

Washington DC
April 30, 2018

Synthesis

The Amazon Effect

EgonZehnder

On April 30, 2018, Egon Zehnder hosted an intimate roundtable discussion on the impact of Amazon's second headquarters, with a focus on the DC, Maryland, and Virginia region (DMV). The event brought together fourteen regional business leaders and several members of Egon Zehnder's digital practice for a thought-provoking discussion on the potential opportunities and threats Amazon HQ2 presents to the region.

Key Perspectives and Takeaways

The gravitational pull of Amazon's culture Key Perspective

Amazon is able to attract talent due to their hyper-growth and innovative businesses, however, retaining talent has proven more challenging given its fast-charging, frugal, and aggressive culture.

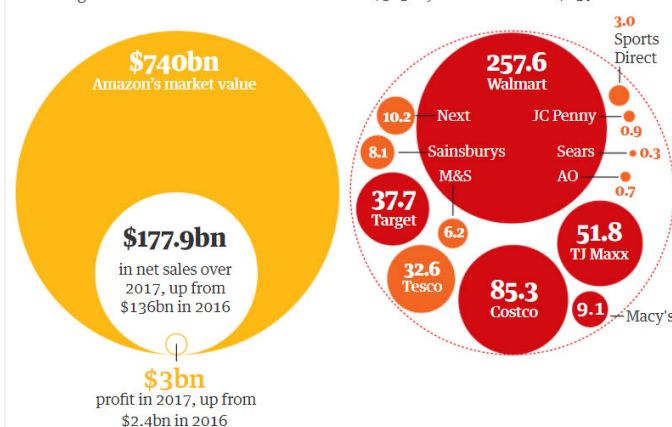
Key Takeaways

- Amazon's entry into the market presents both a formidable competitive threat and a sizeable opportunity.
- There are several aspects of their culture and business model that make Amazon a force to be reckoned with:
 - Cult-like Leadership Principles and compressed business titles
 - Stock compensation structure that is back loaded to ensure employee retention
 - Diversified model with a variety of businesses that are aggressively outperforming and outgrowing their competitors across industries
- At the same time, it's challenging for Amazon to retain talent and there is a sense that there's a revolving door at the company.

Amazon is now the fourth most valuable company in the world, valued at more than \$700bn

Amazon is bigger than the 13 global retailers shown right combined

Despite their combined total market value of \$503bn, Amazon is worth \$237bn more



Note: Value of UK companies has been converted to dollars for visual comparison of size.
Market cap data as of 3pm, 24 April 2018

<https://www.theguardian.com/technology/ng-interactive/2018/apr/24/bezoss-empire-how-amazon-became-the-worlds-biggest-retailer>

The Potential to Transform the DMV from a Political to Tech Hub

Key Perspective

- If Amazon's headquarters were to be located in the region, the DMV has the potential to further solidify its status as a tech hub. There would be broad scale winners and losers in the local employment market should this happen.

Key Takeaway

- Similar to how Amazon and Microsoft impacted Seattle, the DMV could quickly evolve into a region that draws start-ups, tech companies, and other innovators and investors looking to capitalize on the anticipated growth.
- Amazon's HQ2 could cause severe "brain drain" in the region, attracting local tech talent and underutilized, highly-trained, government talent in particular.

DMV business leaders are thinking about how they can compete with Amazon

Key Perspective

- Preparing for Amazon's arrival in the DMV appears to be an open-ended question that presents a lot of challenges

Key Takeaway

- Business leaders should be proactive and creative when thinking about retaining their talent, competing with Amazon's diversified set of industries and products, and imagining new ways to work alongside Amazon.

San Francisco Office Host



Lindsay Trout
Consultant
Egon Zehnder

Washington DC Office Hosts



Kim Henderson
Consultant
Egon Zehnder



William Houston
Consultant
Egon Zehnder



Olli Laurén
Consultant
Egon Zehnder



Zuhairah Scott Washington
Consultant
Egon Zehnder