Amazon's Jeff Bezos looks to the future

*Amazon is the world's largest online retailer, serving 225M customers. What's next for the company that prides itself on disrupting tradition?*

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*The following script is from "Amazon" which aired on Dec. 1, 2013. Charlie Rose is the correspondent. Draggan Mihailovich, producer.*

There has never been a company quite like Amazon. Conceived as an online book seller, Amazon has reinvented itself time and again, changing the way the world shops, reads and computes. Amazon has 225 million customers around the world. Its goal is to sell everything to everyone. The brainchild of Jeff Bezos, Amazon prides itself on disrupting the traditional way of doing things. A few weeks ago the company announced it was launching Sunday delivery.

Tonight, for the first time, you will be introduced to perhaps Amazon's boldest venture ever.

Over the last month, 60 Minutes was granted unprecedented access inside Amazon's operations. If you have ever wondered what happens after you've clicked and placed an order on Amazon, take a look. If there is such a thing as Santa's workshop, this would be it.

A 1.2 million square foot distribution center, the size of more than 20 football fields, gearing up for the holiday shopping season.

There are 96 of these warehouses worldwide, what Amazon calls fulfillment centers. Tomorrow, on what is known as Cyber Monday, it's expected that more than 300 items a second will be ordered on Amazon.

Jeff Bezos: If you go back in time 18 years, I was driving the packages to the post office myself, and we were very primitive.

Jeff Bezos is the founder and CEO of Amazon, with an estimated worth of at least $25 billion. He sold his first book on Amazon in another era, back in 1995.

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Charlie Rose: Part of what Amazon customers expect--we want it now. What's happening at the fulfillment centers that have made that possible?

Jeff Bezos: The secret is we're on, like, our seventh generation of fulfillment centers. And we have gotten better every time. When I was driving the packages myself, one of my visualizations of success is that we might one day be big enough that we could afford a forklift. And...

Charlie Rose: You've got a forklift.

Jeff Bezos: We've got forklifts.

There's very little Amazon doesn't have.

Dave Clark: Right now we're really in the center of what is the physical manifestation of Earth's biggest selection.

Amazon vice president Dave Clark showed us how the process begins. After the products arrive into the building, they are immediately scanned. The products are then placed by stackers in what seems to outsiders as a haphazard way...a book on Buddhism and Zen resting next to Mrs. Potato Head...

Charlie Rose: Here's what I want to know. This is a Swiffer.

Dave Clark: It is a Swiffer.

Charlie Rose: It's sitting next to the Encyclopedia of World History.

Dave Clark: Of course.

Charlie Rose: That doesn't make any sense to me. Does it make sense to you?

Dave Clark: It, it does.

Charlie Rose: What?!

Dave Clark: Can those two things, you look at how these items fit in the bin.

Charlie Rose: Yeah, oh!

Dave Clark They're optimized for utilizing the available space.

Charlie Rose: Oh I see.

Dave Clark: And we have computers and algorithmic work that tells people the areas of the building that have the most space to put product in that's coming in at that time.

Amazon has become so efficient with its stacking, it can now store twice as many goods in its centers as it did five years ago.

Dave Clark: Anything you want on, on Earth you're gonna get from us.

Charlie Rose: Anything you want on Earth you're gonna get from us?

Dave Clark: Yeah, that's where we're headed I believe.

Once your order is placed, a so-called pick ambassador walks the aisles, plucking and scanning your items before placing them in bins. Those bins eventually wind up in front of a packer, who knows exactly how big of a box to use based on the weight and amount of items, your address is slapped onto the box and then a picture is taken of your address label, gadgets known as "shoes" sort and divert the boxes to the appropriate spiral chute, based on the postal code. This accelerates the delivery process. The boxes are then loaded onto awaiting trucks, which are assigned to particular regions -- Raleigh, North Carolina, in this case. Amazon uses more trucks than planes because so many distribution centers have been built near customers.

Charlie Rose: If you can do this with all these products, what else can you do? You guys can organize the world?

Dave Clark: Well, you've gotta start somewhere...

But the company has also started same day deliveries of groceries in two cities -- milk, vegetables and dry goods, to name a few items. Amazon Fresh began in Seattle and only after five years has it expanded to Los Angeles.

Charlie Rose: What is it you're trying to learn that's taken you five years to learn?

Jeff Bezos: How to make it make financial sense. You know, what's not to love? You order the groceries online and we deliver 'em to your door. But that's very expensive.

Charlie Rose: But is this the Holy Grail for Amazon? I can deliver it on the same day?

Jeff Bezos: It's a possibility. If we can make this model work, it would be great because it extends the range of products that we can sell.

Amazon is now flowing into other areas far removed from its original mission as an online book seller.

Amazon Fashion, launched this fall, sells high-end clothing...

Charlie Rose: Tell me what is Amazon today?

Jeff Bezos: I would define Amazon by our big ideas, which are customer centricity, putting the customer at the center of everything we do, invention. We like to pioneer, we like to explore, we like to go down dark alleys and see what's on the other side.

On the other side of Amazon's online retailing is a business customers know little about.

It's called Amazon Web Services, AWS, and may soon become Amazon's biggest business. To keep track of its massive online orders, Amazon built a large and sophisticated computing infrastructure. Amazon figured out it could also expand that infrastructure to store data and run websites for hundreds of thousands of outside companies and government agencies on what is known as the cloud.

*"We like to pioneer, we like to explore, we like to go down dark alleys and see what's on the other side."*

Charlie Rose: How much of the Internet, do you run?

Jeff Bezos: It's a good question. It's a lot though. And people...

Charlie Rose: Well, what's a lot? What's the neighborhood?

Jeff Bezos: I could tell you this. Most Internet startups and a lot of big Internet companies run on top of AWS. Netflix very famously, and you could say, "Oh that's very odd because Netflix in a way is a competitor of Amazon."

Charlie Rose: Other than Netflix, who else uses AWS?

Jeff Bezos: Oh, big enterprises, big government institutions...

Charlie Rose: Like the CIA?

Jeff Bezos: The CIA.

Charlie Rose: Does that present any conflict for you, the fact that, that you provide the cloud that the CIA uses for its data?

Jeff Bezos: We're building what's called a private cloud for them, Charlie, because they don't want to be on the public cloud.

But the company continues to branch out in areas the public can see and touch. People read books the same way for centuries until Amazon introduced the Kindle e-reader and Amazon has just released its Kindle Fire HDX tablet - in typical Amazon style, without making a profit on the device.

Charlie Rose: So you sell this at break even?

Jeff Bezos: We sell this at break even and then we hope to...

Charlie Rose: That's a very thin margin.

Jeff Bezos: It's a very thin margin. But we hope to make money when you...

Charlie Rose: Sell all the stuff...

Jeff Bezos:...buy books and movies...

Charlie Rose: That's always been your philosophy.

Jeff Bezos: Exactly.

Bezos believes low costs ensure customer loyalty to Amazon, even if it's at the expense of profits. Amazon is one of the rare companies that on a quarterly basis shows little profit and yet is beloved by investors.

Jeff Bezos: In the long run, if you take care of customers, that is taking care of shareholders. We do price elasticity studies. And every time the math tells us to raise prices.

Charlie Rose: But why don't you do it?

Jeff Bezos: Because doing so would erode trust. And that erosion of trust would cost us much more in the long term.

That long view, Bezos believes, gives Amazon a distinct edge.

Jeff Bezos: The long term approach is rare enough that it means you're not competing against very many companies. 'Cause most companies wanna see a return on investment in, you know, one, two, three years.

Charlie Rose: You don't care about that?

Jeff Bezos: I care, but I'm willing for it to be five, six, seven years. So just that change in timeline can be a very big competitive advantage.

For example, Amazon's profits are redirected to building more distribution centers, like this one in New Jersey. The more centers it constructs, the closer the customer and the faster the delivery. And every time a new one goes up, publishers and traditional retailers shudder...

Charlie Rose: A lotta small book publishers and other smaller companies worry that the power of Amazon gives them no chance.

Jeff Bezos: You gotta earn your keep in this world. When you invent something new, if customers come to the party, it's disruptive to the old way.

Charlie Rose: Yeah, but I mean, there are areas where your power's so great and your margin, you're prepared to make it so thin that you can drive people out of business and, and you have that kind of strength. And people worry: Is Amazon ruthless in their pursuit of market share?

*"When you invent something new, if customers come to the party, it's disruptive to the old way."*

Jeff Bezos: The Internet is disrupting every media industry, Charlie, you know, people can complain about that, but complaining is not a strategy. And Amazon is not happening to book selling, the future is happening to book selling.

Amazon is also pouring money into original television programming that can be streamed to Amazon customers...like its first series, Alpha House, a comedy written by Doonesbury creator Garry Trudeau about four Republican senators who live in the same townhouse. Amazon didn't select the show the conventional, Hollywood way. Alpha House was picked out of thousands of scripts, with the help of Amazon customers who reviewed the shows.

Charlie Rose: You are using your customer base to tell you rather than the opinion of some...

Jeff Bezos: That's exactly right.

Charlie Rose: Hollywood programmer?

Jeff Bezos: We're changing the green lighting process. Instead of a few you know studio executives deciding what gets green lighted...

Charlie Rose: So-called tastemakers?

Jeff Bezos: Yes. We're using what some people would call crowd sourcing to help figure this out.

What other industry will Amazon disrupt? At Amazon's secret Lab 126 in California, designers and engineers are experimenting on next generation devices, the contents of which are eagerly speculated about.

Charlie Rose: Are you working on a set top box that will allow people to watch streaming video and not need to have cable television?

Jeff Bezos: I can't answer that question (laughs). I don't wanna talk about the future roadmap of our devices. So I'll have to just ask you to stay tuned.

Charlie Rose: Soon?

Jeff Bezos: Charlie!

But during our visit to Amazon's campus in Seattle, Bezos kept telling us that he did have a big surprise, something he wanted to unveil for the first time...

Jeff Bezos: Let me show you something.

Charlie Rose: Oh, man...Oh, my God!

Jeff Bezos: This...

Charlie Rose: This is?

Jeff Bezos:...is...these are octocopters.

Charlie Rose: Yeah?

Jeff Bezos: These are effectively drones but there's no reason that they can't be used as delivery vehicles. Take a look up here so I can show you how it works.

Charlie Rose: All right. We're talking about delivery here?

Jeff Bezos: We're talking about delivery. There's an item going into the vehicle. I know this looks like science fiction. It's not.

Charlie Rose: Wow!

Jeff Bezos: This is early. This is still...years away. It drops the package.

Charlie Rose: And there's the package.

Jeff Bezos: You come and get your package. And we can do half hour delivery.

Charlie Rose: Half hour delivery?

Jeff Bezos: Half hour delivery/and we can carry objects, we think, up to five pounds, which covers 86 percent of the items that we deliver.

Charlie Rose: And what is the range between the fulfillment center and where you can do this within...

Jeff Bezos: These...this...this...these gener...

Charlie Rose: 30 minutes?

Jeff Bezos: These generations of vehicles, it could be a 10-mile radius from a fulfillment center. So, in urban areas, you could actually cover very significant portions of the population. And so, it won't work for everything; you know, we're not gonna deliver kayaks or table saws this way. These are electric motors, so this is all electric; it's very green, it's better than driving trucks around. This is...this is all an R&D project.

Charlie Rose: With drones, there's somebody sitting somewhere in front of a screen.

Jeff Bezos: Not these; these are autonomous. So you give 'em instructions of which GPS coordinates to go to, and they take off and they fly to those GPS coordinates.

Charlie Rose: What's the hardest challenge in making this happen?

Jeff Bezos: The hard part here is putting in all the redundancy, all the reliability, all the systems you need to say, 'Look, this thing can't land on somebody's head while they're walking around their neighborhood'...

Charlie Rose: Yeah, that's not good.

Jeff Bezos: That's not good.

Jeff Bezos: And, you know, I don't want anybody to think this is just around the corner. This is years of additional work from this point. But this is...

Charlie Rose: But will 'years' mean five, 10?

Jeff Bezos: I think, I, I am, I'm an optimist Charlie. I know it can't be before 2015, because that's the earliest we could get the rules from the FAA. My guess is that's, that's probably a little optimistic. But could it be, you know, four, five years? I think so. It will work, and it will happen, and it's gonna be a lot of fun.

With the drones possibly taking flight in the not too distant future, Amazon is raising the stakes in the race for faster delivery. Jeff Bezos believes the company has no choice.

Jeff Bezos: Companies have short life spans Charlie. And Amazon will be disrupted one day.

Charlie Rose: And you worry about that?

Jeff Bezos: I don't worry about it 'cause I know it's inevitable. Companies come and go. And the companies that are, you know, the shiniest and most important of any era, you wait a few decades and they're gone.

Charlie Rose: And your job is to make sure that you delay that date?

Jeff Bezos: I would love for it to be after I'm dead.