



AMAZON BUSINESS IS COMING FOR YOUR CUSTOMERS

How equipment manufacturers and
aftermarket parts suppliers can
prevent commoditization and
compete online profitably

TABLE OF CONTENTS

1. Introduction
2. About The Author
3. 1994: The Genesis of Ecommerce
4. The Amazon Web Services (AWS)
Juggernaut
5. Voice-Activated Artificial Intelligence: Alexa's
New Frontier
6. Amazon in 2020: We Cannot See the Forest
for the Trees
7. Amazon's Ecommerce Monopoly
8. AmazonCommercial: The First Amazon
Business Brand of Many
9. A Case Study: Grainger vs. Amazon
Business
10. Amazon Business to the Construction
Equipment Industry: Here We Come
11. A Better Way: Amazon Business vs. The
Equipment Industry
12. Headwinds to this Future: Old Rivalries Die
Hard
13. Pandemic Pandemonium: The Brave New
Online World
14. Take Action: There's No Time Like the
Present
15. Call to Action

INTRODUCTION

Dear Equipment Manufacturers, Aftermarket Parts Suppliers, Dealers, and Equipment Rental Companies:

Amazon Business is here to take your customers ... and they're not playing by your rules.

The world of ecommerce, Amazon, Google, and retail have seemed distant and “next year’s” initiative — until 2020 hit. This year we have seen the vertical rocket of tech companies’ share value, with Amazon as one the biggest winners with a \$1.72 **trillion** market cap.

Because Amazon offers the benefit of short-term ease of selling on their platform, it is easy to forget the predatory nature of their model. Basically, sellers give Amazon their customer data so Amazon can decide if they want to compete with them or not.

This ebook will help you:

- Understand Amazon’s mentality, prowess, and scale
- Visualize how Amazon uses your sales data against you
- Realize how Amazon Business will fundamentally change our industry
- Identify how we can band together as an industry to create a more compelling experience for customers

Why does this matter? Read on to better understand how Amazon Business will disrupt our industry ... and what we can do now to continue to thrive.

Luke Powers

ABOUT THE AUTHOR



While working for my family business, USM ReRents, it struck me that 80% of the construction industry is made up of independently owned operations, and no centralized platform existed to shine a light on all of these great businesses and their products.

That meant that thousands of companies' inventory remained offline and undiscovered.

Listing sites, brokers, and tech giants like eBay and Amazon weren't cutting it.

So in June 2018, I set out with my co-founder, Ben Preston, to build a better way: a modern ecommerce experience designed for the equipment industry.

Our mission is to build a marketplace that works for you. We would love your help to make that happen.

You can reach me directly at luke@gearflow.com.

Luke Powers

Founder, CEO

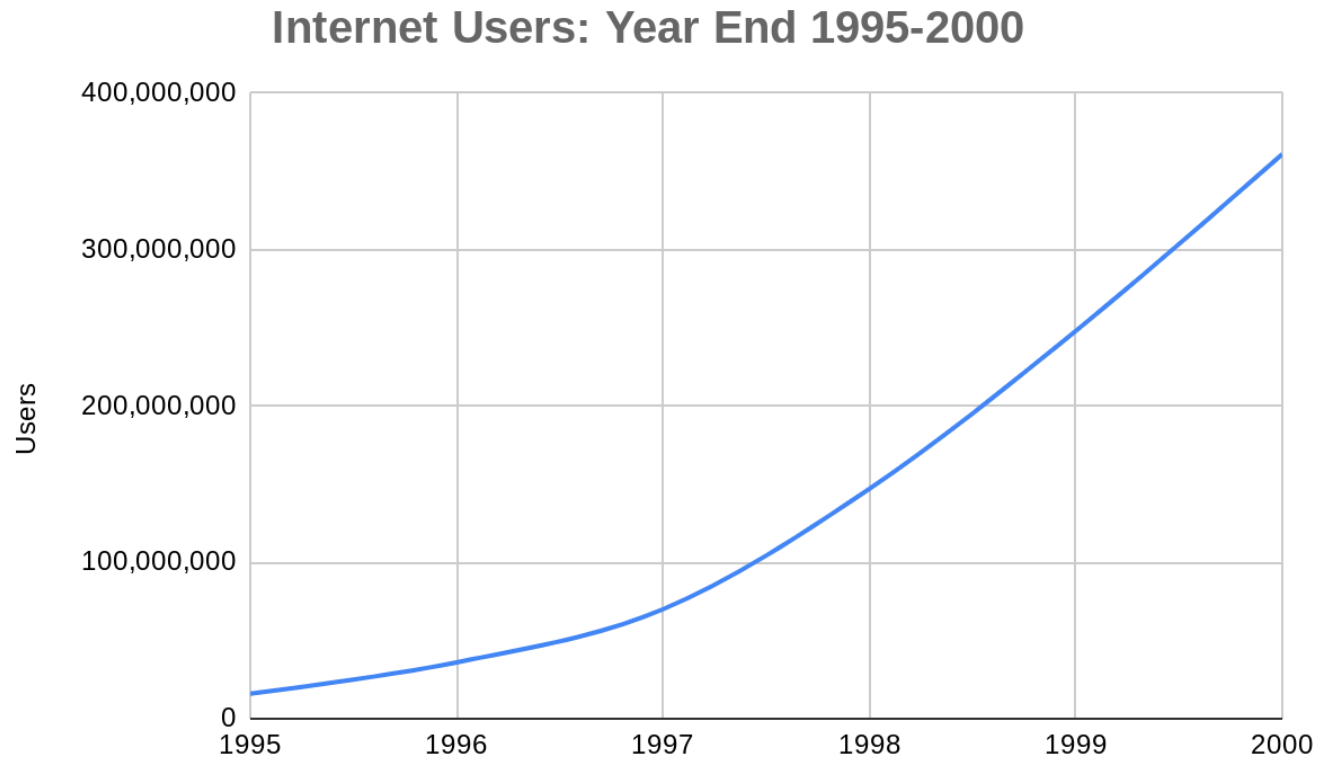


Your margin is my opportunity.

Jeff Bezos

CHAPTER 1

1994: THE GENESIS OF ECOMMERCE



Source: InternetWorldStats

1994: The Genesis of Ecommerce

Jeff Bezos embarked on a cross-country road trip from his previous town of employment, New York City, to found Amazon.com in Seattle. Bezos later said he chose Seattle for the concentration of publishers near the city and the engineering talent base of Microsoft.

The internet was growing rapidly and Bezos thought the best entry point to pioneer online commerce was book sales. He noticed that books were among the top of mail-in-catalog sales and reasoned that the internet was a much more efficient way to order.

Amazon launched with over a million book titles — far more than any retail store, including Borders or Barnes & Noble, could stock. Even though the original site was clunky, it gave book enthusiasts far more selection and ease of use than catalogs, book stores, or libraries ever could.



Credit to qz.com

Media attention around Amazon.com in the early years of the company's growth focused on the total addressable market of book sales online and Amazon's mounting losses.

The Wall Street Journal even published an infamous article titled "Amazon.bomb" in May 1999 that predicted the imminent demise of the company given competition from book retailers and 1998's total loss of \$125M on \$610M revenues.

These losses, as we now understand with hindsight, were the wise investments in distribution centers and massive infrastructure to enable Amazon to become the world's general store. Bezos was not interested in competing 1-on-1 with book retailers, he was looking past them towards a future of dominating online commerce.

However, the world did not see it that way. Traditional bookstores Borders and Barnes & Noble were locked in competition for the best real estate for their stores, the best authors to launch their books, and hiring the best retail-operations talent.

Bezos, on the other hand, was interested in mega and efficient distribution centers outside urban areas and hiring the best software engineers possible. Every penny earned through Amazon's operations went back into these two areas of investment.

Ever since Amazon's inception, Bezos has consistently plowed income back into the business to continue aggressive expansion and keep taxes low.

As of this writing, Amazon now has over 175 fulfillment centers worldwide with over 150 million square feet. And according to Glassdoor, Amazon employs over 81,000 software engineers with an average compensation of \$136K.

At Amazon's IPO in 1997, Wall Street wanted Amazon to focus on short-term profits so they could evaluate the company against traditional retail businesses. Bezos stood firm and never played by the same rules.



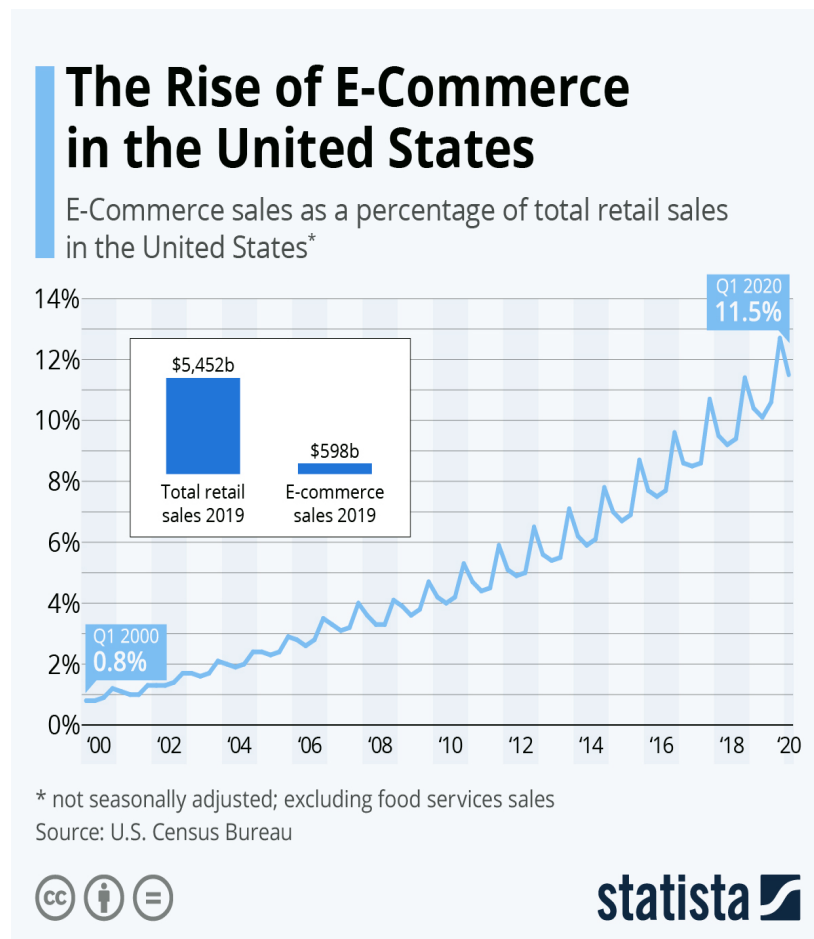
Source: [Statista](#)

In his famous 1997 original letter to investors, he stated:

“We believe that a fundamental measure of our success will be the shareholder value we create over the long term. This value will be a direct result of our ability to extend and solidify our current market leadership position. The stronger our market leadership, the more powerful our economic model ...”

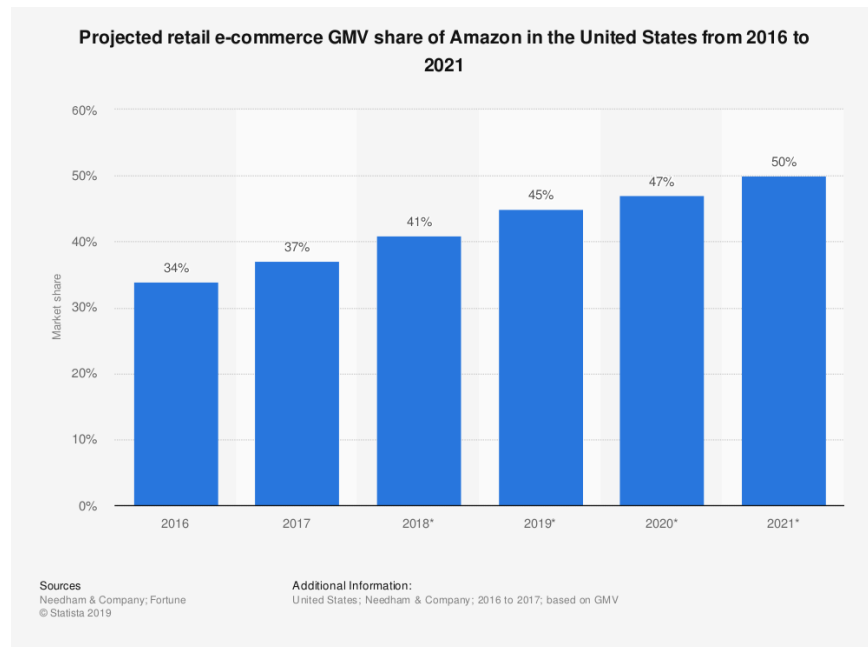
In 1997, Bezos had the foresight that his philosophy would pay massive dividends in the long run, given the annual compounding growth of ecommerce sales.

He could anticipate the changing habits of consumers and was dead set on Amazon being in the best position to become the winner-take-all ecommerce retailer:



Source: Statista

We can see the fruits of Bezos' vision in Amazon's share of U.S. actual and projected ecommerce sales from 2016-2021:



Source: [Statista](#)

MarketingCharts.com has Amazon at a conservative 38.7% market share in 2020, but still over seven times that of Walmart, which is in a distant second place:



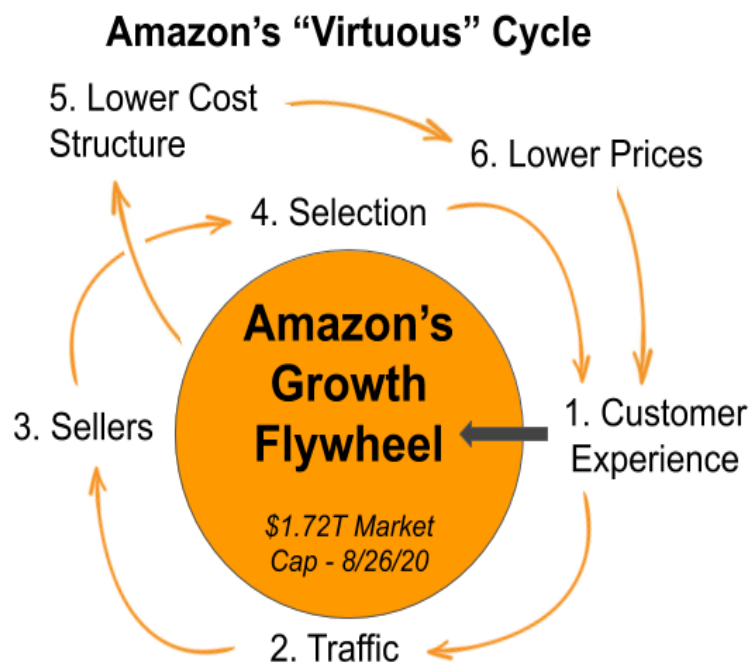
Source: [Marketing Charts](#)

While the worlds of booksellers, record stores, and shoe retailers were locked in fierce competition and quarterly profits, Amazon went about their business creating a future by their own rules. Does this sound familiar to today's construction equipment and parts industry?

In order to understand what rules Amazon plays by, let's dive into their famous "Virtuous Cycle" flywheel.

The (un)Virtuous Amazon Cycle for Sellers

According to Jeff Wilke, CEO of Worldwide Consumer at Amazon, Jeff Bezos drew the following sketch on a napkin about the self-reinforcing momentum of Amazon's business. He dubbed it the "Virtuous Cycle."



"As you inject energy into each of them, the flywheel spins faster and faster."

- Jeff Wilke, CEO Worldwide Consumer at Amazon

As made famous from this Amazon presentation now on YouTube:

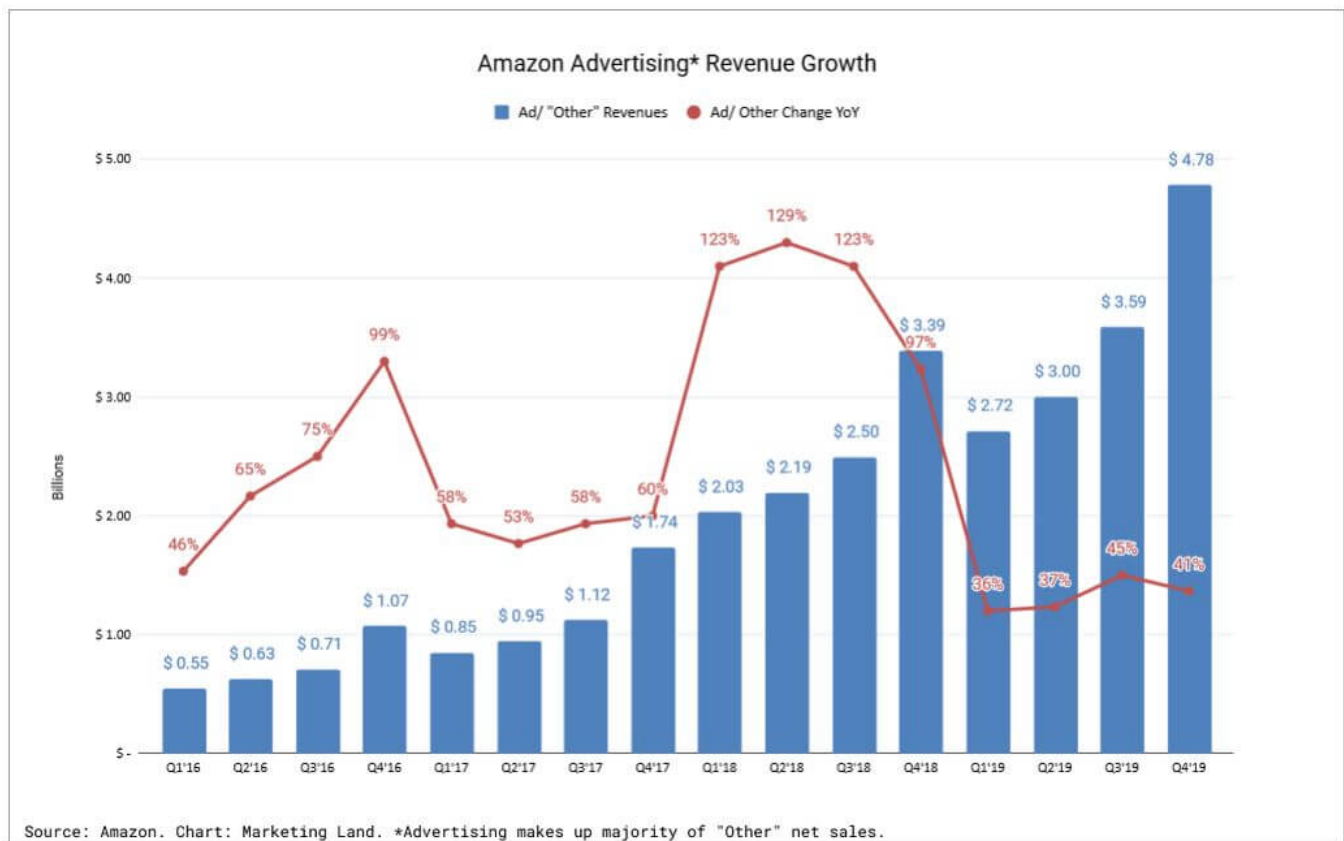


This flywheel will no doubt be studied in MBA classes for at least a generation. However, notice the word “virtuous” in Bezos’ title. According to the Merriam-Webster dictionary, “virtue” is defined as “a particular moral excellence” or “a commendable quality or trait.” As you can see, this cycle is self-reinforcing for Amazon — not their sellers. It is certainly a commendable monopolistic quality for Amazon, but not of a particular moral excellence.

As we know, Amazon’s huge bets in distribution centers and the best engineering talent have made them the de facto place to sell online. However, even though the platform is incredibly easy to use, have sellers considered the true long-term cost to their businesses?

In the short term, sellers are happy to be a part of Amazon’s “virtuous” cycle, because they believe it can only produce an upside for them. Amazon did the hard work of engineering a great platform and the cost of running mega and efficient distribution centers — what’s not to like?

In fact, they double down on selling on Amazon by purchasing Sponsored Products ads and sending their products to Amazon’s fulfillment centers for Prime shipping (both significantly increasing the cost of doing business on the platform). The Sponsored Products advertising revenue was nearly \$5B in Q4 2019:



Source: [Marketing Land](#)

As more and more sellers join and compete on the platform, Amazon gathers more and more data on their products.

This rich data set includes: impressions, clicks, search queries, Q&A, reviews, returns, and revenue trends.

MBAs working at Amazon then take this data and strategize on which product segments would be a good fit for Amazon to take advantage of.

As we know this is not the only rich set of data Amazon has at their disposal to determine which products to sell themselves. Amazon has grown from an ecommerce retailer into tablets (the Fire lineup), smart home devices (Alexa), cloud computing storage (AWS), music streaming (Amazon Music), video streaming (Amazon Video), photo storage (Amazon Photos), book streaming service (Audible), TV hosting (Firestick), and through other business units and acquisitions.

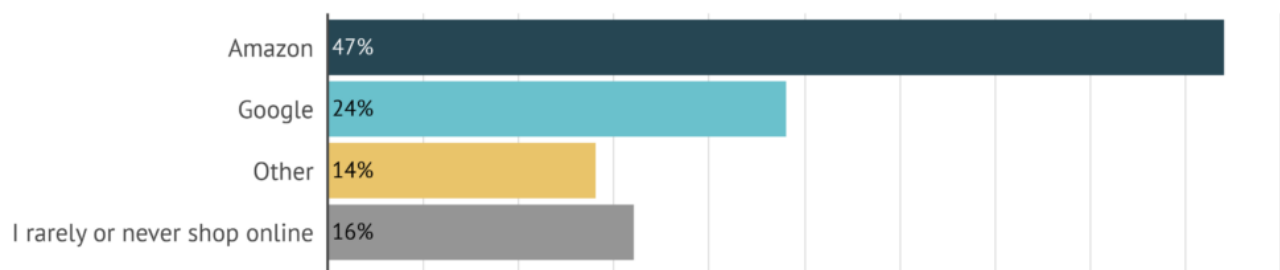
The multitude of these content and data engines is that Amazon products have become integral to our productivity and lifestyles. The aggregate effect gives the retailer tremendous power in manipulating whole industries.

Imagine for a moment if Google had its own ecommerce marketplace and fulfillment centers, and they sold similar products to yours.

Pretty intimidating isn't it? A Statista report found that Google accounted for 84% of all searches online in January 2020⁴. There's no way any company could compete with their search engine dominance. Just ask Microsoft's heavily-marketed Bing with only a 6.25% share ...

Now consider that Amazon has double the amount of users starting their product searches on their site instead of Google:

When shopping for a product online, where do you typically start?



2,223 responses, weighted by U.S. Census 13+
Survey Dates: May 14, 2020 - May 17, 2020
© CivicScience 2020



Source: [Civic Science](#)

There are likely a multitude of factors that have put Amazon so far in front of Google (and everyone else) with why consumers start their product searches there.

But the most dominant factor is Prime membership loyalty:

Do you have a Prime membership with your Amazon.com account? compared with *When shopping for a product online, where do you typically start?*



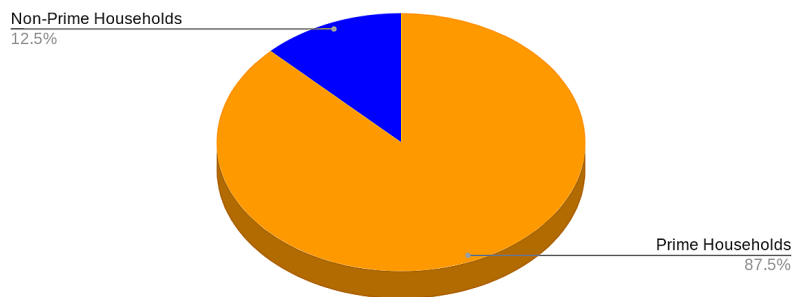
661 responses, weighted by U.S. Census 13+
Survey Dates: May 14, 2020 - May 20, 2020
© CivicScience 2020



Source: [Civic Science](#)

And how many Americans have a Prime membership today? A whopping 112 million, which represents 87.5% of all 128 million U.S. households.

128M Total US Households in 2020



In other words, roughly nine out of 10 U.S. households start their product searches on Amazon three out of four times.

That averages to roughly two-thirds of all product searches starting on Amazon every day.

So if Google is a far second to Amazon on product searches and the lines between offline and online sales are blurring, how can anyone else compete? It's time as an industry to band together to form a more compelling platform to contractors. More on that later.

CHAPTER 2

THE AMAZON WEB SERVICES (AWS) JUGGERNAUT

The Amazon Web Services (AWS) Juggernaut

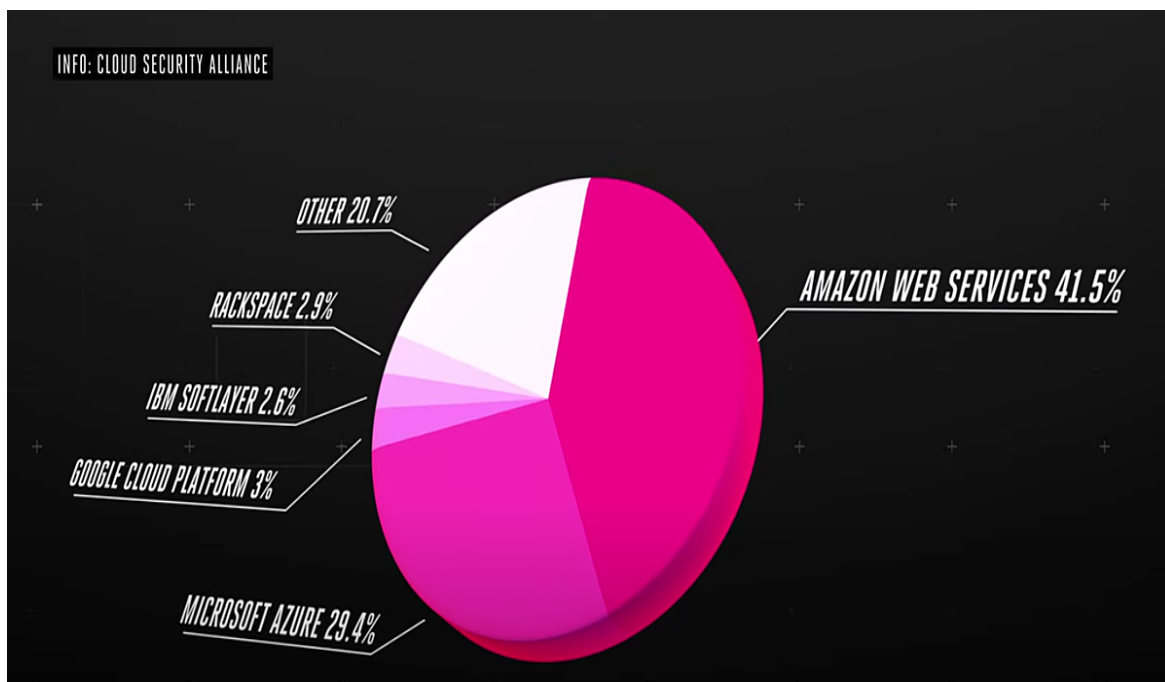
How does Amazon host all of this traffic and data streaming on their various business systems?

Their servers, in fact, are not a cost center but a profit center. Amazon Web Services was founded on January 1, 2002, as a pay-per-unit-of-storage cloud computing service.

This was a revolutionary idea for the internet. Instead of companies having to host their own servers to run their daily operations and website, they could now plug into Amazon's database network and only pay for what they use.

It's the same concept as the retail sales side: Amazon takes the huge investment and maintenance costs of mega servers, and companies get to use whatever fraction they need. Seems like a win-win.

Unfortunately, Google, Amazon, IBM, Oracle, and everyone else was caught flat-footed on this concept. According to Bezos, Amazon had a "seven-year head start" and now hosts roughly half the internet:



Source: Youtube Video

Remember from Bezos' "virtuous" cycle, all energy is ultimately meant to feed the No. 1 priority: Customer Experience.

The more benefits they add to the Prime membership through other business units only reinforces the ease of doing business with Amazon, and, in turn, their dominance over the markets.

All the energy of Amazon's 840,400 employees and all third-party sellers on the platform feeds this machine.

CHAPTER 3

VOICE-ACTIVATED
ARTIFICIAL
INTELLIGENCE: ALEXA'S
NEW FRONTIER

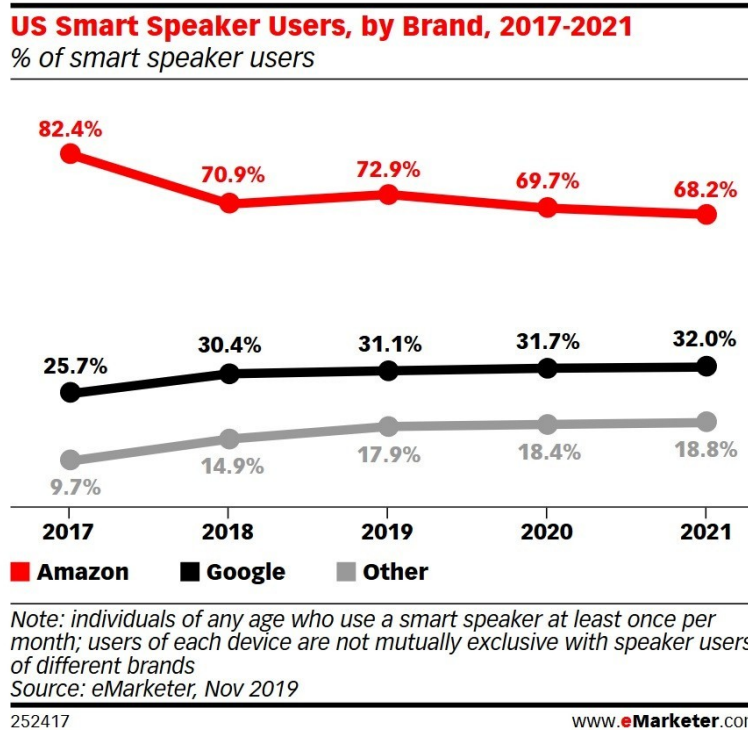
Voice-Activated Artificial Intelligence: Alexa's New Frontier

Google's distributed computer networks of the 1990s proved to be the far faster, more reliable engine for search queries than the database monoliths of AOL and Yahoo. Of course, this distributed model propelled Google to dominate global search.

For Microsoft, Apple, and Amazon, there's no catching up to Google when people are typing a question into the internet – there's a 90% chance it's on Google. But what if people decided to ask their questions instead of type?

This was science fiction until Amazon released the Amazon Echo in 2014 with their famous "Alexa" voice command. "Alexa" is the term that activates the artificial intelligence (AI) on-demand voice assistant in the Echo device.

Enabling you to ask about the weather, your favorite sports team, your commute, your emails, your texts, and over 100,000 other skills to date. Here's the rise of the Amazon Echo's U.S. market share:



As you can see, Amazon jumped out to an early, dominant lead over Google and Apple, making it very difficult to catch up. Especially with the heavily subsidized price points of \$30-150 of an Echo device. Why would Amazon heavily subsidize the cost of the device? For the same reason Google makes it free for us to search. It's the data that these search queries expose about our lifestyles and habits that is so valuable to these companies and their advertisers.

As with their other inventions, Amazon imagined a different future and built it. Instead of opening up our laptops and phones, it is much easier to just ask an AI device for help. Amazon did not play by Google's rules to beat them at their own game — many general questions and search queries are now spoken instead of typed.

All of these questions and “conversations” with Alexa have given Amazon a tremendous amount of information about us and our daily lives. The Echo devices placed throughout homes are constantly listening — they just are activated to respond on the command “Alexa.”

Whereas Google only knows what we type into the search bar, Amazon knows us intimately.

Recent reports show that 60 million, or 47%, of U.S. households own a smart device.² With Amazon's 68% market share, that's approximately 40.8 million or:

32% of U.S. households that own at least one Echo device.

The amount of information about us that Amazon dissects is truly unimaginable in any previous era. In the future, it's logical to assume we will likely be able to control all our devices with Alexa: starting our car, controlling our oven, or making our coffee.

CHAPTER 4

AMAZON IN 2020: WE
CANNOT SEE THE
FOREST FOR THE TREES

Amazon in 2020: We Cannot See the Forest for the Trees

Given Amazon's brute dominance over product searches, cloud computing, and AI devices, we need a reminder that:

Amazon has over 80 private-label brands, with over 10,000 products, competing with their marketplace sellers.

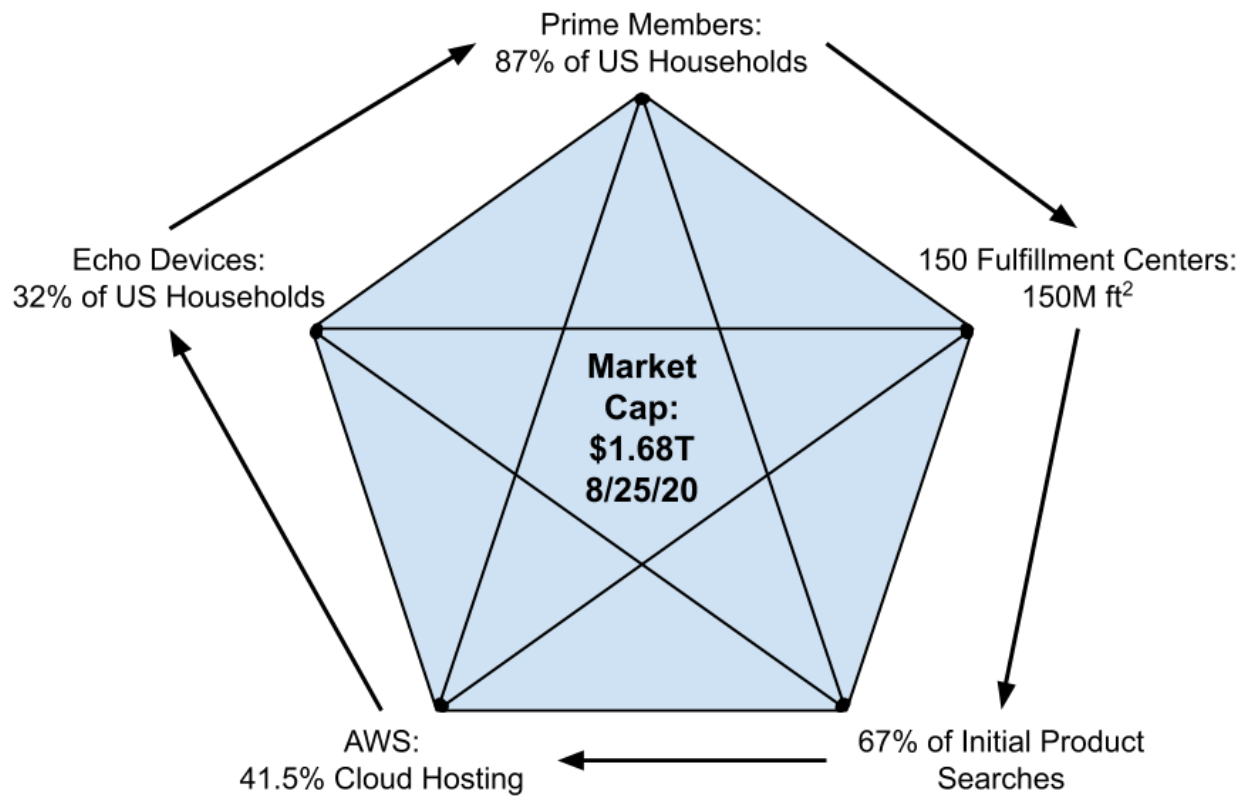
As a comparison to Amazon's current position, Walmart was under constant monopoly scrutiny in the '80s and '90s with their cut-throat prices and scale of their stores. However, customers still had to get in their cars and make the decision to drive to Walmart instead of the other local retailers.


Walmart did not (and still does not) have the ability to collect dinner-table conversations via an AI device of 32% of households, have two-thirds of product searches start in their stores, or host 41.5% of digital traffic. Amazon does.

Taking in the full breadth of Amazon's power is similar to standing at the base of the Willis Tower in downtown Chicago and slowly looking up all the way up to the top floor 1,451 feet in the air. It's breathtaking.

There are many articles written about a particular component of Amazon's company, but few that reflect how they all work together.

Let's pretend we can take a helicopter above all of Amazon's business units to see how the interconnectivity of their systems create a massive ecommerce monopoly. I have deemed this diagram, "An Aerial View of Amazon's eCommerce Dominance."





The long-term ability to raise price or exclude competitors ... A 'monopolist' is a firm with significant and durable market power.

The U.S. Federal Trade Commission

CHAPTER 5

AMAZON'S ECOMMERCE MONOPOLY

Amazon's Ecommerce Monopoly

Given the mind-blowing amount of data Amazon ingests from our behaviors, queries, purchases, and lifestyles, there is a contrarian version of their cycle.

Coming from the equipment rental industry, I see the world from a supplier's point of view. The writing on the wall is that Amazon's ecommerce presence has become a monopoly in all but formality.

Hence, I have deemed it the Amazon Seller's "Unvirtuous" Cycle.



As you can see from the self-serving cycle, Amazon clearly generates unmatched customer loyalty online when they convert one-time customers to Prime members.

Their other business units serve this purpose — keeping online shopping done on Amazon and collecting individual consumer tastes and interests.

Examples:

- [Amazon Music](#): \$9.99/month for non-Prime members and \$7.99/month with membership
- [Amazon Prime Video](#): \$8.99/month or included in Prime membership
- [Amazon Photos](#): Unlimited photo storage included for Prime members

These ancillary businesses have cemented Amazon as a lifestyle brand.

We now subconsciously expect Amazon to be looking out for our best interests in their never-ending quest to lower prices and add services into the Prime membership.

That trust has enabled Amazon to launch over 80 private-label brands that compete with the third party sellers on their platform. Of course, Amazon gives preferential placement of their own brands in product searches while they charge third parties for the same. There are now over 10,000 Amazon-branded products for sale on the [Amazon brands landing page](#).

CHAPTER 6

AMAZONCOMMERCIAL:
THE FIRST AMAZON
BUSINESS BRAND OF
MANY

AmazonCommercial: The First Amazon Business Brand of Many

In the beginning of 2019, Amazon quietly launched its first brand targeted at the B2B segment called [AmazonCommercial](#) with nine consumable product lines to start. As we know, nine out of every 10 households in America have a Prime membership.

In the B2B world of ecommerce, Amazon sees that they already have 90% of the market as current customers.

All they need to do is apply many of the same principles that make them dominant in retail to the B2B procurement process. Amazon sees no reason that we should not do all our purchasing through their platform. Whether at home, waiting in line, at work, on vacation, or anywhere.

When Amazon evaluates a market opportunity, they do not do so through the lens of the industry stakeholders. They work backwards from the end customer. They look past the incumbents' market strategy orthodoxy to see the procurement pain buyers are experiencing, then work to remove them at a furious pace.

As we've seen on the retail side, they love attacking legacy markets that change slowly with highly prudent management teams. Amazon sees this as a ripe opportunity to outpace and out-innovate the incumbents in the matter of a couple years.

Of course, Amazon also has the sales data from the incumbents to guide them to make the most-calculated entry points in capturing more market share through their private-label brands.

CHAPTER 7

A CASE STUDY:
GRAINGER VS. AMAZON
BUSINESS

A Case Study: Grainger vs. Amazon Business

W.W. Grainger is a titan of maintenance, repair, and operations (MRO) supplies to offices, warehouses, and distribution centers worldwide.

William W. Grainger founded the company in Chicago in 1927, and its IPO on the NYSE was in 1980. Over the life of the stock performance, investors have enjoyed an 80-times increase in the share value from the year 1980 to today.

However, if we look at the last five years, we see a more modest increase of 62%:

Market Summary > W W Grainger Inc

[+ Follow](#)

NYSE: GWW

353.95 USD **+2.05 (0.58%)** ↑

Aug 18, 1:01 PM EDT · Disclaimer



Source: Google Finance

The last five years is significant because it's when Amazon launched its Amazon Business platform to directly compete with Grainger and other MRO distributors. Amazon has its own [landing page](#) dedicated to MRO supplies. Of course, Amazon sells much more than this segment of products, but let's take a look at the 6.7-times share value increase over the last five years for Amazon as a comparison to Grainger.

Market Summary > Amazon.com, Inc.

NASDAQ: AMZN

+ Follow

3,303.74 USD **+121.33 (3.81%)** ↑

Aug 18, 1:08 PM EDT · Disclaimer

1 day

5 days

1 month

6 months

YTD

1 year

5 years

Max



Open	3,212.00	Div yield	-
High	3,303.85	Prev close	3,182.41
Low	3,205.82	52-wk high	3,344.29
Mkt cap	1.65T	52-wk low	1,626.03
P/E ratio	126.68		

Source: Google Finance

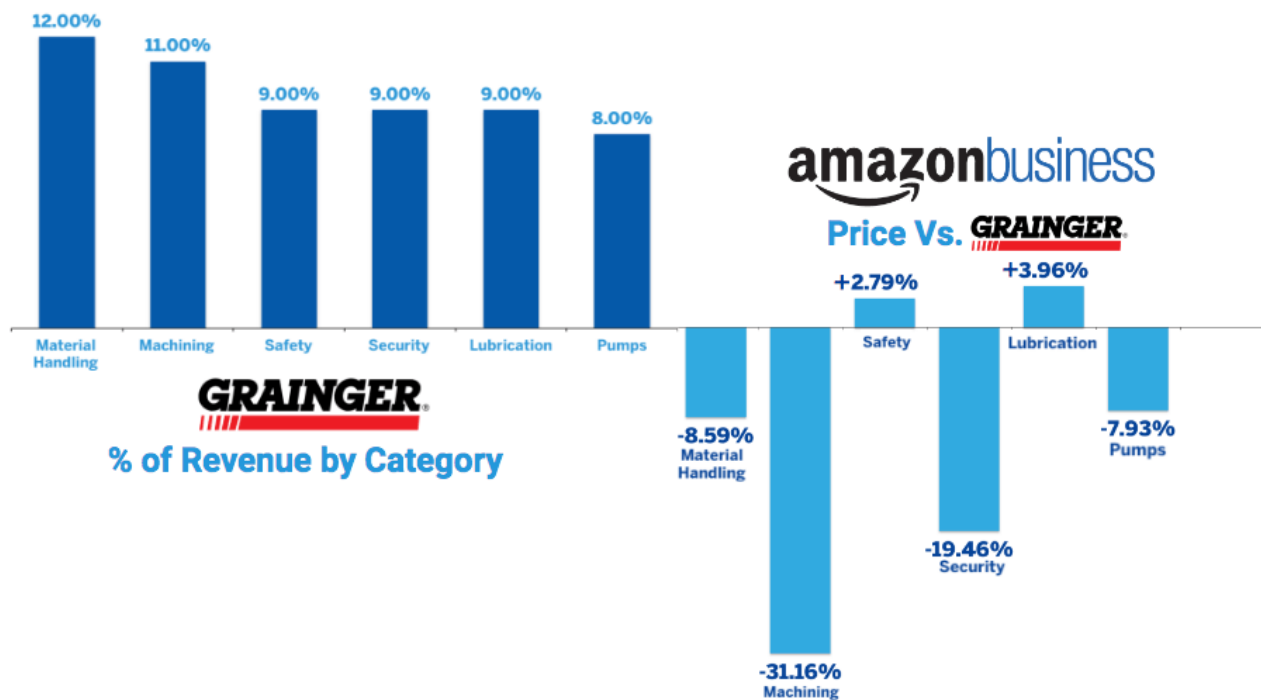
Seeing how Prime membership has driven 90% of households to check Amazon first 74% of the time, imagine if a business can find everything it needs on Amazon Business and has useful procurement tools for reporting purposes. Instead of the figure being 74% of product searches starting on Amazon for B2B, it will likely be 100% for Prime business members.

Amazon understands this is a massive opportunity, and one it is already executing on. According to Digital Commerce 360 in January 2020:

Amazon's B2B marketplace increased 2019's gross sales by 60% over 2018, tripling Amazon's overall growth rate of 20.5% for the same period, according to figures from RBC Capital Markets.

Let's see why B2B buyers are turning to Amazon Business over Grainger and others. Applico found a main reason, which goes back to No. 6 in Amazon's "virtuous cycle" as mentioned earlier.

Source: [Applico](#)



CHAPTER 8

AMAZON BUSINESS TO
THE CONSTRUCTION
EQUIPMENT INDUSTRY:
HERE WE COME

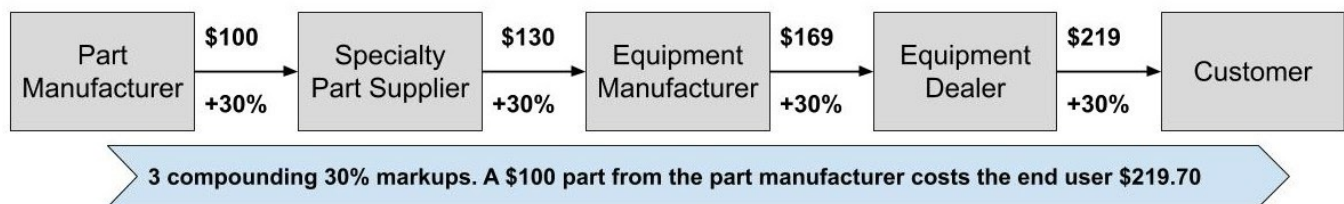
Amazon Business to the Construction Equipment Industry: Here We Come

MRO supplies are the first entry point of Amazon coming into the industrial markets. In the future, Amazon wants all procurement to be done on its platform regardless of the industry. Private-label brands in the construction equipment industry is the logical next step after adding MRO to their selection.

Equipment manufacturers, specialty part suppliers, aftermarket part suppliers, and equipment dealers are used to making healthy margins on parts sales, ranging from 10-50% or higher in many cases.

However, the parts procurement process is generally very difficult for customers. It's fraught with many different sites to research, manufacturing lead times, unavailability, and ordering it at the best value. The reasons for this pain are many touch points in the parts distribution chain, each involving their own logistics, distribution, and markup.

Here is a typical parts distribution supply chain for an equipment manufacturer (OEM):

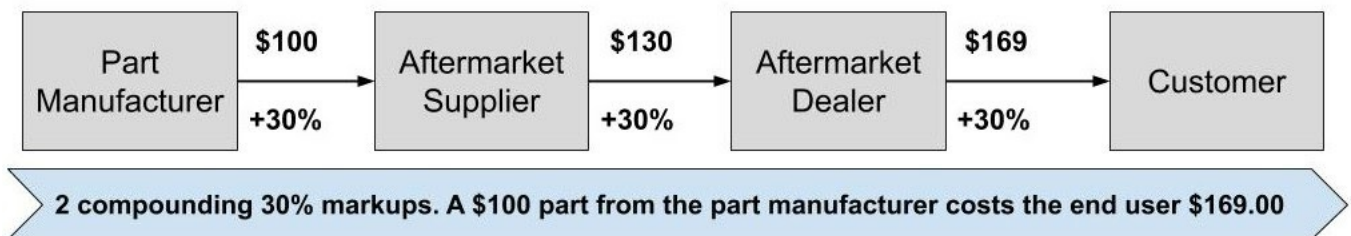


Reading the OEM supply chain from left to right, we can see that it starts with a factory to make a certain part for a “specialty” parts supplier.

This specialty parts supplier sells to an equipment manufacturer to use it in their machine assembly line. The manufacturer has a distribution network of dealers. These dealers have relationships with customers in their communities and act as their source of equipment rentals, equipment sales, service, and parts sales. Equipment rentals and sales are the primary business of most dealers or rental companies, with parts and service usually being the distant third priority.

Customers purchase from their local equipment dealers at a higher price but are ensured it's the OEM-branded part that comes in the same box. This is an easy option for customers, assuming the OEM has inventory on their shelves, but it is the most expensive one.

Alternatively, let's consider the supply chain of a typical aftermarket parts supplier:



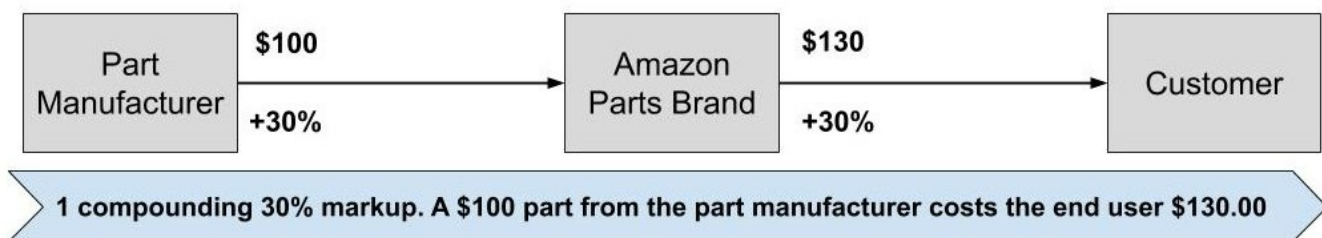
Aftermarket suppliers source parts from factories around the world. Part manufacturers are commissioned by suppliers to produce a replica of the OEM-branded part; these are referred to as “aftermarket” parts.

And sometimes aftermarket suppliers work directly with the same factory the OEM uses for the same parts; these are referred to as “genuine” parts.

Aftermarket parts typically have the same quality as the OEM part, cost less, and have the same or longer warranty. The difference is that they do not come in an OEM-branded box of course.

Most customers do not care about the OEM-branded box if they can get the same quality part at a reduced price. However, the world of aftermarket parts is fraught with thousands of different suppliers, lead times, customer service levels, and warranty variables. All that friction leads them to stick with OEM parts many times.

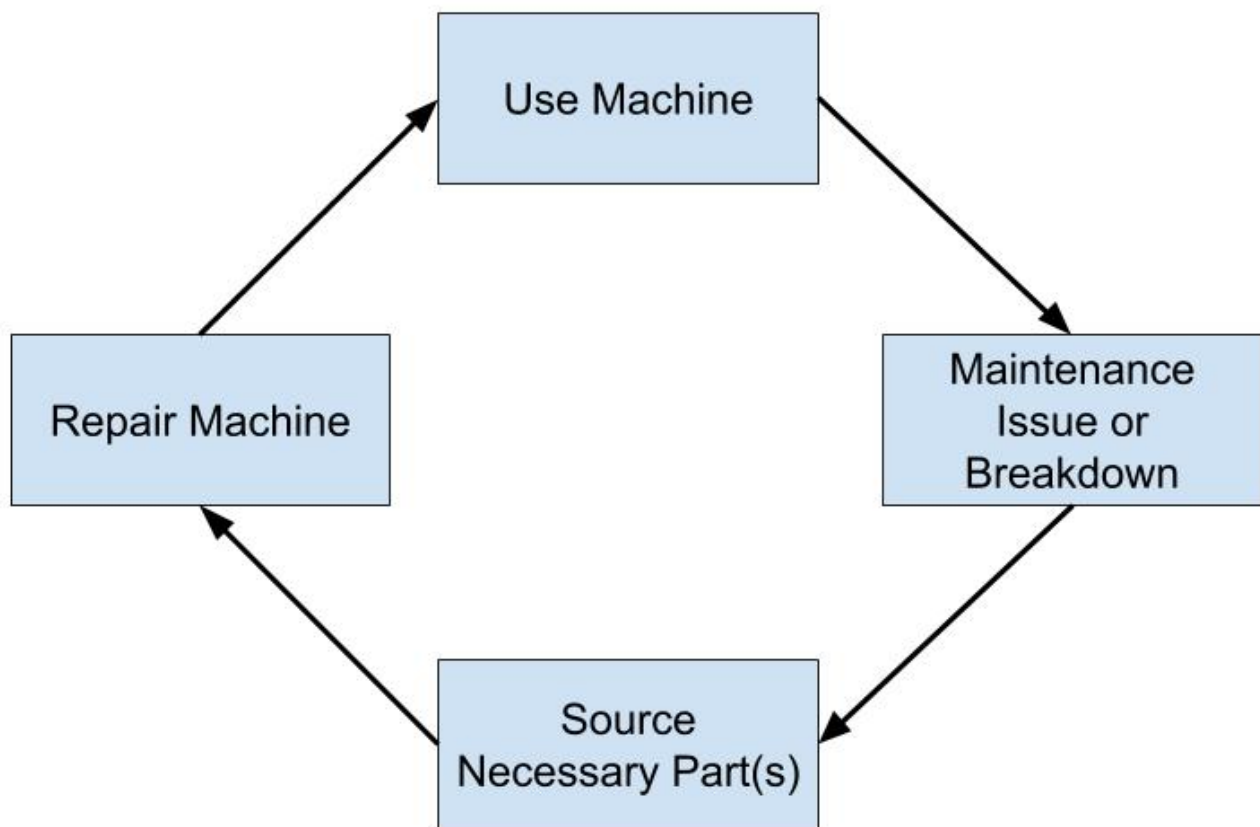
Now let's examine the supply chain assuming an “Amazon Parts” brand:



Amazon has the resources to source any given part, the most complex and vast worldwide distribution centers, and by far the most powerful ecommerce platform. For now, Amazon is gathering data on our industry and evaluating how and when to promote their own private-label parts.

Now let's consider the parts procurement process of the equipment end user (the customer). First and foremost, the customer is looking to repair their equipment as soon as possible. Down equipment is a huge cost. While interviewing a contractor in Chicago, we found that it cost them ~\$1,000,000/hour to have a crane down on a job site downtown.

The basic process of equipment repair lifecycle looks like this:



The faster they can get through the three-step process, the better it is for their business. A down piece of equipment represents lost revenue for equipment rental companies, as well as lost time and productivity for contractors. Generally speaking, it is more important to equipment owners to be able to source their replacement parts quickly and reliably than it is to find the lowest price on all items.

Amazon has built their reputation around being fast and reliable for all things retail. As we know, they compete with traditional retail brands with their own 80+ private-label brands. Where Tide, Kleenex, Clorox, and Coca-Cola have some of the most famous brands in the world and come with a certain level of prestige, equipment replacement parts are first and foremost a utilitarian purchase.

In other words, it is far easier for Amazon to compete as an aftermarket parts brand than against the strong retail brands they are used to.

And as we can tell from the supply chain comparisons above, an Amazon Parts brand would likely also enjoy a pricing advantage against the incumbents in the industry. So how can we impair this predestined fate of Amazon's takeover of replacement parts, tools, and equipment in our industry? We need to band together to form a much more compelling platform built by the equipment industry, for the equipment industry.

CHAPTER 9

A BETTER WAY: AMAZON
BUSINESS VS. THE
EQUIPMENT INDUSTRY

A Better Way: Amazon Business vs. The Equipment Industry

Imagine a world where the top equipment manufacturers, aftermarket parts suppliers, and equipment rental companies joined forces to offer their parts and equipment for sale through a platform built just for our industry.

Wouldn't this make a much more compelling platform to customers?

The combined selection of inventory and outstanding customer support of the top companies in the equipment industry would be, in aggregate, more valuable to equipment owners than any one company (albeit that Amazon is a massive company).

Equipment owners would have an easy way to manage their fleet on the platform, generate parts reports per machine, and communicate with the suppliers they trust.

They would be able to acquire the best value on their parts transactions. Not necessarily the lowest cost, but the best value in terms of availability, shipment speed, quality, warranty, and price. To repair any given machine in their fleet, they could source from as many suppliers as they would like through the platform.

This is our reason for building Gearflow.com.

We believe that the hard-working, trustworthy companies that makeup our equipment industry should be celebrated. Our goal is to remove any barriers to doing business with them online.

The customer pain points of having to spend hours on the phone calling around for parts and not knowing who to trust are very real, and they are likely key reasons for thousands of hours in down equipment each year. Down equipment leads to upset subcontractors, general contractors, site managers, and investors.

The platform should also increase the productivity of equipment owners.

Roofing contractors should be able to discover attachments to help their telehandlers lift more shingles to the roof. Demolition contractors should be able to discover tools and attachments to break up and remove concrete faster.

These are examples of the platform freeing up time for contractors to do more of what they are best at, while making jobs more efficient and profitable.

CHAPTER 10

HEADWINDS TO THIS
FUTURE: OLD RIVALRIES
DIE HARD

Headwinds to this Future: Old Rivalries Die Hard

Our industry is defined by competitiveness which, overall, has been a very useful instinct. Competitiveness has driven our engineering teams to build previously unimaginable machines.

Snorkel manufactures the largest boom lift in the world at 210 feet, Palfinger manufactures the largest boom truck at 336 feet, and Belaz manufactures the largest rock truck at a gross operating weight of 359,000 pounds. Engineering breakthroughs have allowed us to create bigger infrastructure and buildings while being safer and more efficient.

All of this incredible engineering has enabled the sales and business development teams at manufacturers, dealers, and rental companies to produce \$55 billion in equipment rental revenue in 2019 and \$113 billion in global new construction equipment demand in 2020. These huge volumes of sales are virtually all done offline and through personal relationships.

The companies in the equipment industry are locked in a battle for customers, talent, financing, and share value. Hundreds of thousands of employees' sole purpose is to figure out what the "other guys" are doing and try to outdo them incrementally to gain market share. Hence, ecommerce was always a task for "next year."

In the year 2000 the dot-com bubble burst, and Walmart was by far the world's largest retailer. The company even launched Walmart.com in January 2000.¹

Given the company's market dominance, they saw ecommerce as a means to an end — supporting their core business. Hindsight being 20/20, those executives did not appreciate the significance of ecommerce and allowed Amazon to zoom past them. The dot-com craze of 1999 was not wrong — just 20 years too early on share valuations.

Is the equipment industry in 2020 like the retail industry of 2000? Many executives may think that market share is a birthright, growth is ensured, and the only competition is from known entities and business models. So did Walmart.

CHAPTER 11

PANDEMIC
PANDEMONIUM: THE
BRAVE NEW ONLINE
WORLD

Pandemic Pandemonium: The Brave New Online World

As compared to 2019's boundless optimism and bustling economy, 2020 has been a year defined by fear, scandals, and anxiety. We have kept to ourselves, observed where others are standing, and obsessed over news coverage. Most of our economy effectively shut down in Q2.

As "essential businesses," we in the construction industry still showed up to work every day and have met this pandemic with more healthy skepticism than fear.

Nevertheless, we find ourselves in a world where an ecommerce presence is now vital to doing business. The digital transformation has arrived.

In this new ecommerce world, we find that Amazon holds by far the most powerful position.

Amazon Prime members get such an abundance of value for their annual membership that it's a fool's errand to believe that will go away any time in the next couple of decades. The only way to compete with Amazon online is not as a single entity, but as an aggregate industry platform.

In fact, industry-focused platforms have been making great strides in developing communities where the best suppliers can grow and customers can explore. A few examples:

- [Etsy](#) is the world's largest marketplace community of homegoods crafters
- [Everest](#) is a marketplace of the shooting and outdoor sports communities
- [Bookshop](#) is a marketplace community for independent book sellers

CHAPTER 12

TAKE ACTION: THERE'S
NO TIME LIKE THE
PRESENT

Take Action: There's No Time Like the Present

At Gearflow, we believe that the amazing manufacturers, aftermarket suppliers, and dealers that make up the construction equipment industry is our beating heart. We seek to empower these companies to grow online and foster a better connection between them and their customers. We believe that the hardworking construction industry, all 7.3 million of us, want the best parts, tools, and equipment from the best suppliers.

It is only by banding together on one industry platform that we can make a more compelling experience to contractors than Amazon. The aggregate value of the tens of thousands of parts and equipment suppliers will win.

Here's our flywheel we call "Gearflow's Sustainable Cycle."

Gearflow's Sustainable Cycle



Notice how all momentum starts with “Trusted Suppliers.”

The more great suppliers that participate in the platform, the more products are available. The more products that are available, the more value contractors get from using the platform, which drives a better and better customer experience.

Over the long term, Gearflow becomes more and more like a “virtual trade show” experience where contractors come to do the best research on parts, tools, and equipment.

Our team is focused on generating increasingly higher amounts of value for No. 1 – Trusted Suppliers.

Therefore, we create original content on the suppliers, products, and categories on the platform. This drives more users to find helpful information on the site and makes the suppliers on Gearflow easier to find on Google.

The more suppliers that are found on Gearflow in search, the more trusted suppliers are attracted to sell on the platform, and the *truly* virtuous cycle gets faster.

Now that you understand Amazon's objectives and how they will look to compete in the equipment and parts manufacturing and distribution space, let me ask you:

Are you ready for what's next?



JOIN GEARFLOW

Do you want to grow your business
and win with ecommerce?

Let's get started.

[BECOME A SUPPLIER](#)

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