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## Amazon.com, Inc. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you. (Operator instructions) Our first question this afternoon will come from Scott Devitt with Stifel Nicolaus.

#### Scott Devitt – Stifel Nicolaus

Hi, thanks and congratulations on the continued success. I have two questions if I could. They are a little bit longer term in nature. First, I was wondering if you could just comment on the early progress of your large company focus, cloud computing initiative that you recently launched with Gemini and whether you think that you would pursue further initiatives or partnerships in that area to target enterprise level customers. And then secondly, on Amazon Video, which is now being distributed through several partners to get it towards the TV and it's now a pay-per-view service, could you just comment on what your long-term ambitions are in terms of a business model potentially shifting from pay-per-view toward a subscription model as more digital content is available? Thanks.

#### Jeff Bezos

I'll answer those. As far as – on the first question, we think there is a very significant and meaningful opportunity over time for enterprise level customers with our web services business. This is the Elastic Compute Cloud and the Simple Storage Service are already being used by a number of enterprise level customers, and we expect that trend to continue. On the business models for video, did you say we have a pay-per-view model now? I just wouldn't want to speculate too much on what we might do in the future.

#### Scott Devitt – Stifel Nicolaus

Thank you.

#### Operator

Our next question comes from Mark Mahaney with Citi. Your line is open.

#### Mark Mahaney – Citi

Great. Thanks. Jeff, just on the Kindle, I know you're not disclosing a lot on it, but any major surprises from your perspective, maybe in terms of overall usage, any cannibalization, or do you just sense that overall it just materially increase the overall book purchases of customers? And then, Tom, really quickly, did you see material signs of discounting in the quarter? I assume you did. And just thoughts

on if your strategy for dealing with significant discounting in the marketplace was different this year than in prior years, given the large third party base you have now. Thank you.

**Jeff Bezos**

With Kindle sales, we see that when people buy a Kindle, they actually continue to buy the same number of physical books going forward as they did before they owned a Kindle. And then incrementally, they buy about 1.6 to 1.7 electronic books, Kindle books, for every physical book that they buy. So, so far what we're seeing is very strong incremental book unit sales, which of course we're very pleased to see. The biggest surprises so far for Kindle have just been the unusually strong demand that we saw in the fourth quarter. We had anticipated strong demand, and what we saw was stronger than that. So we are extremely grateful for that, and we will keep marching forward here.

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