

# Amazon CEO touts AI in annual shareholder letter

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In his annual letter to shareholders, Amazon CEO Andy Jassy went back to 2003.

Quoting from a "Vision document" that year for Amazon Web Services—the company's cloud computing division—Jassy said Amazon has always been focused on designing and offering "primitives," or the building blocks that other innovators need to make the next great thing.

That philosophy is how Amazon built AWS, as well as how it sped up delivery for retail customers and how it decided to store and ship products for the third-party merchants that sell on Amazon's digital store, Jassy said. Other companies used those building blocks to launch their own services, Jassy continued, naming Airbnb, Dropbox, Instagram, Stripe, Netflix, Hulu and even the CIA.

"Building in primitives meaningfully expands your degrees of freedom," Jassy wrote to shareholders. "You've got options. You're only constrained by the primitives you've built and your imagination."

Now, Amazon is channeling that same philosophy toward the same buzzy topic most [tech companies](#) are focused on today: generative artificial intelligence.

"Generative AI may be the largest technology transformation since the cloud (which itself, is still in the early stages), and perhaps since the Internet," Jassy wrote.

In his letter, Jassy reiterated Amazon's three-layer approach to AI: The bottom layer is for developers and companies who want to build foundational models from the start. The middle layer is for customers who want to build on top of and customize an existing foundational model. And, the top layer is for those who want to create a generative AI application, using those building blocks.

"There has never been a time in Amazon's history where we've felt there is so much opportunity to make our customers' lives better and easier,"

Jassy said. "We're incredibly excited about what's possible, focused on inventing the future, and look forward to working together to make it so."

Amazon's approach to AI has made some investors optimistic about its financial outlook for the start of the year. In an estimate released before Amazon's shareholder letter, analysts from TD Cowen said they expect Amazon's revenue for the first quarter this year will be up nearly 13% year over year, due in large part to accelerating revenue from AWS.

Last year, Amazon exceeded analyst expectations— and its own estimates—for its full-year and fourth-quarter earnings. AWS sales increased 13% to \$24.2 billion in the last quarter of 2023, signaling that customers had shifted away from cost optimization and were eager to pursue projects that may have been on hold, Chief Financial Officer Brian Olsavsky told investors in February.

But in April, Amazon laid off several hundred AWS employees after identifying "a few targeted areas of the organization we need to streamline," a spokesperson told The Seattle Times. Earlier this month, Amazon also scaled back one of its signature technologies— its cashierless checkout system "Just Walk Out" that uses cameras, sensors and AI to track what items shoppers pick up.

On April 11, Amazon [announced](#) Andrew Ng had joined its board of directors. Ng is an adjunct professor at Stanford University and co-founder of online course provider Coursera, and he has been involved in several AI ventures. He is managing general partner of AI Fund, a venture firm for entrepreneurs building AI companies, and founder of ed tech company DeepLearning.AI and computer vision software company Landing AI.

In his letter, Jassy highlighted several parts of Amazon's multipronged

business, from [health care](#) to drone delivery, but pointed to two areas of growth where he was most excited: Prime Video and Project Kuiper. Amazon's broadband satellite initiative, Kuiper, launched two prototype satellites in October and is on track to launch its first production satellites this year, Jassy wrote.

Amazon has "increasing conviction" Prime Video will be profitable, Jassy said, pointing to new content and the addition of advertising announced last year.

He also hinted more changes could be coming to Amazon's vast warehouse network. Already, Amazon has shifted to a regionalized network that aims to store products closer to the customers who buy them and announced plans to double the number of facilities that are capable of same-day delivery.

"We've challenged every closely held belief in our fulfillment network, and re-evaluated every part of it," Jassy wrote, adding that Amazon found "several areas" where it thinks it can lower costs and move even faster.

"Our inbound fulfillment architecture and resulting inventory placement are areas of focus in 2024," Jassy continued. "And we have optimism there's more upside for us."

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