

Chapter 9: Horizontal Business Case Study – Amazon

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“Your margin is my opportunity.”

Jeff Bezos, Amazon CEO

Introduction

As the name suggests, a horizontal marketplace is a general marketplace offering a wide variety of products and services. These ecommerce sites cater to the needs of more than one industry in a diversified market. Horizontal marketplaces position themselves as a one-stop-shop with the fundamental value proposition being convenience. With massive product assortments, these sites use economies of scale to offer better prices to their customers. In the beginning, many marketplaces were happy being horizontal; the primary idea was that adding categories just added more bits and bytes and not physical real estate, so why not sell everything? This has changed with the onslaught of vertical focused marketplaces. The most famous horizontal marketplace is, of course, Amazon, which sells electronics, books, furniture, food, grocery, apparel, toys, software, music, gadgets, and a whole lot more.

9.1 About Amazon

Amazon has averaged a compound annual growth rate of 52% for the last two decades. In the last decade, the Amazon Marketplace has seen 100% increase in sales from its third-party sellers. Gross merchandise volume (GMV), that is total sales on all Amazon websites, grew to \$335 billion in 2019, a YOY growth of 21%.

In the 25 years since Amazon opened shop, it has become America’s online retailer and a household name. Each year it further cements its leadership position across markets and categories by sourcing new products, developing service offerings, and enlarging its customer base.

Having built a trillion-dollar business empire, Jeff Bezos's leadership is the stuff of legends. At Amazon, every decision made, or problem solved—from brainstorming to hiring—is based on fourteen driving *Amazon Leadership Principles*.

1. **Customer Obsession** – Start with the customer and work their way backward.
2. **Ownership** – Think like an owner looking for long-term value instead of short-term gain.
3. **Invent & Simplify** – Innovation is often misunderstood, so leaders and teams should bring new ideas and look for ways to simplify.
4. **Are Right, a Lot** – While data drives many decisions, leaders should also have strong judgements and good instincts, and they should be right most of the time.
5. **Learn and be Curious** – Never stop learning, being curious, or improving yourself.
6. **Hire and Develop the Best** – Raise the bar with each new hire, recognize exceptional talent, and treat them as an organizational resource rather than a team star employee.
7. **Insist on the Highest Standards** – Expect teams to deliver at their highest levels to provide high-quality products and services. Problems should get fixed within a team, not sent down the line.
8. **Think Big** – Leaders and employees inspire others to think big, look for better ways to serve the customer, and search for that next big idea.
9. **Bias for Action** – Most decisions can be reversed without major costs and extensive studies, so take calculated risks to increase speed.
10. **Frugality** – Constraints breed invention, self-sufficiency, and resourcefulness, so changes should not grow the headcount, add expenses, or expand the budget.
11. **Earn Trust** – Leaders should be transparent, honest, respectful, and self-critical while holding themselves and teams to the highest standards.
12. **Dive Deep** – Everyone, leaders included, should be hands on, operating at all levels, and staying connected to the last mile.
13. **Have Backbone; Disagree and Commit** – When necessary, leaders should challenge decisions respectfully, even if it is uncomfortable. But once a decision is made, commit to it 100%.
14. **Deliver Results** – Stay focused, never settle, deliver high-quality results on time.

9.2 Market Landscape

In the last three years, over 3 million new sellers have joined the Amazon marketplace worldwide—that is nearly 3000 new sellers daily. The US marketplace added 1 million sellers, India added 400,000, and UK added 300,000. In total, Amazon hosts 8 million global sellers, 2.7