

5 challenges awaiting Amazon's new CEO

February 4 2021, by Joseph Pisani and Anne D'innocenzio



In this April 9, 2020, file photo, employees observe social distancing due to coronavirus, at the entrance of Amazon, in Douai, northern France. Amazon announced Tuesday, Feb. 2, 2021, that Jeff Bezos would step down as CEO later in the year, leaving a role he's had since founding the company nearly 30 years ago. (AP Photo/Michel Spingler, File)

In 1995, few could imagine that the modest online bookstore built by

Jeff Bezos would turn into a \$1.7 trillion behemoth that sells everything from diapers to sofas, produces movies, owns a grocery chain and provides cloud computing services to businesses all over the globe.

Amazon has become all of that and more, and now it will be up to [Andy Jassy to lead the company forward](#) as CEO.

On Tuesday, Amazon announced that Bezos would step aside this summer and [assume the role of executive chairman](#) so he can focus on new products and early initiatives being developed at Amazon.

Although Bezos is expected to still play a big role at the company, it is Jassy who will inherit the many challenges born from Amazon's meteoric rise. Here are some of them:

GROWING SCRUTINY

Regulators around the world are examining Amazon's [business practices](#), specifically the way it looks at information from businesses that sell goods on its site and uses it to create its own Amazon-branded products. Bezos said at a hearing before Congress last summer that even though Amazon had a policy preventing employees from accessing seller data, he couldn't guarantee that the policy wasn't being violated.

Tech giants for decades have enjoyed light-touch regulation and star status in Washington, but calls for greater scrutiny have been growing. The U.S. government has already slapped two Big Tech companies—Google and Facebook—with antitrust lawsuits.

Amazon has been subject to federal and state antitrust investigations. That's in addition to European Union regulators filing antitrust charges in November, accusing Amazon of using its access to data from third-party sellers to gain an unfair advantage over them.

A report by the House Judiciary Committee in October called for a possible breakup of Amazon and others, making it harder for them to acquire other businesses and imposing new rules to safeguard competition.

WORKER UNREST

The pandemic has exposed how Amazon treats its workers who pack and ship boxes inside vast warehouses. Many have protested a lack of masks and protective equipment while others say the company isn't forthcoming about how many people are getting sick.

Amazon has made changes since it started getting complaints, but its labor issues go well beyond the pandemic.

At a warehouse in Alabama, workers are set to start voting this month if they want to join a union. It's a threat to a company that has been successful at thwarting so far. For its part, Amazon says it pays its workers at least \$15, more than twice the minimum wage.

But regulators are watching. On Tuesday, the same day Bezos said he would step down, the U.S. Federal Trade Commission ordered Amazon to pay nearly \$62 million for taking tips that were supposed to go to its delivery drivers.

More scrutiny is likely now that Amazon is the second-largest private employer, coming just behind Walmart. Last year alone, Amazon hired 500,000 people, bringing its total workforce to nearly 1.3 million.

GROWING THE CLOUD

Amazon is known as a place to buy books or toothpaste. But it's the behind-the-scenes Amazon Web Services business that's making the

most money for the company.

AWS is still the No. 1 provider of cloud computing services, but faces growing competition, especially from Microsoft, which has aggressively sought to sell big contracts to businesses and governments. Last year, Amazon lost a multi-billion dollar contract with the U.S. government to Microsoft. Amazon is fighting that decision in court.

The promotion of Jassy, 53, who hails from AWS, may be an indication of where Amazon sees its future growth. Last year, about 60% of Amazon's total profit came from AWS.

"Jeff Bezos picked the tech guy," said Sucharita Kodali, an e-commerce analyst at Forrester Research. "My hunch is that it was about the future of the company being tech."

Kodali believes the company's biggest growth will come from AWS, since Amazon likely won't be able to make any big retail acquisitions because of regulatory scrutiny. She thinks Amazon's opportunities in cloud computing are limitless and imagines projects like developing facial recognition for government agencies.

Mark Cohen, director of retail studies at Columbia University's Graduate School of Business, believes that both retail and cloud service are both "enormously important" for Amazon, but he believes there's more opportunity for cloud services. Cohen imagines Amazon as the "pervasive government provider" on a national, state and local level.

RETAIL THREAT

Amazon has a lot of room to grow in e-commerce, but it's facing increasing threats from big retailers like Walmart, which are using their own stores as shipping hubs.

Before the pandemic, Walmart and Target had expanded curbside pickup for shoppers picking up online orders the same day. But with the pandemic, that's accelerating.

Best Buy said late last year it was reducing the amount of floor space set aside for traditional shopping in some of its stores and devoting more to in-store pickup and to support deliveries of online orders. Walmart plans to build warehouses at its stores where self-driving robots will fetch groceries and have them ready for shoppers to pick up in an hour or less. Target has been automating its backrooms to ship online orders as well as fulfill curbside pickup.

But Amazon's lead is unsurmountable—it accounted for about 40% of online purchases in the U.S. last year, with Walmart at a distant second place at 5.8%, eBay at 4.9% and Apple at 3%, according to research firm eMarketer. Nonetheless, analysts say that big box retailers are weaponizing their stores and putting profit pressure on Amazon and forcing them to add even more distribution hubs to compete.

"There is a lot of opportunity for Amazon, but the brick and mortar guys have demonstrated their stores are big time assets," said Charlie O'Shea, a retail analyst at Moody's.

A LOOMING BEZOS

Another challenge for the new CEO is Bezos himself.

Amazon has made it clear that he won't be going far. Bezos is still the company's biggest shareholder, giving him much power over the company he founded in 1995. And Bezos said he'll focus on [new products](#) and initiatives from his perch as executive chair.

Tensions can arise when a CEO moves to the board and still has a hand

in the business, said Jason Schloetzer, a business professor at Georgetown University's McDonough School of Business. The new CEO may want to end some of Bezos' initiatives that Bezos doesn't agree with. Or other executives may keep reporting to Bezos, leaving Jassy out of the loop.

For it to work, Schloetzer said Amazon has to structure the roles so they don't step on each others toes.

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