

Amazon, Inc.

Amazon launched in 1995 as an online book seller. It quickly expanded into additional categories to become the everything store, growing on razor thin margins and reaching its first profitable year in 2003. In 2002, the first web service from Amazon was launched. When Amazon first broke out earnings from Amazon Web Services (AWS), it had \$265 million in profit on net sales of \$1.57 billion in Q1 2015, growing at 69% YoY.¹ That same quarter, Amazon had a \$57 million loss on total net sales of \$22.72 billion.²

In Q1 2021, Amazon had \$8.86 billion in profit on \$108.51 billion in net sales. In their earnings report, this net sales was broken down into three segments - \$64.36 billion from North America, \$30.65 billion from International, and \$13.5 billion from AWS, with \$3.45 billion, \$1.25 billion, and \$4.16 billion in profit respectively.³

Media Reorg and Acquisitions

On May 13, 2021, Andy Jassy announced in an internal memo that Jeff Blackburn would be returning to Amazon to lead a new Global Media & Entertainment (GME) organization.⁴ GME would include Prime Video, Amazon Studios, Amazon Music, Wondery, and Audible, all previously part of the Consumer Domain Organization (CDO), as well as Amazon Games and Twitch, formerly part of AWS. Jeff Blackburn would report directly to Jeff Bezos, and then to Jassy once the CEO transition takes place in Q3 2021.

Less than two weeks after this announcement, Amazon announced the acquisition of MGM, the nearly 100 year old film and television studio.⁵ This \$8.45 billion acquisition would be Amazon's second largest, only behind Whole Foods, purchased for \$13.7 billion in 2017. 6 months before the MGM announcement, Amazon announced that Wondery, the popular podcast publisher, would join Amazon Music.⁶ On June 24, Amazon announced that Art19, the podcast hosting and monetization platform, would be joining Amazon Music as well.⁷

Culture

Amazon is known for its peculiar culture. Made famous by its leadership principles⁸ and emphasis on narrative documents⁹ over powerpoint presentations, Amazon leadership is also known for providing autonomy for entrepreneurs and leaders of business units at all levels. The service oriented architecture¹⁰ of Amazon's technical organization is mirrored in its business units, with single threaded owners and 2 pizza teams¹¹ able to execute with minimal executive intervention.

¹ <https://stratechery.com/2015/the-aws-ipo/>

² <https://www.channelfutures.com/events/amazon-com-breaks-out-aws-cloud-revenues-for-first-time-in-q1-report>
³ [Q1 2021 Financial Results Conference Call Slides](#)

⁴ [Geekwire on GME memo](#)

⁵ [MGM Acquisition Press Release](#)

⁶ [Wondery Acquisition Press Release](#)

⁷ [The Verge on Art19 Acquisition](#)

⁸ [Amazon Leadership Principles](#)

⁹ <https://aws.amazon.com/blogs/startups/startup-advice-how-to-write-a-narrative/>

¹⁰ [Steve Yegge's 2011 Google Platform Rant](#)

¹¹ <https://docs.aws.amazon.com/whitepapers/latest/introduction-devops-aws/two-pizza-teams.html>

Questions for Discussion

1. Are Amazon's media and entertainment business units critical for the long term health of Amazon? Why or why not?
2. Why is Amazon making a string of acquisitions in the media and entertainment space?
3. Would you agree with the Amazon leadership team's decision to create the GME business unit? What will Amazon gain from this transition? What are the risks?
4. How would you measure the success of GME as an organization? How would you measure the success of Jeff Blackburn, as leader of GME?