

Amazon Obsession

Jeff Bezos attributes Amazon's success to its obsession with customer service. "We are not great advertisers," says Jeff. "So we start with customers, figure out what they want, and figure out how to get it to them."

This means spending "huge sums of money on such 'frills' as free shipping" which drives down operating margins and alarms Wall Street — where investors see investments in customer service as tantamount to "giving away money that should have gone to the bottom line."

But Jeff thinks it's key to the kind of customer experience that leads to enduring customer loyalty — and to something like 35% growth in 2007, not to mention margins now up to around six percent.

In addition, Amazon today "says it has somewhere on the order of 27 million active customers, who, in the last quarter, were spending an average of \$184 a year on the site... up from \$150 or so the year before."

But it's not just because of free shipping. According to Forrester, "52 percent of people who shop online say they do their product research on Amazon."

Indeed, "millions of people instinctively go to Amazon when they want to buy something online because they have come to trust the company in a way they trust few other online entities."

[SOURCE: Joe Nocera, *The New York Times*, 1/14/08]

Wal-Mart, DC

It seems that Hurricane Katrina was a major turning point for Wal-Mart and its aspirations as an agent of change.

That's when Wal-Mart "discovered that doing good, was, in fact, good for business... Wal-Mart's rapid response — truckloads of water and food, much of it reaching residents before federal supplies — won it widespread admiration." Now, Wal-Mart is hoping it can build on that glow by "offering big-picture solutions to intractable problems."

"We live in a time when people are losing confidence in the ability of government to solve problems," said Wal-Mart CEO H. Lee Scott to employees recently.

Among the planks in the Wal-Mart platform are "sweeping commitments to reduce America's energy use and improve its health care system... It's even touting an 'economic stimulus plan for American shoppers' in the form of steep price cuts."

Participation in its new, "more affordable" health-care program is now up from 45 percent to 50 percent. Wal-Mart sold some 145 million compact fluorescent light bulbs, which Wal-Mart says has saved "enough electricity... to forestall the need for three coal-fired power plants in the United States." The strategy appears to be paying off, as Wal-Mart says its internal polling shows its "favorability" rating among its shoppers at 91 percent.

[SOURCE: Michael Barbaro, *The New York Times*, 2/3/08]



Digital Borders

In a bid to differentiate itself from Barnes & Noble, Borders has rolled out the first of 14 concept stores featuring a digital center intended as "a hub for knowledge."

"We had to build something that would cause the consumer to drive five or 10 minutes past the competitor's store to come here," says CEO George Jones. That "something" is a place "where you can download music or books, burn CDs, research family histories, print pictures and order leather-bound books crammed with family photos."

While a digital focus may ostensibly appeal to younger people, the digital center is really designed with older folks in mind. And so the stores are staffed with experts who can help customers go digital.

By focusing on older consumers, Borders hopes to capitalize on the fact that "more than half of the books sold in the USA... are bought by people over 50." However, George also hopes that these digital centers will attract "new, younger customers," as well.

Ultimately, Borders is betting that people of all ages who go to bookstores "like to interact with other people who go to bookstores." And maybe try to help each other with downloads while they're there.

[SOURCE: Jayne O'Donnell, et. al., *USA Today*, 2/14/08]