

Twitter Thread by Thomas Chua



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Jeff Bezos left a lucrative career at 30 to start an online book store.

His letters since founding Amazon are full of insights into investing, decision making and life.

I have consumed all of Jeff's letters and interviews since 1997.

This is what I have learned:



1. The regret minimization framework

Jeff would imagine himself at age 80, "What have I regretted in life?"

And work backwards to guide your present decisions.

Most of our regrets are from the things we didn't try, the risks we didn't take, or the paths we didn't travel.

The concept for Amazon came to me in 1994. The idea of building an online bookstore with millions of titles—something that simply couldn't exist in the physical world—was exciting to me. At the time, I was working at an investment firm in New York City. When I told my boss I was leaving, he took me on a long walk in Central Park. After a lot of listening, he finally said, “You know what, Jeff, I think this is a good idea, but it would be a better idea for somebody who didn't already have a good job.” He convinced me to think about it for two days before making a final decision. It was a decision I made with my heart and not my head. When I'm 80 and reflecting back, I want to have minimized the number of regrets that I have in my life. And most of our regrets are acts of omission—the things we didn't try, the paths untraveled. Those are the things that haunt us. And I decided that if I didn't at least give it my best shot, I was going to regret not trying to participate in this thing called the internet that I thought was going to be a big deal.

2. It's all about the long-term

Competition is sparse when you are competing in decades.

Many companies make decisions based on the next three to five years.

Bezos is investing for the next two decades.

It's All About the Long Term

We believe that a fundamental measure of our success will be the shareholder value we create over the *long term*. This value will be a direct result of our ability to extend and solidify our current market leadership position. The stronger our market leadership, the more powerful our economic model. Market leadership can translate directly to higher revenue, higher profitability, greater capital velocity, and correspondingly stronger returns on invested capital.

Our decisions have consistently reflected this focus. We first measure ourselves in terms of the metrics most indicative of our market leadership: customer and revenue growth, the degree to which our customers continue to purchase from us on a repeat basis, and the strength of our brand. We have invested and will continue to invest aggressively to expand and leverage our customer base, brand, and infrastructure as we move to establish an enduring franchise.

3. Maximizing shareholder value

A company's value today is the present value of future cash flows.

85% of a company's value are from year 3 and beyond.

Invest today to ensure that a company achieves durable growth in the future.

- When forced to choose between optimizing the appearance of our GAAP accounting and maximizing the present value of future cash flows, we'll take the cash flows.
- We will share our strategic thought processes with you when we make bold choices (to the extent competitive pressures allow), so that you may evaluate for yourselves whether we are making rational long-term leadership investments.
- We will work hard to spend wisely and maintain our lean culture. We understand the importance of continually reinforcing a cost-conscious culture, particularly in a business incurring net losses.
- We will balance our focus on growth with emphasis on long-term profitability and capital management. At this stage, we choose to prioritize growth because we believe that scale is central to achieving the potential of our business model.

4. Focus on the customers

Focus on solving problems and the share price will take care of itself.

Share prices in the short-run has no indication as to how well the company is doing.

As I write this, our recent stock performance has been positive, but we constantly remind ourselves of an important point – as I frequently quote famed investor Benjamin Graham in our employee all-hands meetings – “In the short run, the market is a voting machine but in the long run, it is a weighing machine.” We don’t celebrate a 10% increase in the stock price like we celebrate excellent customer experience. We aren’t 10% smarter when that happens and conversely aren’t 10% dumber when the stock goes the other way. We want to be weighed, and we’re always working to build a heavier company.

5. Create more than you consume

At the heart of everything, it's about creating value.

Value creation is not a zero-sum game.

It is why people work for Amazon, why sellers sell on Amazon and why customers buy on Amazon.

If each group had an income statement representing their interactions with Amazon, the numbers above would be the “bottom lines” from those income statements. These numbers are part of the reason why people work for us, why sellers sell through us, and why customers buy from us. We create value for them. And this value creation is not a zero-sum game. It is not just moving money from one pocket to another. Draw the box big around all of society, and you’ll find that invention is the root of all real value creation. And value created is best thought of as a metric for innovation.

6. Resist the pull to be normal

The universe will try to pull you back if you try to be different.

But do it anyway.

There's a price to pay to be distinct.

But to be distinct is to survive.

Differentiation is Survival and the Universe Wants You to be Typical

This is my last annual shareholder letter as the CEO of Amazon, and I have one last thing of utmost importance I feel compelled to teach. I hope all Amazonians take it to heart.

Here is a passage from Richard Dawkins' (extraordinary) book *The Blind Watchmaker*. It's about a basic fact of biology.

"Staving off death is a thing that you have to work at. Left to itself – and that is what it is when it dies – the body tends to revert to a state of equilibrium with its environment. If you measure some quantity such as the temperature, the acidity, the water content or the electrical potential in a living body, you will typically find that it is markedly different from the corresponding measure in the surroundings. Our bodies, for instance, are usually hotter than our surroundings, and in cold climates they have to work hard to maintain the differential. When we die the work stops, the temperature differential starts to disappear, and we end up the same temperature as our surroundings. Not all animals work so hard to avoid coming into equilibrium with their surrounding temperature, but all animals do some comparable work. For instance, in a dry country, animals and plants work to maintain the fluid content of their cells, work against a natural tendency for water to flow from them into the dry outside world. If they fail they die. More generally, if living things didn't work actively to prevent it, they would eventually merge into their surroundings, and cease to exist as autonomous beings. That is what happens when they die."

While the passage is not intended as a metaphor, it's nevertheless a fantastic one, and very relevant to Amazon. I would argue that it's relevant to all companies and all institutions and to each of our individual lives too. In what ways does the world pull at you in an attempt to make you normal? How much work does it take to maintain your distinctiveness? To keep alive the thing or things that make you special?

I know a happily married couple who have a running joke in their relationship. Not infrequently, the husband looks at the wife with faux distress and says to her, "Can't you just be normal?" They both smile and laugh, and of course the deep truth is that her distinctiveness is something he loves about her. But, at the same time, it's also true that things would often be easier – take less energy – if we were a little more normal.

This phenomenon happens at all scale levels. Democracies are not normal. Tyranny is the historical norm. If we stopped doing all of the continuous hard work that is needed to maintain our distinctiveness in that regard, we would quickly come into equilibrium with tyranny.

We all know that distinctiveness – originality – is valuable. We are all taught to "be yourself." What I'm really asking you to do is to embrace and be realistic about how much energy it takes to maintain that distinctiveness. The world wants you to be typical – in a thousand ways, it pulls at you. Don't let it happen.

You have to pay a price for your distinctiveness, and it's worth it. The fairy tale version of "be yourself" is that all the pain stops as soon as you allow your distinctiveness to shine. That version is misleading. Being yourself is worth it, but don't expect it to be easy or free. You'll have to put energy into it continuously.

The world will always try to make Amazon more typical – to bring us into equilibrium with our environment. It will take continuous effort, but we can and must be better than that.

7. Developing conviction

Often times bets with great risk-reward ratios look crazy.

And conventional wisdom will tell you you are crazy & wrong.

This is where your work & conviction comes in.

"But when you look in the mirror, assess the criticism, and still believe you're doing the right thing, no force in the world should be able to move you."

8. Surround yourself with greatness

Jeff Bezos' hiring questions:

1. Do we admire this person?
2. Along what dimension is this person a possible superstar?
3. Will this person raise the bar for their team?

Fight the entropy of mediocrity, keep raising your talent bar.

9. Don't be afraid of failure

To innovate is to try.

To try is to risk failure.

Focus not on the outcome, but on the learnings.

And keep getting better.

And it wasn't just those early years. In addition to good luck and great people, we have been able to succeed as a company only because we have continued to take big risks. To invent you have to experiment, and if you know in advance that it's going to work, it's not an experiment. Outsized returns come from betting against conventional wisdom, but conventional wisdom is usually right. A lot of observers characterized Amazon Web Services as a risky distraction when we started. "What does selling compute and storage have to do with selling books?" they wondered. No one asked for AWS. It turned out the world was ready and hungry for cloud computing but didn't know it yet. We were right about AWS, but the truth is we've also taken plenty of risks that didn't pan out. In fact, Amazon has made billions of dollars of failures. Failure inevitably comes along with invention and risk-taking, which is why we try to make Amazon the best place in the world to fail.

10. Make good decisions — fast

Most decisions are reversible and should be made quickly.

As an organization grows, there's a tendency to indulge in bureaucracy for all decisions.

Being over conservative & moving too slowly may be the riskiest of all.

Some decisions are consequential and irreversible or nearly irreversible – one-way doors – and these decisions must be made methodically, carefully, slowly, with great deliberation and consultation. If you walk through and don't like what you see on the other side, you can't get back to where you were before. We can call these Type 1 decisions. But most decisions aren't like that – they are changeable, reversible – they're two-way doors. If you've made a suboptimal Type 2 decision, you don't have to live with the consequences for that long. You can reopen the door and go back through. Type 2 decisions can and should be made quickly by high judgment individuals or small groups.

As organizations get larger, there seems to be a tendency to use the heavy-weight Type 1 decision-making *process* on most decisions, including many Type 2 decisions. The end result of this is slowness, unthoughtful risk aversion, failure to experiment sufficiently, and consequently diminished invention.¹ We'll have to figure out how to fight that tendency.

This is the end of my key takeaways from Jeff Bezos!

I hope you enjoyed it.

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<https://t.co/U4ssu8Ypjf>

Bonus fun fact: Type in <https://t.co/fuGyMJSAOx> in your browser and see what happens.

When Bezos first started his online bookstore, he registered "<https://t.co/fuGyMJSAOx>".

This encapsulates his ambition and the attitude he brings to building Amazon—relentless.