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Amazon's competitive advantage tied to fulfillment

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Have you ever wondered how Amazon consistently delivers on its promise to ship your products correctly and have them arrive on a specific day or even earlier? Unlike past advances in retail operations — the emergence of the supermarket in the mid-20th century, say, or the more recent rise to dominance of Costco warehouse stores — the workings of Amazon are almost entirely hidden.

I recently got a peek behind the curtain. I had a tour of Amazon's 1.4 million-square-foot fulfillment center in San Bernardino, California. Prior to my tour, I had read, "The Everything Store — Jeff Bezo and the Age of Amazon" book by Brad Stone, which explained that the company is guided by four principles: customer obsession rather than competitor focus, passion for invention, commitment to operational excellence, and long-term thinking. I felt the tour might give me a unique opportunity to confirm some of these principles.

In terms of my tour highlight nuggets, I have grouped them in three categories, the three pillars of operations excellence: People, Processes and Technology.

People:

— Amazon's fulfillment operations associates work in an environment that is clearly sensitive to human dignity that embraces being part of a team. The importance of people is communicated in various ways, including a large sign over the entrance-exit doors that reads, "Work Hard, Have Fun, Make History," associates' photos posted on success boards and pre-shift orientation sessions.

— According to the tour guide, Amazon takes extra effort to ensure a new hire's personality and work ethic will support the associates' team focus. This is a page from the "Good to Great" book that highlights how consistently successful companies "get the right people on the bus, the wrong people off, and then figure out where to drive it."

— An On-Site University is available to associates to pursue their education even if the subject is unrelated to fulfillment operations.

Processes:

— Amazon's fulfillment operations are process fanatics. Fast, efficient processes are designed, and everyone is trained to follow the correct process, which especially makes handling peak shipping periods with temporary associates that much more successful.

— There's more efficient use of shelf space because products are shelved at random rather than categorically.

— Amazon has emulated Toyota's Kaizen Continuous Improvement program, which significantly contributes to cost-effective, fast product handling.

— No individual picks specific, whole orders, but instead picks parts of orders located in his or her work area.

Technology:

— More than eight miles of conveyors and roller belts expedite inbound and outbound products to appropriate processing sections.

— Every order funneled from Amazon's website to the fulfillment center is relayed to a handheld scanner carried by all workers in the library or pick modules. The scanner directs the associates to the cubbies where the ordered items are stored. The item is picked, scanned, and then placed in a yellow tote that is also scanned.

— Orders stream down a computer screen that indicates the proper box size for each product. Rollers spit out the bags of sealed air used to cushion items in the boxes and tape to seal them.

— Once packed, boxes head down another conveyor belt beneath a labeling machine that prints and sticks labels in one swoop.

Important note: The fulfillment facility I toured did not use the Kiva Mobile Robotic Fulfillment System used in other Amazon fulfillment centers. Gap Stores, Walgreens, Staples, Saks 5th Avenue, Office Depot and Crate & Barrel also use the Kiva system.

After the tour, I had a better understanding why Gartner Research's 11th Annual 2015 Supply Chain Top 25, a ranking of the world's leading supply chains using operational and innovation excellence, ranked Amazon first this year and in the Top 5 for the fifth time. Amazon took the top spot over the likes of Nike, Unilever, Wal-Mart, Samsung Electronics, Johnson & Johnson and Home Depot.

It was a great experience to see a world-class e-commerce fulfillment operation that clearly provides Amazon with a significant competitive advantage. I was fortunate to see various tactics supporting Amazon's key principles of success including: customer obsession rather than competitor focus, a passion for invention, a commitment to operational excellence, and long-term thinking.

You might want to ask yourself, "How well is my organization doing on these four success principles?"

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