

INVENT AND WANDER

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Invent and Wander is a collection of Jeff Bezos' annual letters to shareholders. Since founding the company, Bezos has turned Amazon into the world's premier retailer, and the company's stock price has been one of the best performers in the history of investing. It's no wonder that Warren Buffett has called Bezos "the most remarkable business person of our age." Bezos' insights and intuition regarding the long-term economic principles that guide a successful business are invaluable for the investor or entrepreneur. Anyone who is a fan of strong performing organizations and high returning stocks should study the company and how it achieved its success. While we recommend reading the book and letters, here are several tenets taken from our study of Jeff Bezos and the company he built:

1. Create value for the customer

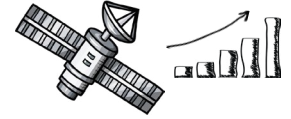
The customer should be the focus of most successful businesses, and it has been the major cornerstone of Amazon's philosophy. As Bezos has described it: "The number one thing that has made us successful by far is obsessive-compulsive focus on the customer, as opposed to obsession over the competitor." Providing value for customers has helped Amazon gain more customers and achieve greater economies of scale. Amazon has used those economies of scale to provide even more value and better prices to customers, which in turn has led to even more customers. This repeating cycle—centered on creating value for its customers—has driven both high and persistent growth in Amazon's business over time.

2. It's all about the long term

Think bigger picture than those around you. Much of the business world focuses on the next three months to the next three years. But Bezos stresses the importance of looking out longer term:

"If everything you do needs to work on a three-year time horizon, then you're competing against a lot of people. But if you're willing to invest on a seven-year time horizon, you're now competing against a fraction of those people... Just by lengthening the time horizon, you can engage in endeavors that you could never otherwise pursue."

Push your efforts toward finding or building moats that develop over the long run. This allows for the value that gets created, and the competitive advantages that get developed, to be more enduring, and leads to the perpetuation of business success.



3. Allow yourself the intellectual space to be curious

For those of us who like to be busy, as I'm sure most Co/Investor Club members are, it is vital that you leave yourself the space to think, wander, and be interested in new things. We are naturally iterative creatures, and the changes that make a difference in us are the ones that arise from the empty space that your mind naturally seeks to occupy with originality. Therefore, it is vital that you allow for this empty space and give yourself time to think. Other great businessmen and investors—such as Warren Buffett, Charlie Munger, and Bill Gates—also credit having open space in their schedules to sit and think as keys to their success.

4. Think huge

Real, major shifts in processes, goals, thoughts, and systems come from massive efforts to create radical things. Amazon was an online bookseller, but Bezos always had it in mind to make the company an “everything store.” In the early days of the Internet, this was huge thinking, and it led to enormous returns for Bezos and his investors. Bezos still thinks huge. He hopes Blue Origin, his space company, will usher in an age of celestial industrialism, and has thrown investments behind technologies like fusion energy, among other things. If you want to make a real change, thinking big goes a long way because, even though one may sometimes strikeout, the rewards for success can often be exponential. As Bezos has described it, when comparing business to baseball:

“The difference between baseball and business, however, is that baseball has a truncated outcome distribution. When you swing, no matter how well you connect with the ball, the most runs you can get is four. In business, every once in a while, when you step up to the plate, you can score 1,000 runs.”