AMAZON – FBA

IDENTIFYING OPPORTUNITIES FOR THE SELLER EXPERIENCE

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Amazon is the largest internet-based retailer in the United States. The company has offices in over 15 countries across the world, and ships items to even more. The mission statement of "striving to be Earth's most customer-centric company where people can find and discover anything they want to buy online" speaks to the fact that Amazon is truly a leader in the electronic commerce business. In 2006, the company launched Fulfillment by Amazon (FBA), a program for Sellers that would allow them to store inventory in Amazon's fulfillment center (FC) warehouses. The platform caters to individuals as well as large companies, allowing them to sell products to Customers by leveraging Amazon's well-known marketplace and world-class fulfillment network. With Amazon responsible for picking, packing, shipping and even providing customer service for Sellers' inventory, Sellers can focus on the most important part - growing their business.

FBA's value proposition and ensuing growth helps expand the marketplace and bring new Sellers onto the platform. Through this feature, Amazon aims to provide all Sellers, large or small, with the opportunity and excellent level of service. While these services add a unique convenience factor for the Seller, it also has the potential to open Amazon up to opportunities for losses and defects. For example, inventory may be lost or has its availability delayed during transit, at arrival to the warehouse, or through the storage process until the item has arrived at the end Customer. If Amazon cannot find missing inventory quickly, it may be required to compensate the Seller for the product.

The Tauber team performed an in-depth study of the complex supply chain to identify opportunities for internal improvements we can apply to the Seller reimbursement policies. First, the team analyzed the reimbursement space and identified the area that could be the largest area for improvement. Next, the team studied industry practices and related customer service standards of FBA both externally and internally. Furthermore, to align our research to the Amazon core leadership principle of Customer Obsession, the team sought out Seller sensitivity to faults and fluctuations in the policies through feedback forums and a Seller survey. Finally, the team developed a financial model to quantify the impact and risks for an improved reimbursement policy for the Sellers and the company.

After further evaluation, Amazon could generate tens of millions of dollars in annualized savings with this initiative, coupled with an enhanced Seller experience. The potential for greater savings lies in the ability to increase Seller satisfaction and retention in the event they experience a delay. Amazon can gain in terms of reputation and retention, while continuing to align with the company goal.