

AMAZON - CANADA

Alternative Fulfillment & Labor Planning Solutions for the Greater Vancouver Area

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Amazon.com, Inc. is a multinational technology company with a valuation of \$1.7 trillion. It is the number one visited online retail site in the US with a growing global presence. Amazon owns and operates its own complex logistics network that ensures fast and accurate delivery of their products in an effort to be “the most customer centric company in the world”. Products ordered on Amazon are generally processed and packaged at Amazon owned fulfillment centers (FC), then shipped out to the customer. FCs are critical to the speed of delivery as they allow for better placement of products near the customer.

Canadian Customer Fulfillment (CACF) has struggled with the Vancouver region as they are unable to build large FCs to support the 70% YoY growth in demand. Amazon is unable to build more FCs due to two main challenges: rising real estate costs and a limited pool of relevant workforce. As a result of limited FCs in Vancouver and understaffing within FCs, only 30% of demand is fulfilled in local FCs. The remaining 70% of demand is long-zoned (fulfilled in East Canada and shipped to the West) resulting in high shipping costs.

To address this concern, the Tauber team developed strategies to retain and attract labor and move fulfillment outside of traditional fulfillment centers. First, the team analyzed the effects of increased wages, better benefits, and attendance policies on Labor Order (LO) fill. Second, the team identified automation opportunities within FCs to reduce Amazon’s dependence on labor. Finally, the team explored external fulfillment strategies in developing markets such as India, Brazil, UAE, etc. and devised a launch & expansion plan for two external fulfillment programs in Canada.

The team’s recommendations consisted of a wage increase, transitioning to a new, rewarding attendance policy, the development of affordable housing to attract new labor, the implementation of five automation technologies in FCs, and the launch of two external fulfillment channels. Multiple analyses were conducted on the operational and financial viability of our recommendations.

The Tauber team’s recommendations to help Amazon’s Canadian Customer Fulfillment department better staff fulfillment centers and optimize cube space in Vancouver is expected to yield an extra 15,598 labor orders filled, 202K ft³ reduction in cube requirement, and a total of \$142M in cost savings on reduced attrition, increased productivity, and decreased long-zoning over three years.