

Amazon isn't done with cost-cutting

Article

The strategy: Amazon CEO Andy Jassy outlined opportunities ahead for Amazon to further streamline its fulfillment operations, boost retail media revenues, and establish its [Amazon Web Services cloud infrastructure](#) as a critical component of the generative AI (genAI) boom, in his letter to shareholders.

At the same time, nearly 18 months after **Amazon** cut about 10,000 jobs as the first high-profile piece of a broad-based cost-cutting initiative, the retail giant continues to focus squarely on its bottom line.

- “We will work hard to spend wisely and maintain our lean culture,” he wrote. “We understand the importance of continually reinforcing a cost-conscious culture.”
- Since Jassy took the helm from former CEO **Jeff Bezos**, he has shifted Amazon from a company with an upstart “Day One” culture—that makes splashy bets on cutting-edge initiatives such as [Just Walk Out technology](#) and delivery drones—to one more comfortable seeking easy wins.
- For example, its pivot from a national fulfillment network to a [regionalization model](#) sped up delivery times and cut costs. It similarly grabbed low-hanging fruit—or advertising dollars—by [launching ads on Prime Video](#).

Amazon’s retail formula: The success of Amazon’s retail business stems from its “relentless focus on selection, price, and convenience,” Jassy wrote.

- The company continues to expand its selection by bringing brands such as **Coach**, **Victoria’s Secret**, and **Pit Viper** onto its platform.
- It has emphasized deals in its promotions for its expanding array of tentpole sales events such as Prime Day and [Big Spring Sale](#).
- It continues to look for opportunities to decrease delivery times, because faster delivery times increase order frequency.
- The company’s regionalization efforts decreased the distance items travel, which lowered its costs. In the US in 2023, Amazon reduced its cost to serve by more than 45 cents per unit compared with 2022.
- Jassy sees opportunities to find more efficiencies to further speed up delivery times and use its massive, rapidly evolving fulfillment network to unlock a lucrative revenue stream via its [Amazon Shipping ground shipping service](#).

The advertising model: Jassy highlighted the “strong progress” of Amazon’s advertising business, which increased revenues 24% year over year in 2023 thanks in large part to sponsored ads.

- There’s plenty of runway ahead thanks to Amazon’s introduction of ads on **Prime Video** shows and movies.
- It also began offering advertisers Sponsored TV, a self-service option that enables brands to create campaigns that can appear on over 30 streaming services, including **Amazon Freevee**

and Twitch.

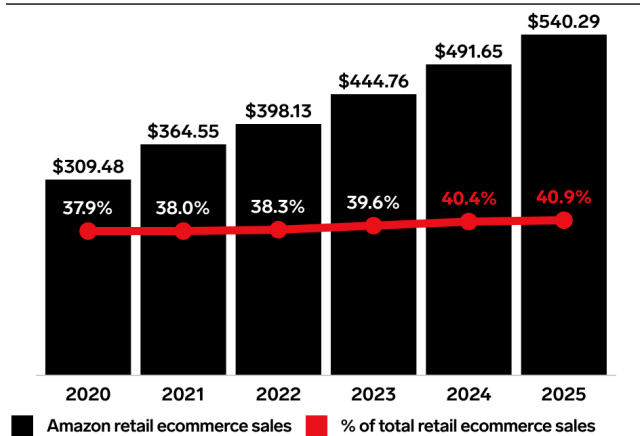
The big takeaway: By refocusing its business on its core strengths, Amazon is in a strong position to further its dominance of the ecommerce landscape.

- We expect **Amazon to account for more than 40% of total US ecommerce sales** for the first time.
- Perhaps even more remarkably, its ecommerce sales are growing faster than those of most major retailers.
- It has plenty of opportunities to bolster its advertising and AWS businesses ahead.

Go further: Read our **US Amazon Ecommerce Forecast 2024** report for a deeper look at its retail business.

Amazon Will Surpass 40% of US Ecommerce Sales in 2024

billions in US Amazon retail ecommerce sales and % of total retail ecommerce sales, 2020-2025



Note: represents the gross value of products or services sold on amazon.com (browser or app), regardless of the method of payment or fulfillment; excludes travel and event tickets, Amazon Web Services (AWS) sales, advertising services, and credit card agreements; includes direct and marketplace sales; excludes Amazon Business sales
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