amazon

To our shareowners:

The American Customer Satisfaction Index recently announced the results of its annual survey, and for the 8th year in a row customers ranked Amazon #1. The United Kingdom has a similar index, The U.K. Customer Satisfaction Index, put out by the Institute of Customer Service. For the 5th time in a row Amazon U.K. ranked #1 in that survey. Amazon was also just named the #1 business on LinkedIn's 2018 Top Companies list, which ranks the most sought after places to work for professionals in the United States. And just a few weeks ago, Harris Poll released its annual Reputation Quotient, which surveys over 25,000 consumers on a broad range of topics from workplace environment to social responsibility to products and services, and for the 3rd year in a row Amazon ranked #1.

Congratulations and thank you to the now over 560,000 Amazonians who come to work every day with unrelenting customer obsession, ingenuity, and commitment to operational excellence. And on behalf of Amazonians everywhere, I want to extend a huge thank you to customers. It's incredibly energizing for us to see your responses to these surveys.

One thing I love about customers is that they are divinely discontent. Their expectations are never static – they go up. It's human nature. We didn't ascend from our hunter-gatherer days by being satisfied. People have a voracious appetite for a better way, and yesterday's 'wow' quickly becomes today's 'ordinary'. I see that cycle of improvement happening at a faster rate than ever before. It may be because customers have such easy access to more information than ever before – in only a few seconds and with a couple taps on their phones, customers can read reviews, compare prices from multiple retailers, see whether something's in stock, find out how fast it will ship or be available for pick-up, and more. These examples are from retail, but I sense that the same customer empowerment phenomenon is happening broadly across everything we do at Amazon and most other industries as well. You cannot rest on your laurels in this world. Customers won't have it.

How do you stay ahead of ever-rising customer expectations? There's no single way to do it – it's a combination of many things. But *high standards* (widely deployed and at all levels of detail) are certainly a big part of it. We've had some successes over the years in our quest to meet the high expectations of customers. We've also had billions of dollars' worth of failures along the way. With those experiences as backdrop, I'd like to share with you the essentials of what we've learned (so far) about high standards inside an organization.

Intrinsic or Teachable?

First, there's a foundational question: are high standards intrinsic or teachable? If you take me on your basketball team, you can teach me many things, but you can't teach me to be taller. Do we first and foremost need to *select* for "high standards" people? If so, this letter would need to be mostly about hiring practices, but I don't think so. I believe high standards are teachable. In fact, people are pretty good at learning high standards simply through exposure. High standards are contagious. Bring a new person onto a high standards team, and they'll quickly adapt. The opposite is also true. If low standards prevail, those too will quickly spread. And though exposure works well to

teach high standards, I believe you can accelerate that rate of learning by articulating a few core principles of high standards, which I hope to share in this letter.

Universal or Domain Specific?

Another important question is whether high standards are universal or domain specific. In other words, if you have high standards in one area, do you automatically have high standards elsewhere? I believe high standards are domain specific, and that you have to learn high standards separately in every arena of interest. When I started Amazon, I had high standards on inventing, on customer care, and (thankfully) on hiring. But I didn't have high standards on operational process: how to keep fixed problems fixed, how to eliminate defects at the root, how to inspect processes, and much more. I had to learn and develop high standards on all of that (my colleagues were my tutors).

Understanding this point is important because it keeps you humble. You can consider yourself a person of high standards *in general* and still have debilitating blind spots. There can be whole arenas of endeavor where you may not even *know* that your standards are low or non-existent, and certainly not world class. It's critical to be open to that likelihood.

Recognition and Scope

What do you need to achieve high standards in a particular domain area? First, you have to be able to *recognize* what good looks like in that domain. Second, you must have realistic expectations for how hard it should be (how much work it will take) to achieve that result – the *scope*.

Let me give you two examples. One is a sort of toy illustration but it makes the point clearly, and another is a real one that comes up at Amazon all the time.

Perfect Handstands

A close friend recently decided to learn to do a perfect free-standing handstand. No leaning against a wall. Not for just a few seconds. Instagram good. She decided to start her journey by taking a handstand workshop at her yoga studio. She then practiced for a while but wasn't getting the results she wanted. So, she hired a handstand coach. Yes, I know what you're thinking, but evidently this is an actual thing that exists. In the very first lesson, the coach gave her some wonderful advice. "Most people," he said, "think that if they work hard, they should be able to master a handstand in about two weeks. The reality is that it takes about six months of daily practice. If you think you should be able to do it in two weeks, you're just going to end up quitting." Unrealistic beliefs on scope – often hidden and undiscussed – kill high standards. To achieve high standards yourself or as part of a team, you need to form and proactively communicate realistic beliefs about how hard something is going to be – something this coach understood well.

Six-Page Narratives

We don't do PowerPoint (or any other slide-oriented) presentations at Amazon. Instead, we write narratively structured six-page memos. We silently read one at the beginning of each meeting in a kind of "study hall." Not surprisingly, the quality of these memos varies widely. Some have the clarity of angels singing. They are brilliant and thoughtful and set up the meeting for high-quality discussion. Sometimes they come in at the other end of the spectrum.

In the handstand example, it's pretty straightforward to *recognize* high standards. It wouldn't be difficult to lay out in detail the requirements of a well-executed handstand, and then you're either doing it or you're not. The writing example is very different. The difference between a great memo and an average one is much squishier. It would be extremely hard to write down the detailed requirements that make up a great memo. Nevertheless, I find that much of the time, readers react to great memos very similarly. They know it when they see it. The standard is there, and it is real, even if it's not easily describable.

Here's what we've figured out. Often, when a memo isn't great, it's not the writer's inability to *recognize* the high standard, but instead a wrong expectation on *scope*: they mistakenly believe a high-standards, six-page memo can be written in one or two days or even a few hours, when really it might take a week or more! They're trying to perfect a handstand in just two weeks, and we're not coaching them right. The great memos are written and re-written, shared with colleagues who are asked to improve the work, set aside for a couple of days, and then edited again with a fresh mind. They simply can't be done in a day or two. The key point here is that you can improve results through the simple act of teaching scope – that a great memo probably should take a week or more.

Skill

Beyond recognizing the standard and having realistic expectations on scope, how about *skill*? Surely to write a world class memo, you have to be an extremely skilled writer? Is it another required element? In my view, not so much, at least not for the individual in the context of teams. The football coach doesn't need to be able to throw, and a film director doesn't need to be able to act. But they both do need to recognize high standards for those things and teach realistic expectations on scope. Even in the example of writing a six-page memo, that's

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teamwork. *Someone* on the team needs to have the skill, but it doesn't have to be you. (As a side note, by tradition at Amazon, authors' names never appear on the memos – the memo is from the whole team.)

Benefits of High Standards

Building a culture of high standards is well worth the effort, and there are many benefits. Naturally and most obviously, you're going to build better products and services for customers – this would be reason enough! Perhaps a little less obvious: people are drawn to high standards – they help with recruiting and retention. More subtle: a culture of high standards is protective of all the "invisible" but crucial work that goes on in every company. I'm talking about the work that no one sees. The work that gets done when no one is watching. In a high standards culture, doing that work well is its own reward – it's part of what it means to be a professional.

And finally, high standards are fun! Once you've tasted high standards, there's no going back.

So, the four elements of high standards as we see it: they are *teachable*, they are *domain specific*, you must *recognize* them, and you must explicitly coach realistic *scope*. For us, these work at all levels of detail. Everything from writing memos to whole new, clean-sheet business initiatives. We hope they help you too.