



aws **SUMMIT**

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Working backwards: Amazon's approach to innovation

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The new corporate battleground – Innovation



The common denominator – Embracing innovation



According to PwC, **61%** generate new ideas through **open innovation** vs. **34%** using **traditional R&D**

1. Wider pool of ideas and expertise
2. Reduce the risk of failure by spreading the cost of research and development across multiple collaborators
3. Faster innovation cycles since collaborators can often work independently on different aspects of a project

Source: PwC, "PwC's Innovation Benchmark Report," <https://www.pwc.com/sk/en/inovacie/innovation-benchmark-findings.html>

“Innovation is critical to growth, particularly as the speed of business cycles continues to increase.” – McKinsey

84%

of CEOs believe innovation is critical to growth

80%

of business models are at risk

6%

of CEOs are satisfied with their innovation performance

Source: McKinsey, “Growth & Innovation,” <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/how-we-help-clients/growth-and-innovation>



Why do innovations fail?





“We innovate by starting with the customer and working backwards. That becomes the touchstone for how we invent.”

Jeff Bezos

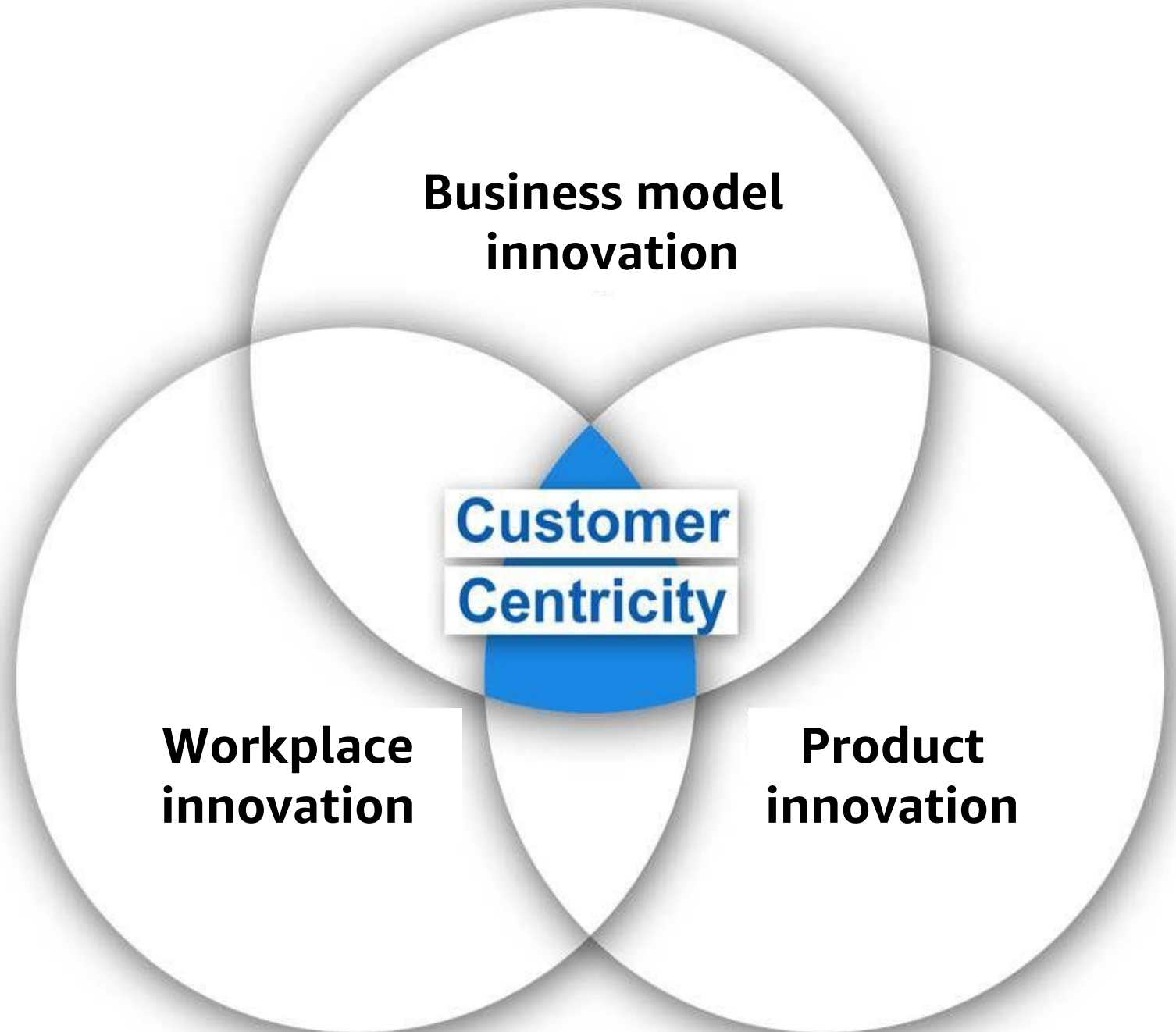
Founder and Executive Chair, Amazon.com



Customer experience (CX)



Types of innovation



1. Workplace innovation

Through workplace innovation, you give all the **stakeholders of the businesses** a platform to drive creative innovations



1. Workplace innovation

Empowering our front liners



1. Workplace innovation

Culture and values

Driven by **sets of behaviours**
and **belief systems**



2. Product innovation

Driven by **product features**
and **function**

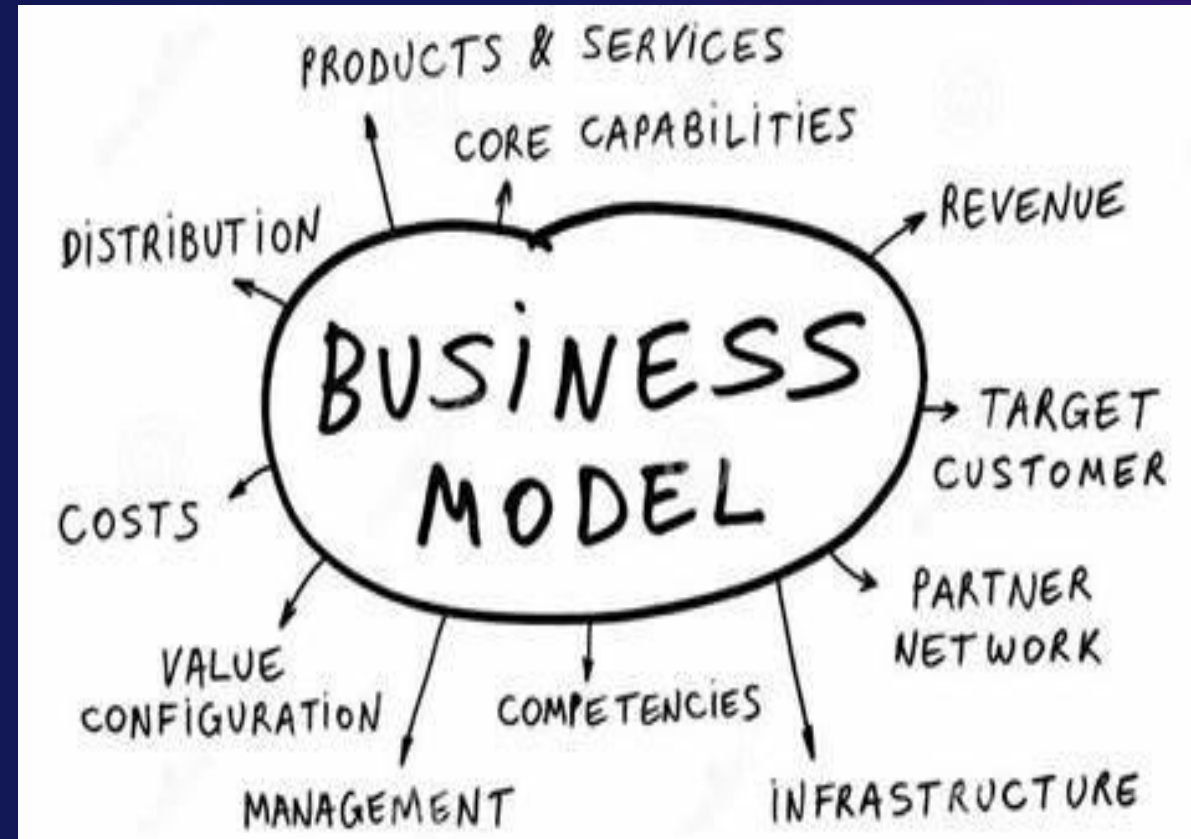


3. Business model innovation

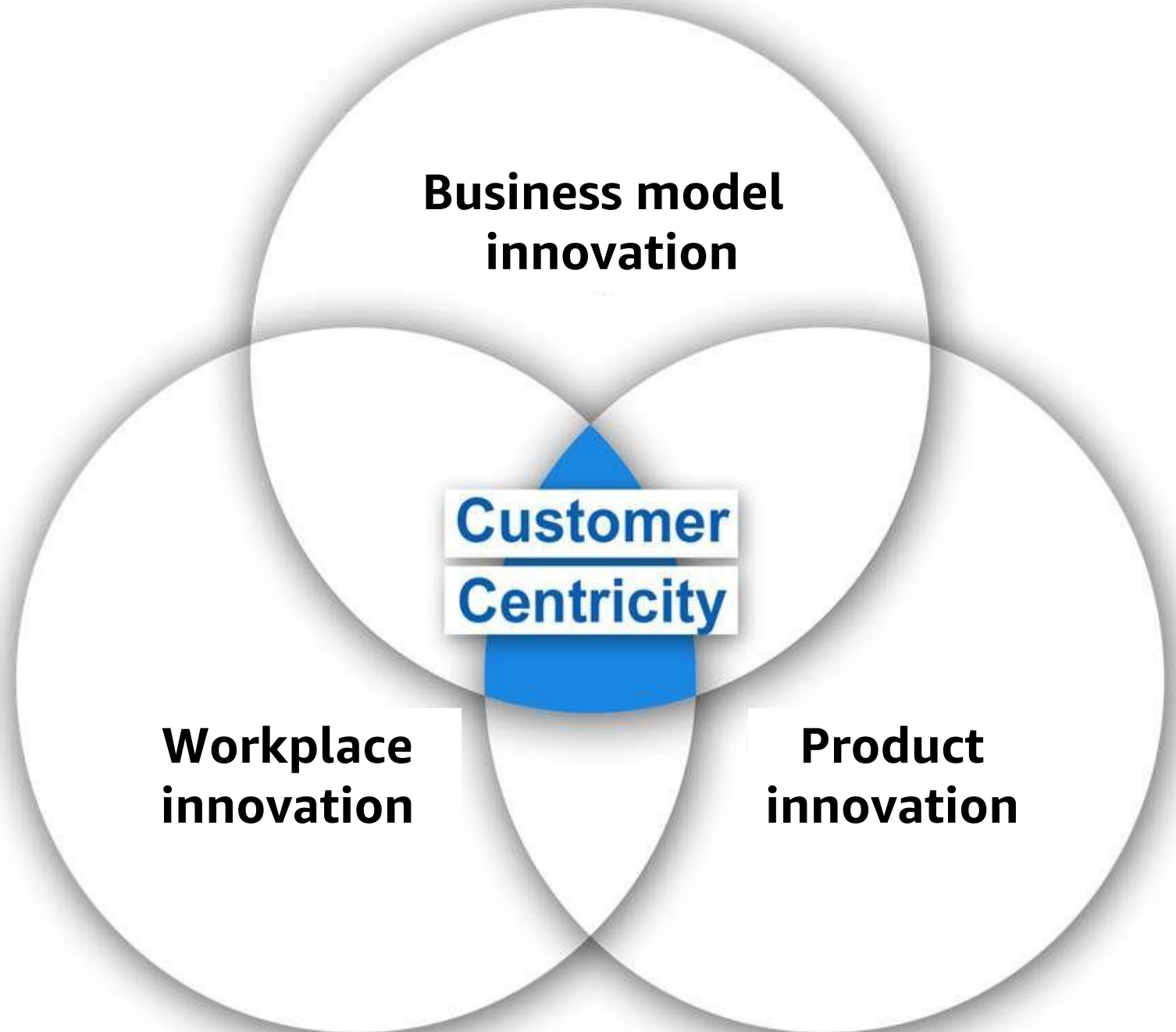
Identifying **new revenue streams**, making use of the business's **core capabilities**

By **making changes**

1. To an organisation's **value proposition** to customers
2. To its underlying **operating model**



Types of innovation



Organise for CX innovation by working backwards

- **Customer obsession**

Customer obsession, support them with a belief system

- **Tools and mechanisms**

Using Working Backwards tools, processes, and artefacts to facilitate innovation

- **Organisation**

Small, nimble, and empowered teams that own what they create
(a single-threaded team)

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Customer obsession

Relentless focus on the customers' needs and wants and **working backwards** to **invent** the right product

The new paradigm shift in CX

Traditional practices often require **customers to adjust** according to the brand

CX innovation focuses on adjusting the brand and its offerings according to **customers' changing needs and expectations**



Empathise on the customer journeys



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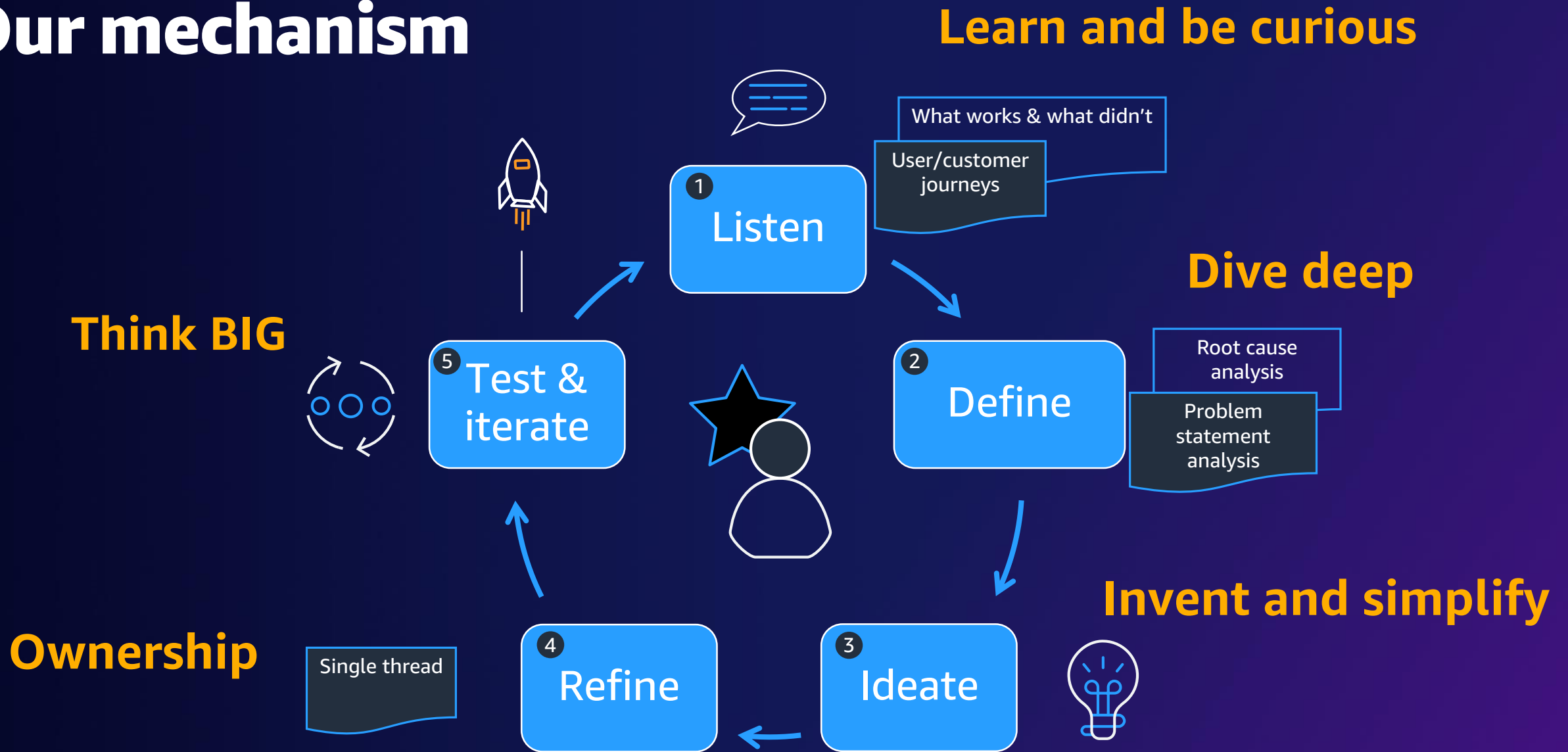
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Our mechanism



5 customer questions

Working Backwards Questions

Who is the **customer**?

What is the customer problem or **opportunity**?

Is the most important customer **benefit** clear?

How do you know what customers **need** or **want**?

What does the customer **experience** look like?

Wiki > Working Backwards

Working backwards

Use it to get **clarity**, not to document what you've already decided to do



Press release

knowing that Amazon will send them the right sized diaper at the right time.

Custom Benefit?

~~Babies need an average of about 3,800 disposable diapers across seven sizes in three years, and remain in a size anywhere between a few weeks to several months. A baby might need just one box of size 1 diapers but need as many as eight boxes of size 4 diapers. To complicate matters, weight – and not age – is the best predictor of a baby's diaper size.~~

With Amazon's Subscribe & Save program, customers previously created diaper subscriptions in a specific size which was replenished until the customer decided it was time to move up a size. This meant that parents needed to anticipate the change in diaper size and either cancel their existing subscription to create a new one, or go to the Manage Your Subscriptions page to update the existing diaper subscription with the new size. This caused endless frustration for parents, added to the stress of having a new baby, and the experience ran counter to the concept of a subscription that should run smoothly with minimal touch points.

Not a good name for this

With the introduction of the new **auto-sizing feature**, customers who subscribe to diapers will be asked to provide their child's weight, in addition to the existing child info. They will then be able to set up a single subscription that will take them through the various sizes at the right time. Customers will be notified before the next box of diapers is due to ship that it has automatically sized up – if it's too soon, there will be a simple one-click process to keep the current size.

Could a customer really say this?

"I love using Subscribe & Save. But for my older child, I have had to return boxes that were one size too small, which actually increased my work load," says Mara Steiner, who has used Subscribe & Save for her baby needs for several years. "As I expect my second child, I am very excited at the thought of having the right size diapers show up at my door each month. New parents have enough to do without having to keep calculating which size of diapers they should be buying for their baby."

~~"We want parents to always have the right sized diaper for their child at the right time,"~~ said Greg, director of Subscribe & Save. "This single subscription experience for diapers will ensure that customers can depend upon Subscribe & Save to do the work for them, and never have to worry about changing size as their children grow."

Amazon's Subscribe & Save ships thousands of items to their customers on a regular basis with additional discounts. With the diaper subscription service, the program has simplified the experience for new parents.

To learn more about Subscribe & Save's diaper subscriptions auto-sizing, go to www.amazon.com/diaper-subscription

What about mobile?



Working backwards artefacts

FAQs

Amazon Campus

Amazon.com confidential

II: Student Customer FAQs

Q4: What do I get when Amazon is on my campus? Students get a number of benefits when Amazon is on campus. By activating the co-branded experience on Amazon, students receive Free One Day shipping on textbooks to campus addresses, access to custom textbook selection, the ability to pay with their university ID card, and the ability to pick up Amazon.com orders at pick up points on campus. On campus, all students will have access to an Amazon Student Lounge.

Q5: How do I activate the co-branded experience? Students at client universities will have four methods for opting into the co-branded experience: 1) visiting the co-branded subdomain directly by typing the URL (berkeley.amazon.com) in their browser, or clicking an external link, 2) joining the Amazon Student program and selecting their school, 3) shopping for textbooks via links in their school's Learning Management System, 4) clicking on a Student Store merchandising placement on Amazon.com. Once customers have opted in, they will see a persistent co-branded toolbar on the top of the page whenever they return to Amazon.com. Customers can turn the experience off at any time by navigating to the 'Account Settings' menu in 'YourAccount'.

Q6: What do I get if I sign up for Amazon Student when Amazon is on my campus? Amazon Student members at your school get all the standard benefits of the program *plus* Free One Day shipping to the campus area on millions of top selling products. Standard benefits include Free Two-Day shipping on Prime eligible items, unlimited instant streaming of Prime Instant Video content and access to the Kindle Owners' Lending Library. The cost of a Student membership will remain \$39/year.

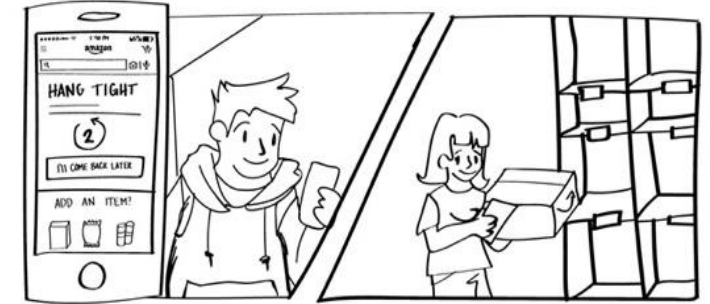
Q7: Why aren't there any 'grab and go' items available for purchase at the Student Lounge? At launch, we will not be able sell products to customers "on demand" at the Student Lounge because we do not have a Point of Sale system or the ability to stock inventory for sale on site. However, we intend to offer this in the future for a small selection of top-selling products. In the meantime, customers may order items displayed in the Lounge by using the bar code scan feature in the Amazon Mobile App.

Q8: Why is Free One Day shipping limited to campus addresses? Why don't I get Free One Day shipping to my parent's house? By working directly with a university, Amazon is able to reduce costs associated with shipping orders to campus, a savings we want to pass on to all students at the school via Free One Day shipping for textbooks, and to our Amazon Student members via Free One Day shipping on millions of other eligible products. However, in order to provide these benefits at no additional cost, we must limit the geography in which we offer this benefit to those zip codes served from our on campus delivery station. Amazon Student members always receive Free Two-Day shipping on Prime eligible items, to campus or most other addresses in the continental US.

Visuals



① Josh is at Amazon@ASUC Student Union picking up his textbooks. He opens his email notification and chooses to "Get Pickup Code".



② The link automatically opens the Amazon app where Josh sees that his order will be ready in 2 minutes and that he can add snacks to his order and pick them up instantly. Anna, the backroom associate, gets a pick task for Josh's boxed textbooks and scans it into a locker.



③ Josh gets hungry browsing all the great snacks available and decides to add a bag of Cheetos to his order.



④ Josh waits while his textbook and Cheetos are being prepared for pickup. Anna gets another pick task. She scans the Cheetos, bags them, and places them into the same locker as Josh's box.

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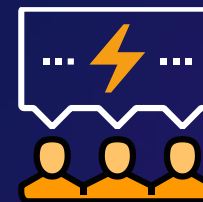
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Two-pizza teams are fast and agile, fostering **ownership** and **autonomy**



Small, decentralised, nimble teams



Own and run what you build

“**Failure and invention are inseparable twins.**”

To invent you have to **experiment**, and if you know in advance that it's going to work, it's not an experiment. ”

Jeff Bezos in his 2015 letter to shareholders

Founder and CEO, Amazon.com



To our shareowners (2015)

This year, Amazon became the fastest company ever to reach \$100 billion annual sales. Also this year, Amazon Web Services is reaching \$10 billion in annual sales.

One area where I think we are especially distinctive is failure. I believe we are the best place in the world to fail (we have plenty of practice!), and failure and invention are inseparable twins. To invent you have to experiment, and if you know in advance that it's going to work, it's not an experiment. Most large organizations embrace the idea of invention, but are not willing to suffer the string of failed experiments necessary to get there. Outsized returns often come from betting against conventional wisdom, and conventional wisdom is usually right. Given a ten percent chance of a 100 times payoff, you should take that bet every time. But you're still going to be wrong nine times out of ten. We all know that if you swing for the fences, you're going to strike out a lot, but you're also going to hit some home runs. 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. This long-tailed distribution of returns is why it's important to be bold. Big winners pay for so many experiments.

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Thank you!

Francis Goh

Aylwin Tan



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