regardless of whether it’s relevant to a career at Amazon.

Patricia Soto, one of our associates, is a Career Choice success story. Patricia always wanted to pursue a career in the medical field to help care for others, but with only a high school diploma and facing the costs of post-secondary education, she wasn’t sure she’d be able to accomplish that goal. After earning her medical certification through Career Choice, Patricia left Amazon to start her new career as a medical assistant at Sutter Gould Medical Foundation, supporting a

pulmonary medicine doctor. Career Choice has given Patricia and so many others a shot at a second career that once seemed out of reach.

Amazon has invested more than \$270 billion in the U.S. over the last decade. Beyond our own workforce, Amazon's investments have created nearly 700,000 indirect jobs in fields like construction, building services, and hospitality. Our hiring and investments have brought much-needed jobs and added hundreds of millions of dollars in economic activity to areas like Fall River, Massachusetts, California's Inland Empire, and Rust Belt states like Ohio. During the COVID-19 crisis, we hired an additional 175,000 employees, including many laid off from other jobs during the economic shutdown. We spent more than \$4 billion in the second quarter alone to get essential products to customers and keep our employees safe during the COVID-19 crisis. And a dedicated team of Amazon employees from across the company has created a program to regularly test our workers for COVID-19. We look forward to sharing our learnings with other interested companies and government partners.

The global retail market we compete in is strikingly large and extraordinarily competitive. Amazon accounts for less than 1% of the \$25 trillion global retail market and less than 4% of retail in the U.S. Unlike industries that are winner-take-all, there's room in retail for many winners. For example, more than 80 retailers in the U.S. alone earn over \$1 billion in annual revenue. Like any retailer, we know that the success of our store depends entirely on customers' satisfaction with their experience in our store. Every day, Amazon competes against large, established players like Target, Costco, Kroger, and, of course, Walmart—a company more than twice Amazon's size. And while we have always focused on producing a great customer experience for retail sales done primarily online, sales initiated online are now an even larger growth area for other stores. Walmart's online sales grew 74% in the first quarter. And customers are increasingly flocking to services invented by other stores that Amazon still can't match at the scale of other large companies, like curbside pickup and in-store returns. The COVID-19 pandemic has put a spotlight on these trends, which have been growing for years. In recent months, curbside pickup of online orders has increased over 200%, in part due to COVID-19 concerns. We also face new competition from the likes of Shopify and Instacart—companies that enable traditionally physical stores to put up a full online store almost instantaneously and to deliver products directly to customers in new and innovative ways—and a growing list of omnichannel business models. Like almost every other segment of our economy, technology is used everywhere in retail and has only made retail more competitive,

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whether online, in physical stores, or in the various combinations of the two that make up most stores today. And we and all other stores are acutely aware that, regardless of how the best features of “online” and “physical” stores are combined, we are all competing for and serving the same customers. The range of retail competitors and related services is constantly changing, and the only real constant in retail is customers’ desire for lower prices, better selection, and convenience.

It’s also important to understand that Amazon’s success depends overwhelmingly on the success of the thousands of small and medium-sized businesses that also sell their products in Amazon’s stores. Back in 1999, we took what at the time was the unprecedented step of welcoming third-party sellers into our stores and enabling them to offer their products right alongside our own. Internally, this was extremely controversial, with many disagreeing and some predicting this would be the beginning of a long, losing battle. We didn’t have to invite third-party sellers into the store. We could have kept this valuable real estate for ourselves. But we committed to the idea that over the long term it would increase selection for customers, and that more satisfied customers would be great for both third-party sellers and for Amazon. And that’s what happened. Within a year of adding those sellers, third-party sales accounted for 5% of unit sales, and it quickly became clear that customers loved the convenience of being able to shop for the best products and to see prices from different sellers all in the same store. These small and medium-sized third-party businesses now add significantly more product selection to Amazon’s stores than Amazon’s own retail operation. Third-party sales now account for approximately 60% of physical product sales on Amazon, and those sales are growing faster than Amazon’s own retail sales. We guessed that it wasn’t a zero sum game. And we were right—the whole pie did grow, third-party sellers did very well and are growing fast, and that has been great for customers and for Amazon.

There are now 1.7 million small and medium-sized businesses around the world selling in Amazon’s stores. More than 200,000 entrepreneurs worldwide surpassed \$100,000 in sales in our stores in 2019. On top of that, we estimate that third-party businesses selling in Amazon’s stores have created over 2.2 million new jobs around the world.

One of those sellers is Sherri Yukel, who wanted to change careers to be home more for her children. She started handcrafting gifts and party supplies for friends as a hobby, and eventually began selling her products on Amazon. Today, Sherri’s company employs nearly 80 people and

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has a global customer base. Another is Christine Krogue, a stay-at-home mother of five in Salt Lake City. Christine started a business selling baby clothes through her own website before taking a chance on Amazon. She has since seen her sales more than double, and she's been able to expand her product line and hire a team of part-time employees. Selling on Amazon has allowed Sherri and Christine to grow their own businesses and satisfy customers on their own terms.

And it is striking to remember how recent all of this is. We did not start out as the largest marketplace—eBay was many times our size. It was only by focusing on supporting sellers and giving them the best tools we could invent that we were able to succeed and eventually surpass eBay. One such tool is Fulfillment by Amazon, which enables our third-party sellers to stow their inventory in our fulfillment centers, and we take on all logistics, customer service, and product returns. By dramatically simplifying all of those challenging aspects of the selling experience in a cost-effective way, we have helped many thousands of sellers grow their businesses on Amazon. Our success may help explain the wide proliferation of marketplaces of all types and sizes around the world. This includes U.S. companies like Walmart, eBay, Etsy, and Target, as well as retailers based overseas but selling globally, such as Alibaba and Rakuten. These marketplaces further intensify competition within retail.

The trust customers put in us every day has allowed Amazon to create more jobs in the United States over the past decade than any other company—hundreds of thousands of jobs across 42 states. Amazon employees make a minimum of \$15 an hour, more than double the federal minimum wage (which we have urged Congress to increase). We've challenged other large retailers to match our \$15 minimum wage. Target did so recently, and just last week so did Best Buy. We welcome them, and they remain the only ones to have done so. We do not skimp on benefits, either. Our full-time hourly employees receive the same benefits as our salaried headquarters employees, including comprehensive health insurance starting on the first day of employment, a 401(k) retirement plan, and parental leave, including 20 weeks of paid maternity leave. I encourage you to benchmark our pay and benefits against any of our retail competitors.

More than 80% of Amazon shares are owned by outsiders, and over the last 26 years—starting from zero—we've created more than \$1 trillion of wealth for those outside shareholders. Who are those shareowners? They are pension funds: fire, police, and school teacher pension funds. Others are 401(k)s—mutual funds that own pieces of Amazon. University endowments, too, Jeffrey P. Bezos (2020): Testimony before the Subcommittee on Antitrust, Commercial, and Administrative Law, Onlineartikel vom 28. Juli 2020, abrufbar unter: <https://blog.aboutamazon.com/policy/statement-by-jeff-bezos-to-the-u-s-house-committee-on-the-judiciary>, Zugriff am 06.08.2020.

and the list goes on. Many people will retire better because of the wealth we've created for so many, and we're enormously proud of this.

At Amazon, customer obsession has made us what we are, and allowed us to do ever greater things. I know what Amazon could do when we were 10 people. I know what we could do when we were 1,000 people, and when we were 10,000 people. And I know what we can do today when we're nearly a million. I love garage entrepreneurs—I was one. But, just like the world needs small companies, it also needs large ones. There are things small companies simply can't do. I don't care how good an entrepreneur you are, you're not going to build an all-fiber Boeing 787 in your garage.

Our scale allows us to make a meaningful impact on important societal issues. The Climate Pledge is a commitment made by Amazon and joined by other companies to meet the goals of the Paris Agreement 10 years early and be net zero carbon by 2040. We plan to meet the pledge, in part, by purchasing 100,000 electric delivery vans from Rivian—a Michigan-based producer of electric vehicles. Amazon aims to have 10,000 of Rivian's new electric vans on the road as early as 2022, and all 100,000 vehicles on the road by 2030. Globally, Amazon operates 91 solar and wind projects that have the capacity to generate over 2,900 MW and deliver more than 7.6 million MWh of energy annually—enough to power more than 680,000 U.S. homes. Amazon is also investing \$100 million in global reforestation projects through the Right Now Climate Fund, including \$10 million Amazon committed in April to conserve, restore, and support sustainable forestry, wildlife and nature-based solutions across the Appalachian Mountains—funding two innovative projects in collaboration with The Nature Conservancy. Four global companies—Verizon, Reckitt Benckiser, Infosys, and Oak View Group—recently signed The Climate Pledge, and we continue to encourage others to join us in this fight. Together, we will use our size and scale to address the climate crisis right away. And last month, Amazon introduced The Climate Pledge Fund, started with \$2 billion in funding from Amazon. The Fund will support the development of sustainable technologies and services that in turn will enable Amazon and other companies to meet The Climate Pledge. The Fund will invest in visionary entrepreneurs and innovators who are building products and services to help companies reduce their carbon impact and operate more sustainably.

We recently opened the largest homeless shelter in Washington state—and it's located inside one of our newest headquarters buildings in downtown Seattle. The shelter is for Mary's Place, Jeffrey P. Bezos (2020): Testimony before the Subcommittee on Antitrust, Commercial, and Administrative Law, Onlineartikel vom 28. Juli 2020, abrufbar unter: <https://blog.aboutamazon.com/policy/statement-by-jeff-bezos-to-the-u-s-house-committee-on-the-judiciary>, Zugriff am 06.08.2020.

an incredible Seattle-based nonprofit. The shelter, part of Amazon's \$100 million investment in Mary's Place, spans eight floors and can accommodate up to 200 family members each night. It has its own health clinic and provides critical tools and services to help families fighting homelessness get back on their feet. And there is dedicated space for Amazon to provide weekly pro-bono legal clinics offering counsel on credit and debt issues, personal injury, housing and tenant rights. Since 2018, Amazon's legal team has supported hundreds of Mary's Place guests and volunteered more than 1,000 pro-bono hours.

Amazon Future Engineer is a global childhood-to-career program designed to inspire, educate, and prepare thousands of children and young adults from underrepresented and underserved communities to pursue a computer science career. The program funds computer science coursework and professional teacher development for hundreds of elementary schools, introductory and AP Computer Science classes for more than 2,000 schools in underserved communities across the country, and 100 four-year, \$40,000 college scholarships to computer science students from low-income backgrounds. Those scholarship recipients also receive guaranteed internships at Amazon. There is a diversity pipeline problem in tech, and this has an outsized impact on the Black community. We want to invest in building out the next generation of technical talent for the industry and expanding the opportunities for underrepresented minorities. We also want to accelerate this change right now. To find the best talent for technical and non-technical roles, we actively partner with historically Black colleges and universities on our recruiting, internship, and upskilling initiatives.

Let me close by saying that I believe Amazon should be scrutinized. We should scrutinize all large institutions, whether they're companies, government agencies, or non-profits. Our responsibility is to make sure we pass such scrutiny with flying colors.

It's not a coincidence that Amazon was born in this country. More than any other place on Earth, new companies can start, grow, and thrive here in the U.S. Our country embraces resourcefulness and self-reliance, and it embraces builders who start from scratch. We nurture entrepreneurs and start-ups with stable rule of law, the finest university system in the world, the freedom of democracy, and a deeply accepted culture of risk-taking. Of course, this great nation of ours is far from perfect. Even as we remember Congressman John Lewis and honor his legacy, we're in the middle of a much-needed race reckoning. We also face the challenges of climate change and income inequality, and we're stumbling through the crisis of a global

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pandemic. Still, the rest of the world would love even the tiniest sip of the elixir we have here in the U.S. Immigrants like my dad see what a treasure this country is—they have perspective and can often see it even more clearly than those of us who were lucky enough to be born here. It's still Day One for this country, and even in the face of today's humbling challenges, I have never been more optimistic about our future.

I appreciate the opportunity to appear before you today and am happy to take your questions.

Jeffrey Preston is an American internet entrepreneur, industrialist, media proprietor, and investor. He is best known as the founder, CEO, and president of the multi-national technology company Amazon. The first centi-billionaire on the Forbes wealth index, Bezos has been the world's richest person since 2017 and was named the "richest man in modern history" after his net worth increased to \$150 billion in July 2018.

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