

Amazon's Inventory Management Secrets

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The Amazon Effect has changed more than just consumer expectations. As the e-commerce giant has transformed the retail industry, it has also forced businesses to revitalize their supply chain operations to keep pace with what Amazon is doing. With this in mind, here's a look at how Amazon continues to innovate in its supply chain and drive inventory management advances.

Looking at Amazon's Reach

Amazon has become a giant in the retail world. According to a Supply Management report, Ben Schachter, a retail analyst at American investment bank Macquarie, calculated that Amazon earned 26 cents out of every dollar spent online in 2015. The company has gained this edge by expanding its product range beyond what typical e-commerce companies can handle and using an incredible commitment to supply chain innovation to create better customer experience.

[Download the white paper, Warehouse Automation Trends: Four Warehouse Management Technologies to Transform Your Digital Supply Chain.](#)

In many cases, conversations around Amazon warehouses end up focusing on drone deliveries, robotics innovation and similar sci-fi-like topics. While Amazon is pushing boundaries in these areas, they aren't ready for the big time yet. Instead,

businesses that want to replicate Amazon's capabilities should look at three overarching strategies:

1. Reworking Warehouse, Distribution and Fulfillment Processes

Amazon warehouses feature extensive use of barcode scanners, a near-constant cycle of order processing, item picking and shipping. Digitizing these processes allows Amazon to gain greater visibility into asset dispositions and shipping needs at any given time.

According to Supply Chain Digital, Amazon is continually working to optimize shipping practices around the markets it serves. For example, in China, the company is partnering with merchants, allowing Amazon to pick up goods directly from those stores and ship to consumers. The key is that all of these transactions take place using mobile apps, with data integrated across various lines of business.

Amazon is transforming the supply chain by using digital technologies to adapt its operations to the specific needs of employees and partners in every setting. What started as using barcode scanners to track items at all times has evolved to a fully digital warehouse, distribution and fulfillment network that moves goods between locations with incredible efficiency. Going digital sets a foundation for flexible, fast-moving operations. This has allowed Amazon to make more dramatic strategic changes that are transforming how the supply chain works.



2. Distributing Warehouses to Bring Products Closer to Customers

Marc Wulfraat of consulting firm MWPVL International told Supply Chain Digital that Amazon will likely roll out approximately 7.2 million square feet of warehouse space in the U.S. alone during 2016 and 2017. The company is also pursuing physical retail stores to put goods in closer proximity to customers.

"Businesses can transform around digital technologies to keep pace with shifting consumer expectations."

Amazon Lockers let users ship items to Amazon-controlled locations where they can pick the goods up at their convenience.

These factors are coming together to change the idea of fulfillment. Instead of having to process the order in a central warehouse and send it over an extended shipping network, the e-commerce giant can pair a warehouse with an order to identify which location makes the most sense and accelerate order delivery accordingly. This type of strategic change is only possible, however, because of mobile data collection and real-time integration with the backend system, making it easier to share information across geographically distributed locations.

3. Giving Customers More Power in the Supply Chain

With backend systems providing data integration across order processing, warehouse and distribution workflows, Amazon can take an order and initiate shipments in a matter of minutes. Now, the company is allowing consumers to kick-start that process. Slash Gear reported that Amazon's new Dash Wand uses a barcode scanner to let customers easily scan goods and submit orders via the AmazonFresh service.

At this point, Amazon's ability to manage its supply chain via digital tools extends all the way from customers initiating orders out to them receiving goods at market-leading rates. Businesses that want to keep up may not be able to replicate all of Amazon's progress, but they can transform around digital technologies, such as mobile data collection, to keep pace with shifting consumer expectations.