Twitter Thread by Dan Rose



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I learned an important lesson in business when I launched a new retail category early in my career at Amazon: Fail Fast! I spent 18 months shipping a product that should have taken a few months, delaying the oppty to learn and adjust to our initial failure. Here's what happened:

I was originally hired at Amazon on the business development team. After a year I got recruited to help ship a new computer store and run merchandising. I jumped at the opportunity to launch a new business and learn new skills. Amzn was great at creating these opportunities.

Two weeks after joining the retail team, I was in a meeting presenting our pro forma P&L for our computer store launch. I was forecasting inventory turns and gross margins. It was exciting to be thrown into the deep end. I felt like I was at a start-up inside of a start-up.

Our store was predicated on a deal w/ HP that had been part of their earlier bid to win our datacenter biz. Amzn had driven a hard bargain, and when HP couldn't go any lower on server prices they offered to pay us $10M to be our anchor tenant in a new computer store.

HP's consumer business was getting disrupted by Dell who had invented configurable on-line ordering + on-demand manufacturing. HP thought they could fight back by leveraging retail distribution. They would plug their yet-to-be-developed configuration engine into our front-end.

As head of merchandising, I was responsible for executing this HP deal. But integrating their configuration engine proved harder than we thought. This was new ground for them, and for us. Months into the project we were already delayed, HP admitted they were in over their heads.

The HP integration was hard, but at least I didn't have to predict inventory. I wanted to carry other brands in the store, but everyone told me PCs were like bananas: if you don't sell them right away they go rotten quickly. So I signed a drop-ship agreement with Ingram Micro.

My deal with Ingram Micro was Amazon's first experiment with drop-shipping. We built the plumbing that would eventually power this model for many product lines. But it was complicated and took a lot of time to build. Now I was managing 2 complex technical integrations in parallel

We finally launched the store in 2002, a year late. Perhaps predictably, it was a failure. If you wanted to configure a computer online, it was much easier to go to Dell. And it turned out Ingram Micro didn't have a lot of inventory to choose from - they didn't want the risk!

Fortunately our svp of retail had come from Apple and insisted we carry Macs. I had traveled to Cupertino to meet Tim Cook who agreed to make us an authorized Mac retailer. I even pitched him on paying us a coop fee for being a launch partner, and he threw us a small bone.

So we had an HP configuration tool which barely worked. We had drop-ship from Ingram Micro with virtually no selection. And we had Macs. In our first year of business, 80% of our sales were Macs. And on a revenue plan of $100M, we did $10M. But no excess inventory :-)

In our first annual review with Bezos, he said "the problem with your computer store is there aren't any computers in it." He approved a new plan to start carrying more inventory, and slowly we started to grow. We leaned into Macs and became one of Apple's largest retailers.

My failure wasn't missing our plan by 90%, it was spending over a year on complex integrations before knowing if we had a winning approach. I thought we didn't have a choice - HP owed us $10M, I didn't want to lose money on stale inventory, etc. But those are just excuses.

One of Amazon's great strengths is its willingness to try new things and tolerate failure. Over time the company developed more velocity with its experiments. I like to think I contributed in some small way to that, by failing slowly in 2002 when I could have failed faster.