Joel Spiegel: [00:00:00] We were pipsqueaks at the time, even though we'd gone public, we were a tiny company. You know, there are a hundred big players that if they kind of thought about this the right way, just the power of staff and capital to step into that space, if they saw what the end game was,

Hi, I'm Dave Chappelle. And I'd like to welcome you to the invent, like an owner podcast, where I talk with the Amazonians who help build amazon.com in one of the world's most valuable companies. This weekly podcast is for entrepreneurs, future business leaders, and all students of history. Not to mention people interested in getting hired at Amazon.

The goal of the podcast is to capture the Amazon creation stories and create a historical archive on that note, my guests are recalling history as best they can. It's possible. Some of the details are fuzzy. Or just plain wrong. That happens. It's not intentional. I invite future guests or commenters on the website to help us get the facts as straight as they can be now on with the show today, I'm thrilled to be speaking with Joel Spiegel, who I was surprised.

Discover only worked at Amazon for four years from 1997 to 2001, because in my personal experience, Joel Luna, very large. He made a huge impact on the organization. Joel exuded ownership and customer obsession, and raised the bar for everyone today, we'll be talking in depth about Joel's impact on the organization, especially connected to the transition from a retail centric business model to a marketplace driven business model.

Welcome Joel. Hey there. So yeah, when I was going through your LinkedIn, it's crazy. You were at again, I'd make it a little wrong, but VisiCalc or VisiCorp the parent company. HP apple, Microsoft, and then Amazon that's quite a run.

Joel Spiegel: [00:02:17] Sort of surprises me. It was interesting.

Dave Schappell: [00:02:19] Who recruited you? Was it Jeff or is it, you know, a typical loop? Like how did that all work?

Joel Spiegel: [00:02:24] So it's a funny tie in to that list of companies you just made because during my time in Silicon valley, you know, there's a core apple, et cetera. HP

ran across a, a tech recruiter. Named Vicki Helms. And she was sort of legendary, one of the highest emotional intelligence people.

I know she wasn't particularly a technologist, but she's incredibly right. Like you didn't find her. She found you. And later on in my time in the valley, I got a call from another recruiter named Susan Shea. And anyway, got to know Susan and fast forward a bunch of years when I was a Microsoft, actually we running a group doing a, sort of doing some search technology at the time.

I got a call from Susan and said, I have the perfect job for you. And my response was, I'm happy at Microsoft. She said, this job has your name written all over it. It's in your backyard. And if you don't go talk to these folks, I will declare you stupid and never talk to you again, not a typical reason from a recruiter.

And it turned out it was Amazon and Jeff and Jeff and I linked and had a breakfast and a very interesting conversation. So it was sort of like, you know, the, the connection chased back. Years and companies as to why I got the call, but, you know, it felt right. And Jeff convinced me that it was the right place to be. And there were.

Dave Schappell: [00:03:40] I mean, at that point where they're even interview loops or was it just you talking to Jeff, you know, and getting hired.

Joel Spiegel: [00:03:46] No spoke with some of the other folks at the company as part of the process, but you know, it was a much smaller, less structured place to be sure. Yeah. And the first person I spoke with, interestingly, he was, you only had breakfast on a Saturday morning.

He took me over to the offices and the Columbia building, which I'm always inclined to point out is quite different than the luxury is Columbia tower. Yeah.

Dave Schappell: [00:04:10] 15, 16, second of.

Joel Spiegel: [00:04:12] Yes. You know, the first person I met was Sean Haines, who was running the associates program. And I had worked with Sean spouse, uh, Mary at Microsoft.

She's an HR and Sean was, was excited because, you know, get a sense of scale. The associate's program had just hit 6,000 members. Right. So it was quite, quite small relative to what's going on.

Dave Schappell: [00:04:36] And when you were brought in, were you brought in for a specific problem? I mean, your title was VP engineering right out of the gate, or was it a different role when you joined?

Joel Spiegel: [00:04:44] I think we settled on VP of engineering, essentially. I think Jeff had, you know, he'd be the better one to answer this, but he had been looking for somebody run technology and it come to the conclusion that there were two slices of technology that you couldn't find in a single person. Oh, he needed somebody to handle sort of the transactional it infrastructure, but also somebody who had sort of what I would call the Silicon valley, apple user interface experience, you know, which I obviously picked up at places like apple and there's Corp.

I was brought into address the. I think sort of scaling the user facing technology side right out of the gate. And I think there were a dozen or so technology people in the company at the time, half of them were sort of on what you might call them. The user-facing technology side of the household though.

Everybody was kind of a Jack of all trades to some degree. And then, you know, we very quickly jumped into what it matters to customers. What could we do? What should we do? It got down to. Besides scaling, which was a nightmare from day one, you know, we had issues of inventing recommendations that were useful search technology that was relevant.

And did a good job, et cetera, et cetera, that the state of technology was essentially, you know, shell Catherine had built the whole thing from scratch with the help of one or two other people. There were a few others who had joined prior to my arrival, but it was really, you know, for something that was serving a very large user base and a company's about to go public.

It's very, very tiny engineering organization or set of organizations. So scaling was a big deal. I ended up, you know, you may have heard me say it that, you know, really, I was just an over-glorified recruiter because you don't have the right teams, you know, it just doesn't, you can't do anything. You know, you say you need, you need the people, the management and leadership structures that, that make it work.

Dave Schappell: [00:06:33] Who were some of those key first? I mean, I talked to Kim Rockefeller a few days ago. She mentioned that you recruited her where there are some of those other people that jump out at you as sort of the big contributors from early on that you brought in.

Joel Spiegel: [00:06:45] It's again, it all ties to sort of networks in a sense. So, you know, Dwayne Bowman. Jean Pope.

Dave Schappell: [00:06:51] Did you work with Jean at apple?

Joel Spiegel: [00:06:53] I actually was hired into apple by Jean Pope. I contacted Jean the first day of his retirement and said, yeah, forget that retirement. You got to come to Amazon

Dave Schappell: [00:07:06] Retirement from apple. You recruited them right back into the madhouse.

Joel Spiegel: [00:07:09] He had been out of apple. He had run, I think, engineering for cork and retired. I, I went to call him a cork and the folks at court said, oh, he doesn't work here anymore. And, you know, I knew he obviously must have retired to the ranch in Montana and contacted him and said, you have to come.

But the other thing that's funny, you know, you mentioned we've got Kim is Kim had been working with Erica lock at a startup. And when I contacted Erica who had worked for me at apple,

became part of the conversation as well. And, and Ruben Ortega came in, uh, to work with Dwayne because of his connections to Erika, et cetera. So a lot of, sort of very real life, social networking was a key part of very rapid hiring processes.

Dave Schappell: [00:07:50] What is it about when you spoke to Jeff that got you excited to join Amazon? You know, you were at Microsoft is probably a good job. Like, was it Jeff? Was it his charisma? Was it the scope of the problem or the impact you thought it was going to have on. You know the world, like, what is it that made you make another big jump?

Joel Spiegel: [00:08:08] Conversation in its own. Right. But we had breakfast and, you know, the economics of selling on the internet made sense to me. In a strange way. I had set up a personal little, you know, personal passion project. And when I started getting into managing technology teams, I want to learn more about business through a strange set of circumstances. I ended up selling kayak paddles on the internet specifically because I wanted a very well bounded little business.

I had an opportunity. And, uh, at the time the internet was not the web. So it was rec rec boats. Whitewater was my vehicle for doing things. And it became clear to me sort of what the economics of selling that way worse. So it was an incredibly fast conversation with Jeff, but first thing I thought is. Wow.

I'm really stupid. How did I not think of starting this company? Because I knew that the core economics of doing those kinds of transactions via the internet. So we skipped what were apparently a lot of the business explanations that Jeff went through with folks he was talking with along the way, trying to explain why this made sense that a core

business level and immediately jumped into sort of the, the interesting scaling problems, people problems in terms of hiring and recruiting and building.

Teams things that led to some of the leadership principles, et cetera. So, so, you know, it was obviously Jeff, he was clearly super smart. He was clearly committed, but the problem space was fascinating and it was a Greenfield opportunity right there. Weren't a lot of econ, there were no major e-commerce companies out there.

So it just saying is a problem space.

Dave Schappell: [00:09:41] Yeah. Cause like, so we're going to talk about marketplace quite a bit because you made such a big impact there, but in your first month or months, do remember some of the first projects that you were sort of tasked with helping to wrangle? Obviously hiring was probably a couple hours of every single day, you know, interviewing.

Do you remember any specific projects that were a big sort of indoctrination to Amazon?

Joel Spiegel: [00:10:03] Recruiting was, as you noted a huge, huge part of it, probably more than our, you know, measured in days of week, not hours of day.

Dave Schappell: [00:10:10] Yeah.

Joel Spiegel: [00:10:11] You know, and a lot of that bore fruit, you know, fortunately after many cycles of conversations, et cetera, you know, he brought in Rick Darcell, et cetera, that those were not fast were easy processes.

But early on for my arrival, there was already some work on recommendations. Uh, we knew we had to take friction out of the buying pipeline. Those were big things. Jeff, early on had the notion of wanting to do AB testing to my knowledge. He's the first person thought about doing that. And honestly, the first version of what we built, I sort of misjudged some things as we took another run at that.

And he was right about sort of the flexibility and decentralization of how to do that. But the key thing was we wanted to keep things small and fast. Jeff made me sort of do a handshake contract with him that we would target projects could be done in three or four weeks. They didn't have to be done perfectly and to be the right project and proof of concept, then the notion was if they bore fruit, we would, uh, then you know, scale them, enhance them, et cetera.

So it was pretty interesting. For example, on recommendations, there was a project underway, we got it under control, Jeff marches, and one day and says, Hey, there's a

simpler approach. Well, I don't want to disrupt the schedule. And he's like, well, I really appreciate it if you would. And I'd like you to do that.

And it turned out that the simpler version was highly, highly effective. And the thing that I would have bet on was not. And so by keeping these things to relatively short development cycles, we're able to do experiments very quickly.

Dave Schappell: [00:11:42] Would you say when you got there, Kim described the code base was sort of a.

Monolith, right. It was one big code base then, you know, and over time it got separated more into, you know, unique. I don't know what the correct terminology is, but what were things would you say? Was it more like a minimum viable product at that time and sort of today's language or was it pretty complex even at the stage when you joined.

Joel Spiegel: [00:12:06] Structurally, I'm not sure I use the term minimal viable product, but I mean, again, when you're talking about a system where, and I don't think shell gets enough credit in the public mind for, you know, building the store. Right. And when the company was tiny, there, wasn't the kind of budget that I had where I would, you know, or the dolls they all had.

When we'd go out and talk to a vendor. We had a budget, we had leverage, you know, there were a lot of dimensions to it. When Sheldon needed a search engine, he wrote it. Right. And it was very clever and it scaled up to a point and then it didn't. And so, you know, it was very, it was a very monolithic system by today's standards, but that's how you get things up, right.

It is classic for software projects, you know, years off, off schedule and multiples and budget. And so there's something to be said for get it done and make it work. And we solve a lot of scaling problems. You know, my first winter there. I just signed POS for more bigger hardware, you know, because we were trying to do, you know, we, we scaled some things, there was work on splitting the database off, but it was an incredibly monolithic product.

And there were so many things that we did then over several years that today you just wouldn't do that way because we have, you know, things like AWS, we have infrastructure, we have knowledge and, you know, code libraries that just. Didn't exist five years ago.

Dave Schappell: [00:13:28] Not a criticism. It's more of a fact like if somebody who's 25 right now thinks about what Amazon was like, you know, as a product or program, you know, back then it was quite different because that was the way things were built then.

And it was also getting it out in a hurry and testing and breaking things and all those things. And so, yeah, it's definitely not a criticism reality.

Joel Spiegel: [00:13:49] You have to right-size things. And there was no point in. You know, using a data centers, worth of servers for a feature or technology and approach, you don't know if it'll work or not.

And so it was a very long arc. Of balancing, can you scale by writing a check for raw hardware and today you would just do it by increasing your AWS account limits, you know, instructors in terms of your use of AWS. So, yeah, it was a fascinating set of business problems. And every month do we apply software engineers to scaling?

Do we apply them to new features to bug fixes? And it was just a constant loop in that regard. Right.

Dave Schappell: [00:14:26] Today, I wanted to talk a lot about. The transition from Amazon, from retail only business where they're selling it in a world where we are, they were selling it pack, you know, purchasing it, put it in a warehouse with filling it to a third party seller marketplace business.

Can you explain, maybe put it into context for people like how that came to be. Or was it a Jeff idea? Was it a you idea? Like where did it come from this idea of, Hey, we don't need to be the seller all the time.

Joel Spiegel: [00:14:53] If you haven't talked to Jeff Blackburn, I I'm sure you will. And his recollection is, but one October you approached me and we were just every year, early on the Christmas scaling nightmare began in October and ran.

Yeah, right up through Christmas and Jeff Blackburn, who is doing business development, uh, wandered in last week of October, I believe it was and said he wanted me to help with some due diligence with an auction company. He was thinking of purchasing for Amazon. And I kind of pushed back and said, look, we're a retailer.

We have incredible scaling problems. I don't have any time to spare. It's like, I really need to do this due diligence. So I committed, I think, I think that was on a Wednesday. I forget what that company was coming to do a presentation Thursday or Friday. And I spent half the day with the company was not impressed with their technology or their approach, but I talked to Blackburn a bunch more and then.

Over the weekend. He had gotten me thinking, because as part of this evaluation, I'd taken a harder look at eBay than I had. And it triggered some thinking about the, you know, when I had been at apple, we were focused on our products and in control of

those products. And when I went to Microsoft, there was a lot of philosophical thinking about platform, right?

The dynamic of markets. Building up the value of your products. And, you know, today the world has changed a lot. People forget that in that timeframe, apple was on the verge of going bankrupt.

Dave Schappell: [00:16:18] Right. As a landscape architect, as you know, and I remember telling her coworkers how dead apple was, you know, and that they were, you know, it's going out of business and it's. Yeah. Now, now $30,000 of hardware later, I'm firmly, firmly wrong. Right?

Joel Spiegel: [00:16:35] Exactly. So the things that Jeff Blackburn made me look at it, got my brain going over the weekend. I spent the whole weekend hunker down over eBay and thinking about platforms versus product and maybe to sort of zip backwards in a sense, anyone who is around Amazon at that point in time was familiar with the terms of selection, price, convenience.

Right. That was a customer proposition. We took it seriously. You know, it, wasn't sort of just like random branding. We really internalize that. How do we make sure we are delivering selection, price, convenience. And over the weekend, I became convinced that we alone as a retailer could never lead the way with.

Selection price convenience. If we were the only seller of goods on our systems. And so, as a simple example, we were selling books, but there's always somebody who's going to get remainders or a bankruptcy pulls out from somewhere that could sell a book title. We had four less, or there would be a collectible collectible.

There would be other things that we couldn't get there. Somebody would choose not to sell on Amazon.

Dave Schappell: [00:17:40] Yeah. I always said, it's like, if I'm going to want to read some beach books, they don't need to be hardcovers. They can be paperbacks with the front cover ripped off because I'm just going to read it. My hands are wet. They're going to be sanded it. Like you want different types of products or different qualities of products at different times.

Joel Spiegel: [00:17:55] Exactly. And then there would be things where we just couldn't buy them. For some reason, somebody. Had a self-published book and they want it to be involved in the transaction.

And then of course the convenience proposition fails. If people have to look at 10 sites for what they want. And so it just got my gears spinning and the following Monday

morning, it was, I think the first Monday that November I grabbed Blackburn and said, we just have to talk to Jeff. You've got my brain going.

And I think it changes the whole value proposition for the company. So Jeff Blackburn. And I went into Jeff Bezos office a little bit before nine, if I remember right. Because I remember very vividly looking at the clock when we wrapped up and it was nine 20. Right? Right. So this all happened in about half an hour and the three of us had a conversation about.

What would it be to be a retail platform is selling platform rather than to always be the one, taking the risk of buying the merchandise, trying to price it competitively, no, and fighting the whole world as opposed to engaging the whole world and all of the points of failure that that would engender.

If we were fighting. Against everyone else all the time. And it was very interesting. Jeff Bezos had two Jeff's in the room. So to be clear, you know, I had a little whiteboard in his office and he scribbled on the whiteboard and we talked. And then if I remember correctly media metrics, the internet marketing analysis stuff still came out in binders.

You know, bayzos pulls out the media metrics, binders and looks at a bunch of stickiness and revisitation things with respect to eBay and by nine 20 or so. He pretty much said you're right. We have to do you guys were right. We have to do this because it's just a compelling proposition. We cannot fulfill the brand promise.

Without making this happen somehow. And you know, at that time we already discussed, you know, pricing mechanisms, et cetera. So there were a lot of reasons why we talked about auctions and Z shops and what not, but early on, literally from the beginning, the notion was to be a selling platform and to have different pricing and, and.

Shipping mechanisms, et cetera. You know, it is a very long conversation possible about this, but before nine 30, Jeff Bezos said, make it happen. Be responsible with the shareholders, resources and assets. You know, don't break things too badly, which proves to be a very challenging thing to try to do this.

You know, those challenges that Illumina just painless, alluded to that, those things. I think in the 2016 shareholder letter, You know what he told me, he said pulled together senior management meeting for Saturday. We have to start socializing this and getting the company used to the idea that we're going to do this.

Dave Schappell: [00:20:31] Did your role change with sort of driving on marketplace or was it just one more thing on your plate at the time?

Joel Spiegel: [00:20:36] So at the time I did this, I was the general manager of the store. I was reporting to David Risher at the time who I just love to death, and I want to give a pitch for his nonprofit organization, world reader.

You know, he's doing wonderful global work. With that. But, um, but no, I was, I was general manager of the store and I originally thought we were hired someone to run our platform efforts and it just turned out to be a really challenging recruiting problem. And I was convinced it was super important. So I ended up shifting into that role and focused a hundred percent on marketplace for a couple of years.

Dave Schappell: [00:21:14] A hundred things that made marketplace difficult. Like maybe talk about why did we decide to start with auctions rather than, you know, maybe that's all we had because we saw eBay. And we said, we got to do that. And probably a big mistake maybe, but, but we'll talk about, you know, how we made the decision or how you. People at the top, made the decision to do auctions first and how quickly it spun up.

Cause I remember it spun up fast. I remember getting pulled in as a product manager and I'm like, I didn't even, I didn't even know what auctions were at the time. You know.

Joel Spiegel: [00:21:46] Why auctions had to do with two things. It was the desire to step into and learn about variable pricing. And because there was an inevitable collision with eBay and dressing that.

Sort of competitive situation. Head-on I think part of it too, but again, I don't recall those discussions exactly what we very quickly decided variable, you know, to go for variable pricing, which in the form of auctions. And as you know, we have a lot of discussions about how to structure that and, and even the pricing models of auctions themselves, but immediately.

You know, we set about looking at a fixed price model, which led us to purchase, you know, Steve Leslie's company. We bought live bid, which was Matt Williamson sky Cruise's company. Um, so, you know, we, we approached this both by developing inside and doing a combination of talent acquisition and sort of tech and intellectual property through, through buying these various companies.

Dave Schappell: [00:22:39] If people didn't know for a long time, Amazon had two or maybe even three different. Buying pipelines. I don't know if you remember when people would put something in their shopping cart and one item was, uh, a marketplace item and one item was a retail item. They were essentially checking out on two different payment platforms if I'm correct.

Joel Spiegel: [00:22:58] Yes. I don't even remember the mechanics and they changed over time, but we, you know, we initially started with our marketplace mechanisms as a separately built platform from. The main line retail stuff. And that was a function of really just pragmatics. I think, you know, um, you couldn't break the retail stuff.

And also we didn't understand, right. One of the things that happened that Monday morning, Was, uh, a discussion about learning. It's one thing to go out and try to compete with a company based on you have a slightly more efficient technology, or, you know, you think you can do it better, or you can address a slightly different market.

There was no best practices for being a global online retail marketplace. Right, right. There was no guidebook. And we actually discussed the fact that we would have to, uh, I have a lot of fortitude and conviction in order to, to make it happen. And we took a guess and it turned out to be about right, that it might take three runs at the problem, but we had conviction because again, when you went back to that selection, price, convenience, and analysis, it just had to happen, right.

There was just no avoiding it. And so we had to find a way to make it work. And the discussion was very clear on the fact that we would have to accept pain and failure along the way.

Dave Schappell: [00:24:16] I could have done with a little less failure over those couple of years, they were psychologically difficult years until we figured it out.

Joel Spiegel: [00:24:21] Yeah, they were for all of us. Yeah. They took a toll, you know, I think it was in the 2016, again, a shareholder letter, Jeff talked about sort of fundamental misalignments and marketplace did not align readily with retail, you know, as you know, Probably better than any human on earth, the review and reward structures for product managers who owned product items.

You know, they had to worry about stuff. They bought selling that inventory, how fast they sold it, their margins, et cetera. As you know, we generated no great love with those guys when we allowed other people to sell on our site and even. Put links from their product pages into third-party seller pages that would undercut them and make it harder for them to sell their product at the price.

They would have liked to have sold it, et cetera. So it was hard.

Dave Schappell: [00:25:08] I'm looking forward to talking to the people that sort of launched customer reuse. For instance, that was another example that was not popular at the time with the powers that be, you know, and we believed it was the right thing to do. It happened before I got there.

Maybe even before you got there, but we believed it was the right thing to do for customers. And so we needed to figure out, you know, how to make it work for, let's say authors, for instance, in that case, or, or the manufacturers of a product that was getting one-star reviews, we said, well, long-term, this is going to be a good thing because we're going to help people buy the best product and return the items less often, you know?

And, and, and, but in the short-term, there's a, there were some eggs getting broken.

Joel Spiegel: [00:25:45] Yeah. I mean, another example of exactly that was when we introduced the best seller list. Yeah, because the New York times bestseller list plumber, you know, again, A lot of years out, but it was based on sell in. And so, you know, something could become a best seller just because Barnes and noble bought a ton of copies, not because the public was consuming it.

And we were doing ours based on sell through what was the public actually buying. And, you know, two things happened first. A lot of authors and publishers got upset because it was sort of a paradigm shift for that. And, you know, I forget which one, one of the major CEOs of one of the major publishing houses in New York apparently saw what was going on and threw his phone across the room.

Back when phones were wired together. And a lot of authors went through a transition, you know, from like getting upset at that because they received a New York times list to actually realizing, oh, this is actually really reflects important stuff. Yeah, I can monitor this and behave around this. And then we also sort of, as a, along the lines of the way marketplace sort of had to deal with seller and buyer behavior.

We had basically, you know, people starting to game it. There were some folks in Wisconsin at a self-published book that they had friends ordered 10,000 copies of it. Yeah. Overnight the best sellers.

Dave Schappell: [00:26:58] Yeah. There's also those great stories about authors sitting there and refreshing the page, you know, waiting to see if their, you know, their books moving up and forget if that was done hourly.

Or we did it daily. I can't remember, you know, how that worked at the time with marketplace and maybe not just specific to auctions, because maybe if you can give a short description of the difference between auctions and Z shops and. Marketplace for people that maybe don't even know what we're talking about.

Like with the shortest example of marketplaces, if a customer goes to the website and you go to a new Harry Potter, I'm dating myself there, there will be used copies for sale.

And those used copies are sold from anything like big bookstore to, you know, which handle use books to you. And I listing the product on the site.

But can you give a short summary of the evolution from where we started with, with auctions and how we got to marketplace and why it was such a big deal?

Joel Spiegel: [00:27:51] We started. Listen, I know we had to be a selling platform and a buying platform. And for a lot of reasons, we've probably in hindsight, you know, it's hard after all these years thinking about where we just didn't understand and where we were limited by technology and staff and the ability to move quickly, because if we were going to touch, you know, overdose, which was.

A core selling platform for Amazon as a retailer, you sort of got tangled up in timing and that particular database structure and whatnot. So somewhere along the way we decided. To sort of partition it. So we would do auctions, which was variable pricing. We would do Z shops, which was fixed pricing. We did an auctions partnership with Sotheby's as well, which was its own beast.

And, um, I mean, it was interesting because it was all geared towards becoming a selling platform and figuring out how to meet the needs of buyers and sellers effectively. It was interesting. We never thought of it as, oh, there's an auctions thing. That's going to stand alone forever. And there's a fixed price thing.

That's going to stand alone forever. It was all part of this innocence journey. Right. And we referred to it as marketplace internally very early on, and we very much didn't refer to it as marketplace externally. Because we were pipsqueaks at the time. Right. You remember, but I mean, you know, even though we'd gone public, we were a tiny company and you know, there are a hundred big players that if they kind of thought about this the right way, you know, just the power of staff and capital to step into that space, if they saw what.

What the end game was. And so we very deliberately did not talk, use the word marketplace externally for a very long time. And we didn't know what the end game was. So, you know, we talked to a few, remember we hypothesized about single detail page and unification of inventories, but you know, that came after I was already.

Dave Schappell: [00:29:44] It was a big deal. I mean, like in hindsight, it's very easy to say what we shouldn't have tried, but at the time, You know, we were figuring out as we go, but one thing that was always a mess and we knew it kind of from day zero was the 575 different detailed pages for Moby Dick, you know, like the used version and we'd have 500 different listings and we're like, this doesn't makes no sense.

Like they're all the same thing. And, you know, I would say that half.com, like we definitely had the idea before we saw half.com, but half.com was an epiphany because literally we had all of that described, you know, we're going to. Fixed price shipping for sellers. We're going to put these listings right on the pages.

And that was the big change was like going from the 5,000 copies of Moby Dick on the auctions of the Z shop site, all 8 cents off from each other to getting 457 copies available starting at 35 cents, right on the detail page. And that's sort of close to what we see now. But back then, that was the biggest part of the change. I think.

Joel Spiegel: [00:30:44] People take things for granted, right? Even with Amazon is just its own seller of merchandise. There was a lot of work done on title authority for books and a different even just different additions. If you were reading Lord of the rings and you finished the second book and you want the third, you'd probably want the third in the same, you know, paperback edition, the same hardback edition, the same, you know, anniversary edition.

You don't want this Motley collection of things. And it turned out that figuring those things out was hard. When you actually had ISBNs and industry information. Now you have people listing things, some of which are Moby Dick, the commodity thing, versus like you said, a collectible Moby Dick, the first edition.

Or the, you know, Herman Melville sign, Moby Dick is a very different proposition than just listing it as you know. Oh yeah. It's along with the paperbacks kind of a thing. So these are strangely hard problems.

Dave Schappell: [00:31:40] Did we refer to that as item authority, even back then? Do you remember.

Joel Spiegel: [00:31:44] That is my recollection. I think if I recall I could be wrong, but you know, the catalog folks and, uh, on the tech side, Rebecca Allen, I think maybe Scott Northrop may have worked on that.

And Rebecca was very deep into that. She actually solved a very tough nut by inventing the ASEN, which was compatible with ISBNs. So it saved us crack the very tough problem for how do you migrate from selling things? I did buy ESPN two. How do you sell kind of anything.

Dave Schappell: [00:32:12] If you go to any product on Amazon and you look at the URL, I don't even know if ASI and I don't know if that's in the URL anymore.

I think it's DP for detailed page, but ASN is a Amazon standard identification number, I think. And so we basically had unique essence for every. Product in the catalog, but to

Joel's point, you can have 15 different Moby Dick liaisons that are, you know, it's the out of copy or out of trademark version.

It's the leatherback version. It's the paperback version. They're all the same words or mostly all the same words in the product. And so item authority is a really difficult problem, especially later on when you think of things like clothing, Where you not only have unique items, but then you have attributes like color and size and sex.

And, and, and, and so that's a different interview at some point, you know, when you think about how difficult it is to go from books, the music was probably pretty simple versus going from. Books music and video to electronics, which was a totally different product. But so when you look back at marketplace and I've never asked you this, like we should have just not done auctions.

Right? I mean, it's nice to say we learned something, but like in hindsight, if we hadn't done auctions, we had done fixed price or something closer to single detailed page out of the gate. Like it was a long, painful learning curve. Wasn't it? You know what I mean? Cause so I want to always want to ask you that I felt that way.

I'm like, it was way too much time focusing on eBay and maybe it's because we do nothing about being a marketplace, but have you thought about that?

Joel Spiegel: [00:33:42] To a certain extent, then this gets down even to the business environment and money. You know, one of the things you have to deal with is when you step into a new space, you're going to miscalculate certain things.

So, for example, just to get through the nuts and bolts, I got budget based on what I estimated would take to convince our retail customers to try out the marketplace side C shops auctions. I grossly misestimated that it was doable, but they were largely different buying basis. There were people who really, really.

Trusted Amazon, but we're hesitant about third parties. And if you, you know, you're involved in the a to Z guarantee and all of those things to sort of put Amazon's brand trust behind the buying from third parties. But, you know, we got to a point where we're actually at a pretty good understanding of what the platform characteristics were for auctions, for fixed price, et cetera, what it took to get a customer.

And that was right during sort of the time when. We got a lot of pressure from wall street. We were cutting, you know, people again, they forget it was not always a smooth clear road. And we were in the process of doing layoffs and freezing budgets. And so on. This was a challenging moment then, you know, I had some, some heated discussions with our CFO or in Jensen because.

I figured what I thought we would take to make auction successful. And I wasn't that money. So, you know, you could argue there's yeah. All these points with folks sung and fixed price. Might've been smarter, spending more on auctions, despite the pressure financial pressures we were under. Might've been smarter.

Because again, I felt at that point I knew what the economic dynamics were, but it's a real world, right. There are trade offs. There are hard things. Yeah. So I have pondered. A lot of people think auctions was a mistake. I go back and forth as to whether it was a necessary stepping stone or not. And I might not be the right person to answer that because I build a lot of my own blood, sweat.

Dave Schappell: [00:35:31] Here's you know, the funny thing is in the long range, the one that still should exist is Sotheby's. Like that was a really nice site. And if that were still on the Amazon site today, it's probably where I would spend most of my time just out of interest, you know, like what, you know, NFTs and all these things going on now.

But yeah, again, live and learn along the way.

Joel Spiegel: [00:35:51] And the Sotheby's thing was. I mean, there were a lot of things that made that more complicated and problematic and yes, I wish that had been done. And Jeff and I had a few ideas that honestly would have been interesting to do and might still be interesting to do someday.

So I want the numerate them, but there's some very interesting things you could do globally, but you know, the crux of it was you can't be the best at offering selection, price, convenience, without being a selling platform is whatever it is.

Dave Schappell: [00:36:15] One big shift is we had to build tools for sellers. So we had our own tools for things like buying and interfacing with suppliers.

But can you talk a little bit about the, that change? You know, where we had to build basically seller central, I think was called out of the gate and you know how that forced the organization to sort of change its way of thinking that we now had a different customer that we had to serve.

Joel Spiegel: [00:36:38] There was no obvious, easy sort of knowledge base within the company.

I'm sure there were people out in the world who, who would have immediately said, oh, you need this. And our sellers told us very quickly, we needed to, you know, give them a way to connect to their inventory, to tie into their bookkeeping requirements, their compliance and tax requirements with their products, et cetera.

So yeah, there was a whole new space, you know, we had to start from ground zero.

Dave Schappell: [00:37:02] It sounds strange, but was that something that was almost like we knew what we had to build on the front end and then like eight hours later, we're like, oh geez, we need to build all this stuff on the backend as well. Like, cause I kind of remember it like that.

I'm like, oh, I'm not just the product manager on auctions for the front side of it. We have to start thinking about all the tools and the sellers were almost as bad as consumers in their requests. You know what I mean? They're never ending and like, no matter what we built or how fast we built it, it wasn't good enough.

Joel Spiegel: [00:37:27] So, yeah. I mean, that's a sort of interesting thing we bootstrapped there. Yeah. And my recollection, and again, there probably other people who remember it in more detail, it was exactly what you said, because we didn't have experience. With sellers on the platform, we really have not internalized their needs and their wants until they kind of let us know in no uncertain terms, what those were.

So, yes, it's sort of like, you know, we bootstrapped ourselves in the way that Amazon's, you know, sort of inventory management systems early on when I joined were incredibly. By today's standards primitive, but they made sense for the scale Amazon was at. So when I interviewed, and the first time I went down to the, what was called the warehouse at Dawson, when you placed an order, you've got a space allocated on a shelf.

And as the parts for your order came in and they got put in your space. And when the system moved that all the parts of your order were finished, somebody went and grabbed that and then shipped it to you. And. I, you know, we went, you know, very good at the time I joined, they were just finishing up a, what was called the, you know, random binning and picking and, you know, anyone who had done large warehouses earlier would probably have just said, oh yeah, this is how you do it.

So there were a lot of places where we hired in knowledgeable talent, but other places where we just were like, oh, we need to learn this and understand and listen to our customers.

Dave Schappell: [00:38:45] It's funny. I loved working in the warehouse, but you know, it's probably just different mentalities, but it was just awesome seeing that sort of last touch before the customer. Got it. And the sort of magic on again, that was just constantly evolving the software to make picking more productive, you know, speed up throughput. It's basically a big ops problem and I loved it.

Joel Spiegel: [00:39:05] Yeah, it was fascinating. The one thing that was really cool, even though it was not about the original system is you could walk again.

It was a little company you can kind of go anywhere. You could walk through the stacks of shelving and see orders coming together and visually see personalities and, and professional interest in people's professional development, just by the stacks of books in there in an order, it was just a number on a shelf.

You didn't know who it was or where they were, but it was just fascinating to see what went together.

Dave Schappell: [00:39:34] I do remember that too. I remember, you know, I didn't graduate from my MBA. Like I remember thinking about how quickly you learn who the person is by the types and books were perfect, right? Cause it's expressions of interest and you can just see how the computers were going to be able to make better recommendations over time and, you know, make smarter decisions about new categories.

Like which new category would be interesting to this pot of people versus that pot of people. It was really exciting. So you, so you left in 2001. Were you there through the launch of marketplace, the successful single detail page, or did you leave before we got to that?

Joel Spiegel: [00:40:13] So to the best of my recollection, you know, I left marketplace in the hands of Eric Ringwald, then Mike George took over, it was a couple of generations of this, of, of learning of, of normalizing this throughout the company, because there's, you know, there was a tremendous immune system reaction to this part of the company marketplace part of the company. And, and again, I refer to the entire arc of this as marketplace competing and causing pain for the retail side.

Dave Schappell: [00:40:44] The retail side of the business did not care for the marketplace side of the business. We had a lot of resources. We were generating little revenue. And then when we launched single detail page, Joel, it was the example of three year overnight success, or however many years it took, like, I remember that first day it was a significant percentage of units sold.

And suddenly all these people like mark could place that didn't, you know, for many years, but if I weren't working on marketplace, I wouldn't have cared for as much either. You know, when I'm starved for resources and I'm generating all the revenue, you know.

Joel Spiegel: [00:41:18] And we had these discussions at one point, you know, our revenue was so low when I offered from a.

Accounting point of view to the product managers. I said like, here's the deal? I've got to re a nascent business, but how about I just credit your side with all of our sales and that didn't sing well in our sales were, were quite small. So it's like, you know, all you're doing is conflicting pain without returning enough to make that worthwhile.

And our customers, I said I had originally MISAC estimated our customer acquisition costs into marketplace, but interestingly, they were quite a bit less than the. Customer acquisition costs when I joined Amazon, but people forget, you know, fast forward a couple of years and people are used to, oh, we have this business.

People are buying here's our cost director. And there was actually a point where a CFO, Warren wander down and told me he wanted me to shut down marketplace. Yeah, with that word, because that was internally, I was referred to at the time, you know, send your, your spend is too high and your return to the businesses too small.

And, you know, again, it took a lot of corporate conviction and discussion and debate to stick with this based on the premise that the issue wasn't what at work, the issue was, how did we figure out how to make it work? And again, you've were a key player in that, right? It was a long. Process of iterations and understanding how do you price for buyers?

How your price for sellers, how do you make it work? How do you even get adequate product in each category to retain buyers and sellers?

Dave Schappell: [00:42:42] Yeah, it was a big chicken in the egg. Like, do we focus on the seller? Do we focus on the buyer? Like ultimately I think the answer is. You get sales for the sellers. They stick around, no matter the pain, you know, they give you a window to improve the tools and make things better, which is what happened with the third iteration.

The first two, they weren't getting enough sales because we didn't have it cobbled together well enough for buyers to find their products. And, but once we did, once the sales were flowing, we had the oxygen. If you will. And the time just constantly improve things for sellers. And, uh, the flywheel got turning.

Joel Spiegel: [00:43:15] As you know, we had a nightmare of trying to get sellers and get buyers early on, especially sort of in the Z shops days. And we had a very active and great group of people recruiting sellers and soldiers would come. And if I forget what the half-life was, but it was measured in, in a small number of months, they would leave because they wouldn't.

Having a buyers. And at one point, Jeff, we wanted to do a project where we would basically buy one of everything on the planet to list in the catalog. And everybody in the company pretty much hated it, including me. And we were talking about this chicken and egg problem. And he said, well, the answer is.

Back to my pet project in effect. And, uh, and, uh, I was like, I got annoyed because I said, look, why do you want to compete with marketplace? We need to achieve this via marketplace. And he said, I'm actually trying to help marketplace. And it was, uh, it was a simple but brilliant insight into the chicken and egg problem is that it's really hard to get people, to have faith and conviction, but it's easy to, if you have faith and conviction to put your resources and your energy behind it.

And so early on in the conversation, You started saying, going back to this pet project of his, that everybody pretty much didn't like including myself. And I just said like, step back, explain why you're pitching this. Why are we having this conversation? And he said, because you have this chicken and egg problem.

And if you just bring in sellers, you know, whatever category and they're not buyers, they'll go away. If you bring in buyers, they can't find it. We failed the convenience part and they go away. And so he brought up, I recall it was a niche. It's just an amazing conversation. So we can crack the chicken and egg problem.

By stocking stuff from all the categories that we're going to recruit sellers for. I think you said you talked about fishing rods and horseback riding saddles and said, you know, if somebody is a custom fly rod manufacturer, they try to sell on Amazon today. There's no buyers, they're going to get frustrated.

So if we can develop an inventory of fishing rod, so people want to buy fishing rods, come, they'll be here. And if they see a great custom fly rod, maybe they'll. By that. And now our sellers have a marketplace. And that really, I think, you know, it took a long time before, and then there was the tech side and, and going through a unified detail page downstream after a few years.

But that was a really important realization that we had to use the things we could control to crack that chicken and egg problem.

Dave Schappell: [00:45:29] When you step back and squint and get away from the details about auction Zetia, like what broad lessons do you think future entrepreneurs can learn from the big Amazon retail to marketplace transition?

Because it was a big, big, scary bet, you know, at a time when we were not financially secure, You know, so again, stepping back from all the details, like, what do you think the sort of lesson is here for future entrepreneurs?

Joel Spiegel: [00:45:55] You know, it's easy to have conviction because you want to believe and people drive themselves off cliffs all the time because of that, when you figure out something matters, it's an imperative.

You have to have conviction and you have to make it happen and you have to find a way to get the resources to make it happen. And that's not always easy. I think, you know, being adequately capitalized, if you're going to talk to an entrepreneurs under undercapitalization is like a death knell because you can't go out and have repeat failures.

And we tried to fail smart, but whether it was on building distribution centers, you know, it was warehouses and distribution centers that are known as food fulfillment centers. We quite enough capital. We could move fast and learn. And, and same thing here, even though we went through a bumpy time in terms of, you know, that 2000 one.com bus thing, and that made life hard.

We had capitalized ourselves very well, and that gave us, it gave us some navigating space and then. Again, just, you have to listen to the universe, right? We didn't stick with auctions as they were. We didn't stick with Z shops. We acknowledged internally where we were getting it right and wrong. You know, Jeff engaged and other senior folks engaged in really important conversations about what are you guys getting?

Right? What are you getting wrong and why? And again, his thinking about inventory and. Using our resources to create a seller pool. You know, you just have to think of these as multi-dimensional problems. I don't think there's an easy, simple nut to the handout.

Dave Schappell: [00:47:22] I guess I'll end with, uh, who should I interview next or who are some people that you think have interesting stories to tell?

I know you've shared some before, but anybody as you're thinking about this comes to mind as having made a gigantic impact and their stories should be heard.

Joel Spiegel: [00:47:35] Well, let's see. Gosh, I mean, we've talked about, you know, you've got Coleen Biram January Frankie slate. Wendy will. I think JJ, absolutely. You know.

Dave Schappell: [00:47:45] What was J J's biggest? Everybody has their claims to fame. What, what did she work on early on?

Joel Spiegel: [00:47:50] So JJ letter, our initial, uh, uh, efforts with respect to recommendations. So her team included, you know, Greg willing dinner. We ended up with Eric Benson on that team. You know, she was also just really helped. Uh, with sort of what I would call engineering, social cohesion.

You know, we had a number of people who were very good at that. So she was very good at pulling people together to work on the right things at the right time, which mattered. So, yeah, she was great. She, you know, and again, the work we did on recommendations, there were no good. Templates. There were no touchstones, no examples to follow.

And so she pulled a lot of that work together.

Dave Schappell: [00:48:30] Official intelligence. Wasn't the hot term at the time. It was, uh, you know, I look forward to talking to Dwayne and Ruben about the, you know, early Bottega boxes and.

Joel Spiegel: [00:48:38] Oh my God, that was, and again, that was part of flexibility. Dwayne just resolved a bunch of scheduling issues with Jeff. The next morning, Dwayne and Rubin showed up and said, oh, we have an idea. We'd like to blow all of our schedules up. So. And we did, right. They made the case. I took the case to Jeff and there we were, but yeah, compared to machine learning today, this is also so much of, this is very, very primitive, but again, it was, you know, it's a step at a time.

These were the original building blocks for doing this kind of work. Uh, the other thing about JJ is like, was with a lot of the other folks we had, she was a Jack of all trades, right. She knew Unix system administration. When we realized we needed seven by 24 coverage on a bunch of things, she camped in the office for a long time and worked on to like do double duty, doing systems work and software engineering work and management work, et cetera.

So, yeah, I mean, there's just an astonishing set of people. And I just thought, I don't even know how we ended up with such an amazing group of people because that was. Really critical to surviving into, to making things work.

Dave Schappell: [00:49:42] Yeah, I agree. Final thing to put this into context for people marketplace. I was Googling earlier today. It's more than 50% of units sold. I don't know if dollars, it's hard to always compare some of these things, but more than 50% of units sold on Amazon, I think this was a few years ago, they passed the 50% threshold are marketplace driven, you know, so there. Basically third parties, probably a lot larger ones than the ones we started with working with in the early auctions days.

But you know, it includes small sellers cause I still sell things from time to time on the site. So it's a gigantic part of Amazon. If you haven't never noticed it before, go take a look at the pages you can list as a seller and maybe changes the way you think about the platform from Amazon as a pure place.

You buy stuff to a place where, you know, hundreds of thousands of people. Make their business selling on Amazon and eBay and other platforms on the web. So, Joel, thank you so much for being a guest on the podcast. I think we could probably do a few more hours on different topics. So I may reach out. I personally found it really interesting and I'm a positive other people will too.

And as usual, it's great to catch up. I've told Joel this directly. But Joel made a huge impact on my life by giving me way too much responsibility to either screw up or succeed with. And so, and he also invested in my company after leaving Amazon. So huge debt of thanks to you, Joel and Karen for the audience.

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That's it for today. And remember no sniveling.