



Stanford eCorner

Take Risks Outside Your Core Business

Diego Piacentini, *Amazon*

November 03, 2010

Video URL: <http://ecorner.stanford.edu/videos/2562/Take-Risks-Outside-Your-Core-Business>

Amazon Senior VP Diego Piacentini discusses how Amazon Web Services (AWS) was born. He discusses how the retailer decided to take a risk and move away from its core competency, build APIs, and rent out server space during slower retail months. Piacentini also talks about how other online giants have now followed Amazon's lead.



Transcript

So, the question is, Kindle is something that is completely different from our business model. We started manufacturing hardware, which is unheard of for a retailer. What else are you guys doing different? Well, the cloud computing. The AWS is a great example. AWS stands for Amazon Web Services. They are being used by company developers to basically replace their servers or their data centers. How was this generated? Now, everybody does Web services like Microsoft has. IBM have it. But when we started in 2006, it started from a necessity or from a situation, which is our business as a retailer is a very seasonal business, especially in the Western world. So, we have 40% of our revenue in two months of the year, three months a year, Q4, which basically means you have a lot of assets that are underutilized during the other 9 to 10 months, true for servers.

So, the idea is, if we build services and APIs for which other companies can attach to, we can actually rent out our unused space. Many companies said, "That's a great idea but it's not our competence. We don't really know how to do it." We thought it was a great opportunity. And that's the ability of Jeff and the executive team, especially Jeff, to basically reinvent the way we do things. Hire the right people. Create a separate group that would be focused on that. So, that's another great example, Web services.