



TEL EPISODE #047:

The Everything Store with Brad Stone

Show Notes: <http://www.theelpodcast.com/tel-047-everything-store-brad-stone/>

Welcome to *The Entrepreneurs Library*, the only book-centric podcast that reviews all the top-selling business books and shares author's perspective, firsthand. This is your resource to finding the next great book that will enable you to grow personally and professionally. Welcome your host, Wade Danielson.

WADE: Thank you for joining us on The Entrepreneurs Library. Today we have Brad Stone, author of *The Everything Store*. Welcome, Brad, and thank you for joining us on The Entrepreneurs Library.

BRAD: Thank you, Wade.

WADE: Will you take just a moment to introduce yourself and just tell us a little bit about you personally?

BRAD: Sure. My name is Brad Stone. I'm a senior writer at Bloomberg Businessweek Magazine. I'm also the author of the book *The Everything Store: Jeff Bezos and the Age of Amazon*. It was published by Little Brown; came out last October. I won the Goldman Sachs and Financial Times Business Book of the Year Award, and it just came out in paperback.

WADE: Fantastic, thank you for sharing that. Now let's jump right into that book, *The Everything Store*, which was made available originally on October 15th, 2013, with the paperback just releasing last month, correct? Or I'm sorry, it's still August.

BRAD: That's right.

WADE: Okay. By the time this airs, I guess it'll be last month. Brad, we're going to move quickly, but here are some of the top questions that our listeners, who are made up of entrepreneurial readers, would like to get answered. The first one is, what was the inspiration behind writing *The Everything Store*?

BRAD: I've covered Silicon Valley for about 15 years now for the New York Times, Newsweek Magazine, and our Businessweek, and in that time, I've seen a lot of my colleagues write great books about the other technology companies that are changing our lives. There have been many Google books, there have been a couple Facebook books, there is a whole genre of Apple books.

Amazon, by virtue I think of its secrecy, the fact that it's up in Seattle, no one had done a great job writing a book about the company. And this is a company that has changed the way that we read, the way that we shop, the way companies are being formed in the cloud. I thought it was time for an in-depth look at its history and all the obstacles that it had to navigate.

WADE: You alluded to the second question already a little bit, but really it's what makes your book different from others regarding the same topic?

BRAD: Sure, there are a couple of other books on Amazon. There were a couple of very good early ones that are just incomplete, by virtue of the fact that they were written in 2001, 2002. There's one called Get Big Fast that offers a pretty good look at just the first 5 years of Amazon. There are a couple of memoirs written by former employees that are decent. One by the comedian Mike Daisey; there was another one called Amazonia written by a guy who worked as an editor at Amazon's book group.

But those were old, and I think because Amazon almost went out of business in 2001, 2002, people stopped tracking it as closely. And then suddenly, with the release of the Kindle, the emergence of Amazon Web Services and its pioneering work in the cloud, people began to pay attention again. But nobody had really gone in-depth with some access, some cooperation from the company, and talked to the hundreds of employees that were there witnessing the revolution. They had great stories to tell.

So I think my book stands apart because it shows the rise, the near fall, and then the rise again, and I think – just to toot my own horn a little bit, but I spent 2 years talking to people who were there. Got some cooperation from the company and

from Jeff Bezos, from his family members, and so was able to do enough that you could really tell this incredible entrepreneurial story.

WADE: How do you suggest the reader engage with your book? Is this the kind of book they can use as a resource and jump in and out based on different chapters and what they need at the moment? Or is this really one that they should start from the beginning and read all the way through?

BRAD: I really can see that it's a story, so I never imagine that people would just pop in. I mean, I do think there are business lessons there. Not lessons from me, but lessons from Jeff Bezos and how he operates Amazon. The company is incredibly customer-focused, the way they run meetings – there are all sorts of lessons that you can draw, good ones and maybe some ones to avoid.

But my book is really a story. It starts with a kid who is gifted, living in Texas, that goes to a gifted school, and then really takes you through his time in Wall Street at the hedge fund D.E. Shaw all the way to the present day. One of my mantras writing it was “find the straight line.” The Amazon story has so many overlapping parts, but I really wanted it to be a gripping narrative for readers.

WADE: Great. Brad, now that we know the background behind the book, we're to my favorite part, where we're really going to take a deep dive. I'm going to hand off the mic and just ask you to take us through, really from front to back. I guess who you imagine you're talking to is a reader who's thinking about picking up your book and wondering if it's going to be their next great read.

BRAD: Right. Well, thanks for the opportunity to speak to that prospective reader. I structured my book in three parts; I'm a former English major, so taking that clue from great plays. But it really conformed to Amazon's history, which I saw in three parts.

The first part, I call it “Faith” in the book, is the years 1993 to about early 2000, when the stock market collapses. Jeff Bezos is a vice president at the hedge fund D.E. Shaw, and he is working with the brilliant founder of that company, David Shaw, to brainstorm internet ideas. Among their ideas, they come upon this



notion for “*The Everything Store.*” Can you create, on this new, growing thing called the World Wide Web, can you create an intermediary between customers and manufacturers?

Bezos has the entrepreneurial bug, and he decides that he wants to be a guy like David Shaw, who himself had left Morgan Stanley to start his own firm. Bezos, with his wife, drives across the country and starts the company that they would later call Amazon. So I start in the basement, in the garage of their Bellevue house after he’s left D.E. Shaw, hiring the first employees.

The reason I called Part I “Faith” is because there really wasn’t – the internet was new. Startups today can look at Google or Amazon; they have so many patterns to match, so many best practices to duplicate. The reason I called the first part “Faith” is because Bezos and his colleagues and his investors were completely making it up as they went along, to the extent that they were driving packages to the post office and running into the basement to pack boxes themselves. It wasn’t a very efficient operation, but there was a faith, a belief, that the internet was this huge revolution that was going to change not just retailing, but the way business was conducted. It was going to level the playing field. It was going to let customers weigh in with reviews of products.

Bezos was the guy who really bet the biggest on that belief, on that faith. He, even to this day, raised the most amount of money probably of any internet entrepreneur, period, when you consider the initial fundraising rounds, the IPO, the initial bond offerings. So that first part is the story of this incredible bet. He’s at the casino of business, and he’s betting it all on green.

In that first part, I take the reader through the initial Amazon fundraising rounds and the IPO and the initial battles. When they met the Riggio brothers, who run Barnes & Noble, and when they met the folks who ran Wal-Mart for the first time. The other thing I talk about is Bezos finding his way and creating Amazon’s culture, driving people relentlessly. It’s something that he still does today, just sets the pace.

Everyone's familiar with startups, with founders that ultimately end up bickering. Well, Amazon had an original employee named Shel Kaphan, and I tell his story. He was employee #1, and unfortunately he and Jeff didn't end up getting along, and he left early. So that is also recounted.

Then that first part, "Faith," brings us up to what we call the .com bubble – although we may have to change that, because we might be in another bubble now. But this is when almost everybody lost their minds, and Amazon did too. They were making a ton of acquisitions, they were starting new product categories they were borrowing a ton of money. Jeff had his foot on the accelerator.

To me, it's a thrilling part of the book, because Amazon does things with such discipline now, so it's hard to remember that back then, he wasn't as accomplished a CEO as he is today. They were doing a lot of good things to build their brand, but he was making a ton of mistakes. He bought a lot of companies, he overspent. They learned a lot. But the company almost really went out of business.

The very end of that first part, "Faith," takes us into the .com bust. There were analysts that were predicting Amazon would go out of business, and Jeff basically changed direction, took his foot off the accelerator, had to lay people off, but reached profitability. At the end, he – I love this detail from the book – he inserted a secret code into a press release to ridicule one of the analysts that had predicted Amazon would go out of business. That takes us to the end of Part I, this incredible rise and then Amazon basically surviving by the skin of its teeth when a lot of its rivals, similarly overextended, went out of business.

Part II I call "Literary Influences," because I'm dealing with a lot in that chapter. But the unifying principle of this part of the book is at all these different parts of his life, Jeff found key insight and lessons from books.

The first chapter of that section, I go back in time and talk about Jeff's upbringing. Not a lot of people knew this until my book was published, but Jeff's dad was not his biological dad; his biological dad, who he never knew, was actually – a detail

you just can't make up – was a circus performer and a unicycle expert. I tell that story. I tell the story of Jeff's stepdad, who he really considers his father, who was an immigrant from Cuba. I talk about Jeff's early years, and then some of his space aspirations.

Then we get back into Amazon. There are three different sections here. One, there's the formation of the fulfillment network, those huge warehouses. Which really, their expertise there is at the heart of everything Amazon does. I talk about the books that Jeff Bezos and Jeff Wilke, his right hand man, and others learned from.

Then there's a chapter about – it's really a chapter about the creation of Amazon's prowess in the cloud. I call it "A Technology Company, Not a Retailer" because it's really when Amazon embraced its identity as a technology company and learned to build technology around price matching and search, and there were a lot of failures along the way, a lot of internal conflict, which I talk about.

Then the last chapter in that section is about the creation of the Kindle. Again, there are books that provided the inspiration – books like The Innovator's Dilemma. Amazon saw what Apple had done in music with the iPod, and having read Clayton Christensen's The Innovator's Dilemma, knew they really had to take the initiative to disrupt their own business, or somebody else would do it. Amazon's core business at that point, a big part of its business and a big part of its brand identity, was books.

They knew nothing about creating hardware, but Bezos himself, really over the objections of a lot of his key lieutenants, basically made the statement that they were going to have to learn how to do hardware, learn how to build an e-reader, because otherwise somebody else would come along and disrupt them.

So that's "Literary Influences." It really covers the most formative time in Amazon's history, when it came up with Amazon Prime, the 2-day subscription service, and when Bezos himself, taking the lessons of the business books that he loved and applying them with the company, directed Amazon into the cloud and into hardware with the Kindle, which has led to so much of its strategy today.

That second part I really feel like is a rousing account of Amazon having recovered from the .com collapse, finding its identity when a lot of people had written it off. From this point in time, eBay was valued on Wall Street higher than Amazon. Google, which went public during this time, right away was valued much higher than Amazon. So that Part II is the story of an underdog counted out by everyone who manages through ingenuity and the relentless motivation of its founder to basically get its house in order, set its traditional business on firm footing, and then to build on top of it and to really pioneer a couple of industries.

If Part II ends on that up note, Part III maybe sets a more cautious tone about Amazon's growing power. I title that part – and you can probably hear me thumbing through my book – Part III is titled “Missionary or Mercenary?” This is a formulation that's popular in Silicon Valley, and Jeff uses it, too. Missionary is a company that has high ideals and big, lofty goals.

In Amazon's case, they want to be the most customer-focused company in the world. In the case of its Kindle division, they want to make every book ever written available for download within 60 seconds. Jeff really believes that missionary employees, missionary companies, do better than mercenary companies. As you can guess, mercenary companies are out to win. They're out to best competitors. They're out to turn a quick buck. Well, Amazon identifies obviously as a missionary company, but in Part III I examine really what might be, what some consider at least, to be some mercenary practices.

It starts in the late 2000s with the acquisition of Zappos and some other moves, some of its disputes in the publishing business. Then we get right into all the ways in which Amazon exerts its market power. This runs the gamut. There's a battle over sales taxes, where despite the fact that it locates in various states, it claims not to have physical presence in those locations. Often it's using legal loopholes to claim a fulfillment center belongs to another company so it doesn't have to collect sales tax. That battle was waged over many years. Amazon was ultimately forced to start collecting sales tax.

Other areas of mercenary behavior, as we now know – it was almost less clear a year ago – Amazon can have a very antagonistic relationship with the suppliers that sell on its site. I tell the story of a knife maker called Wusthof that found, because Amazon has such a drive to achieve the lowest price, that when Wusthof allowed Amazon to sell its knives on the site, it ended up putting all sorts of pressure on Wusthof's other retailers, the small shops that had made its brand in the United States, which are really valued.

Amazon started to behave a little bit like Wal-Mart in that it wanted the absolute lowest everyday price and it wanted special relationships with suppliers, and that creates a lot of pressure on manufacturers. It's why we've seen so many jobs migrate overseas, because manufacturers try to accommodate these low margin retailers.

Then I get a little bit more into the dispute between Amazon and the publishers, how Apple got involved and tried to help publishers set a higher price, and that unfortunately attracted the attention of the U.S. Justice Department.

Then, in I think one of the best gets from the book, I have a memo from Jeff himself, which is called the Amazon.love memo. It's in this third part of the book, which is Jeff really thinking to his executive staff about how Amazon as a scale discount retailer can be loved by its customers and not feared, as so many scale retailers like Wal-Mart are. He's sort of thinking out loud, "As we get big, how do we make sure that we don't get put in that Wal-Mart bucket?"

One of the things he concludes is that as long as they're seen as innovative, as fundamentally inventing new things, then customers will give them a pass. We'll see if that's true, but it's clearly something – every time they talk about something like drones or they get into a new market, like phones with the Fire phone, we're seeing Amazon I think invent – practically, they've got operational goals with those new initiatives, but they also I think want to be seen as an innovative company. Because their core business to some will always be unsympathetic, because you're putting small, local, in some cases mom and pop shops out of business.

Finally, I get to the last chapter of the book, which I call “The Kingdom of the Question Mark,” and I do a lot in that chapter. The first thing I do is I tell the story of how I went and I found Jeff’s biological father. This is the unicyclist. I tell that story, and to my surprise, when I was reporting it, he didn’t even know that his biological son had grown up to be one of the most famous executives in the world. He was running a bike shop outside of Phoenix. I found him, and I told basically him the story of the son that he had had as a teenager.

From there, changing gears, I get into the culture of Amazon in the early 2010s. I call it “The Kingdom of the Question Mark” because one of the ways Jeff Bezos manages such a huge business is when he sees something he doesn’t like, when he hears from a customer about a complaint, he’ll often send it to the executive at Amazon in charge of that particular part of the business with just a question mark on the email. And if you’re an Amazon employee and you get the question mark, you basically run into panic mode.

That was my entrée into describing a culture which is very unique, it’s very idiosyncratic, and which isn’t for the faint of heart. Jeff has a very high bar, like so many founder CEOs, like Steve Jobs and Larry Page. He demands his employees think big all the time and bring their very best to meetings. They have the customer in mind always. All these principles are codified in Amazon’s Leadership Values, which I talk about in that chapter as well.

Then finally at the end, I talk a little bit about what I think is coming. It’s funny, because everything I predicted at the end of the hardcover edition ended up coming true. I mean, it wasn’t rocket science, but they released a telephone, they released a set-top box, they expanded into new countries. Unfortunately, I didn’t predict the drone announcement.

But I was able to update the book recently; there’s a new chapter in the paperback. In that new epilogue, actually I talk about the tragic death of Amazon’s first chief financial officer, Joy Covey. She kind of brought the Amazon community back together. There was a memorial for her, and in many ways it was sort of a reunion of the cast of characters from *The Everything Store*. It also had

them all in a period of reflection about what they had accomplished over the last 15 years.

I touch on life in the Amazon Customer Service call center, where you have hundreds of employee answering the telephone. Because people I think generally now know what it's like in an Amazon fulfillment center, but life is equally different in these customer call centers. And because they're Amazon employees, they're measured based on things like how many calls they answer and how customers answer the poll that they're emailed after a customer service call.

So I want readers to be clear-eyed about Amazon. It's an incredibly innovative company, but it's also putting a lot of pressure on its partners and on its employees. And that, Wade, is *The Everything Store*, and I hope there are a lot of lessons for entrepreneur.

But I also just hope it's a great story, because the story of Amazon really is one of the great entrepreneurial stories of our age. When you think of how much this company has accomplished in now 20 years, it's mind-blowing. Amazon will be the fastest retailer to 100 billion sales this year, maybe next year. They've gone and basically pioneered a new kind of retail and digital reading, cloud computing in the process.

So I have a ton of admiration for the company; I hope that comes through in the book. But I also think we need to understand it, because it's almost a different corporate creature than anything that we have seen before.

WADE: Wow. Brad, you have a gift of storytelling, that is for sure.

BRAD: Thank you, Wade.

WADE: Absolutely. You said at the very beginning that one of the things that made your book different was how through it was, and honestly, I'm thinking if I was just Jeff Bezos, I might pick this up to learn a little bit about my own company. (laughs) Because I think he would actually learn some things.

BRAD: Well, unfortunately, I think that he did pick it up, and there wasn't a lot of love from the company. They saw it as a critique or an attack and thought elements of it, like the depiction of the culture, were inaccurate. I didn't expect them or need for them to love it. I wish they had liked it more than they did. But you know, sometimes I think when you believe as seriously as they believe, an outsider's portrayal can be bothersome. So perhaps it's not all that surprising that they didn't like it.

WADE: Yeah, that absolutely makes sense. Like you said, an outsider's view is always going to be different of what's actually going on on the inside. But also, I like to think of myself as a certain person, but if I was to poll the 10 people closest to me, they're all going to say probably something different than what I would. (laughs)

BRAD: That's right.

WADE: A strength of mine might be an overbearance or something that they don't like. That definitely makes sense. But you did a great job of running through the book. It was fantastic. I can't believe at how much different angles you came at it. Like you said, there are a lot of different lessons to be pulled out of it.

I think that's what makes this next question so difficult to answer, and that's if the reader could only take away one concept, principle, or action item out of your entire book, what would you want that to be?

BRAD: Well, if we're talking about a business reader, then I really think that – and this is going to sound a little bit like common sense, but Amazon – it's a little hype-y, but they really do pride themselves on putting the customer first, and as they would say, raising the bar for what it means to be a customer-focused company.

Okay, so that's easy to say. Let's just take the example of an airline; I'm sure they would consider themselves to be very customer-focused. But you get into an airline today, and let's say they have a video screen in the seat in front of you, and

that video screen is playing ads until you take off. Maybe the ads are coming out through the cabin audio.

There's so many examples we can point to in life where a company has done something completely not even taking the customer experience into account. That's a business objective. No one has stopped for a second to think, "Is this a good customer experience? If we were to take a more long-term approach, shouldn't we not play that ad? Shouldn't we, as other airlines do, play great music or give viewers choices of what to do on their video screen while they're just sitting there waiting for the plane to take off?"

The one thing that Amazon does well is they always think about how to make the experience a little better for customers. The canonical example at Amazon is if you go to buy an item on the site that you've already bought, they're going to warn you about that before you make the purchase again.

They started an advertising business – since we're talking about ads – on their Kindle Fire tablets. These are not interrupted ads; they're ads that show up on the screensaver, where you could ignore them or you could watch them. They really do think as they release every product about how to make it a little better of an experience.

I think that a lot of people pay lip service to customers and users, but only when you really see it implemented as a cultural value, a company like Amazon, does it resonate. It's like "Oh yeah, all these companies could be treating us a little better."

I was recently renting a car, and it was a horrendous experience of just waiting for that attendant to go and take down my information. Because I'd already RSVP'd, but I was waiting half an hour. At Amazon, they would start by rethinking the process and putting the customer at the center. "What can we do with technology now to make that on-boarding process easier?" It's why some people root for Amazon to come into a market, because they really do raise the bar for being customer-focused. If you're a business, you can't screw around anymore and put your corporate priorities ahead of your customer priorities.

So I think my book shows Amazon at a lot of different stages of its growth and a lot of different iterations, shifting priorities, shifting strategies. But the one thing that really has remained consistent is the customer focus. I'd love to get on an airplane or rent a car or turn on a cable channel where that kind of thinking is embodied.

WADE: Very good. Brad, do you have a favorite quote from your book? It can be something that you wrote yourself or something that – obviously you got around to a lot of different people to write this book, but do you have a favorite quote?

BRAD: Well, yeah, there's one – I mean, all the best quotes are from Jeff, like who can compete with the philosopher entrepreneur? There was a quote of his that I have at the very end of the book. It's the last page of the last chapter of the hardcover edition. The quote – I just think it explains so much of Amazon's relentless drive, what it views as its own underdog status, and how it thinks about new businesses.

The quote is this: "We don't have a single big advantage, so we have to weave a rope of many small advantages." That is Jeff Bezos talking to a publisher named Tim O'Reilly. I just see so much of what Amazon does as weaving that rope of small advantages.

For instance, they came out with their phone recently, the Fire phone. There's a Prime subscription that comes with that. There are free videos in the Prime Instant Video Service that you can watch on the Fire phone. There's an app on the phone – I think it's called Firefly – that lets you just use the camera to scan any product, and there it is, available for sale on Amazon with the price. So this is not a phone as a Samsung or even a Google would introduce it; this is a link in a chain that Bezos has been building for 20 years.

And when he does kind of nutty things, like – well, actually, recently he bought an online gaming network called Twitch TV, where people can watch video games. In and of itself, it's a head scratcher, but think of it as a link in the chain, the rope that he is weaving. This is another channel in the lineup of video offerings that

he's been creating. Both funding the creation of unique content, shows like the comedy Alpha House that Amazon is into; it's also licensing shows from networks like AMC and HBO. And now they've just added another channel to their lineup, Twitch TV.

That's how I view Amazon: weaving a rope. Because it just constitutionally believes that unlike a Google that's got the huge advantage of being a dominant search engine, Amazon operates from this perception of "We don't have really an advantage, other than the fact that people love our brand. So we've got to work hard for everything." Just watching Bezos and his colleagues work, they're such tacticians. So I think that quote kind of sums it up.

WADE: That was an excellent quote. Brad, I think that there's a ton of – like we've already discussed, a ton of great lessons and information that they can gather from this. I think that for some people, this can really be a paradigm-shifting book. That leads us to our last question, which is what's a paradigm-shifting book, or a book that you've read that has left a huge impact on you? Will you share that with our audience?

BRAD: Okay, that's a tough one, obviously, because when I think of influential books – I could go back to my childhood, where I plowed through the book of Kurt Vonnegut, and I feel like his sensibility changed my worldview.

But I'll go with something more recent. Obviously, I love novels, I love fiction, and I am just so into the works of David Mitchell. He's an Irish writer. I won't even mention one, because it's almost like his six or seven novels are all part of the same tapestry. There's a book – it was made into a movie – called Cloud Atlas. He's got another novel called The Thousand Autumns of Jacob de Zoet. There's one called Black Swan Green.

There's a little sci-fi, there's a lot of history. Actually, in a lot of his books he tells short stories, but he links them all together, and then it kind of doubles back and he goes back into the first stories. Every story kind of hands the baton to the next.

First of all, he's such a good writer; it's so enjoyable. And then the way these stories are interconnected and the way he has created a whole universe populated with characters that show up in one book to the next – I think to me as a writer, it's just been so inspiring. I love any book right now that can transport us out of this environment of immediacy and non-stop news, so his books have really changed my life over the last few years, and I highly, highly recommend them.

WADE: Very good. Brad, before we depart, can you recommend the best way for our listeners to get more information on you and your book, *The Everything Store*?

BRAD: Sure. I've got a website, brad-stone.com. I also have a page on Businessweek; you can just put my name into the Businessweek search engine and see all the cover stories and other articles that I write for Businessweek.

And then you can always go – let's say you can go to your friendly local neighborhood bookstore and talk to the guy behind the counter and ask if they've got *The Everything Store*, and strike up a conversation. Because I could send you to Amazon, but that's too easy, and we've got to support our local bookstores. Otherwise, they're not going to be there next year. If you value them, you should probably shop there.

WADE: Excellent. Brad, thank you so much for coming on and sharing your creation with us.

BRAD: Thank you, Wade.

WADE: Thanks again for listening in today. If you would like to get your hands on *The Everything Store* or any of the other resources mentioned by Brad, just look at the show notes at TheELPodcast.com. If there is a book you would love to hear reviewed by the author, please visit us on iTunes and leave us a review with that book title.

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