



amazon

AMAZON
Pioneer to
Operations
Differentiation

APU is a knowledge-based consultancy company providing research and analysis, data, technical and business advice and services, sought by business leaders and strategists, to help them capture tomorrow's opportunities, today.

APU delivers market research reports covering markets, industries, countries, companies and technologies.

By continuously updating our desk research, and leveraging market research publications from leading institutes and consultancies worldwide, we provide relevant, current and credible research, critical to the success of your business.

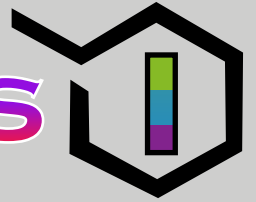
Our clients use our insights, critical analysis, statistics and forecasts to help make strategic business decisions and grow their organizations. Our approach combines deep insight into the dynamics of industries and markets to help clients build more capable organizations and sustain lasting results.

Global Business Intelligence

Trends and forecasts for 18 global industries and over 1200 industry subsectors in up to 60 economies.

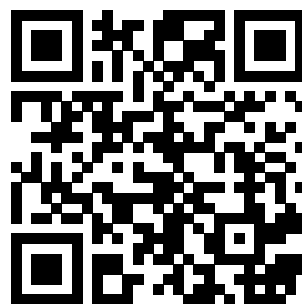
Our subscription services for data, news, analysis and forecasts, help clients understand how the world is changing and how that creates opportunities to be seized and risks to be mitigated and managed.

DIGITAL FUTURES



DIGITAL FUTURES is an online content publication platform catering for technology business leaders, decision makers and users, by sourcing and sharing valuable information and best practices in connection to the latest emerging technologies trends and market developments that leverage capabilities and contribute towards enhanced enterprise-wide performance.

DIGITAL FUTURES



WATCH
DIGITAL FUTURES VIDEO



WATCH VIDEO

LEARN
MORE

AMAZON

PIONEER TO OPERATIONS DIFFERENTIATION

Operational excellence is what differentiates firms with similar offerings and strategies, and though it manifests itself differently from company to company, its impact is clear. A Harvard Business Review research has discovered that shifting from poor leadership to best management practices means a rise in revenues of USD 15 million¹.

Process quality is one of the most important components of operational excellence. As Amazon grew, it had to create the best practices for procedures, build systems, and write the software that drives its development.



*Fig 1. Operations Technology. Ferguson Edward. (February 2017).
Amazon.com Inc. Operations Management: 10 Decisions,
Productivity. Panmore.*



AT A HIGH LEVEL, AMAZON CHAMPIONS THREE OVERARCHING PRINCIPLES IN ITS CULTURE:

- **Customer obsession** rather than competitor focus;
- **Builders and pioneers** with a willingness to fail;
- **Focus on the long-term** rather than the short term.

REFERRING TO KEY DECISIONS APPLIED TO AMAZON'S OPERATIONS ENVIRONMENT, WE END UP WITH THE FOLLOWING GROUPS²:

1. **Architecture** – Create a structure that supports rapid growth and change;
2. **Organization** – Let small and empowered teams own what they create;
3. **Mechanisms** – Encode behaviors into our DNA that facilitate innovative thinking;
4. **Culture** – Hire builders, let them build, support them with a belief system.

A main decision for architecture was the API mandate of Jeff Bezos, requiring that each Amazon-based software team build their applications as services that share their information with other teams through APIs. Teams could, then, leverage each other's services and data via their respective APIs in their own projects, quickly and easily, without getting bogged down in cross-team design meetings.

At the heart of how Amazon innovates is its six-page memo, which is required at the start of every new initiative. What makes it effective is not so much the structure of the document itself, but rather how it is used to embed a fanatical focus on the customer from the day one. At Amazon, however, the six-page memo cuts down on the number of meetings that are called.

The success of Amazon.com e-commerce relies on a high level of effectiveness attainable in its operational leadership (OM). In order to optimize productivity, the business should tackle the issues of the 10 strategic operational decision fields. These 10 strategic decisions of operations management become increasingly complex, as the organization continues to expand and diversify its business. Continuous improvement can help enhance the capabilities of Amazon in maintaining adequate support for operations, despite global expansion and the broadening of the product mix.

10 Decision Areas

AMAZON'S OPERATIONS
MANAGEMENT.

1. DESIGN OF GOODS AND SERVICES.
2. QUALITY MANAGEMENT.
3. PROCESS AND CAPACITY DESIGN.
4. LOCATION STRATEGY.
5. LAYOUT DESIGN AND STRATEGY.

AMAZON'S OPERATIONS MANAGEMENT, 10 DECISION AREAS³

1. DESIGN OF GOODS AND SERVICES.

Amazon addresses this concern primarily through technology. For example, the company uses advanced information and communication technologies to ensure that its online retail services are efficient and convenient for target customers.

2. QUALITY MANAGEMENT. Amazon.com Inc.'s operations management approach involves continuous improvement efforts in its e-commerce business. The company uses its organizational culture to support innovative idea creation among employees.

3. PROCESS AND CAPACITY DESIGN.

Amazon applies extensive automation to streamline its business processes. This approach to operations management highlights the importance of automation and related technologies in enhancing Amazon's process and capacity in e-commerce.

4. LOCATION STRATEGY. In the case of Amazon.com Inc., the emphasis is on the strategic location of warehouses or fulfillment centers.

5. LAYOUT DESIGN AND STRATEGY. Amazon addresses this objective through efficient layout designs that are aligned with computer-assisted processes. For example, in the company's warehouses and fulfillment centers, items are organized according to a computerization policy. The corresponding layout involves maximization of shelf space and minimization of aisles to achieve optimal capacity without reducing process efficiency in Amazon's online retail business.

6. JOB DESIGN AND HUMAN RESOURCES. Amazon's operations management uses a combination of in-house employment processes and third-party employment agencies. Amazon's recruitment and hiring processes are aligned to organizational growth and human resource needs in corporate offices.

10 Decision Areas

AMAZON'S OPERATIONS
MANAGEMENT.

6. JOB DESIGN AND HUMAN RESOURCES.

7. SUPPLY CHAIN MANAGEMENT.

8. INVENTORY MANAGEMENT.

9. SCHEDULING.

10. MAINTENANCE.

7. SUPPLY CHAIN MANAGEMENT. Amazon does so through automation and enabling suppliers and buyers to access some of its IT assets. For example, sellers adjust supply levels based on demand data available from the company's online retail website.

8. INVENTORY MANAGEMENT. Amazon addresses this strategic decision area through a finished goods inventory, using just-in-time inventory management in some areas. Amazon holds other goods as part of its finished goods inventory. In addition, to ensure optimal inventory ordering and holding, warehouse employees are trained to maximize the speed of order fulfillment through mobile computers linked to a central computer and database. In this way, Amazon.com Inc.'s operations management optimizes its online retail inventory size to minimize costs while satisfying market demand, simultaneously.

9. SCHEDULING. Amazon relies on the involvement of suppliers for its online retail business. For example, suppliers access the company's website to determine demand levels and implement their shipping and delivery schedules accordingly. Also, Amazon's operations management automates shipping schedules involving its fulfillment centers, which provide shipping services to sellers for a fee.

10. MAINTENANCE. Operations management involves specialized teams for maintaining technological assets. In addition, workers are regularly trained to maintain human resource capacity to satisfy the company's needs for its e-commerce business. Moreover, Amazon is always on the lookout for advanced technologies to improve its operational efficiency.

According to Bezos, by combining exceptional commodity, immediate access and complete choice, Amazon's big distinction could be a higher value to its clients. These differences would have been enough to create a competitive advantage, but Bezos had another concept. He decided to add a foremost valuable difference known as Low Prices. Amazon would provide both value and low price. As the number of consumers increased, the perceived value of Amazon's service increased. It improved the trust among existing consumers. As Amazon attracts more consumers, a lot of third-party sellers are willing to sell their wares on Amazon. As third-party sellers multiplied, the unlimited selection of products got bigger and bigger. As product varieties swell, the more people used the service. The more the users, the more the data, the more the user experience, the more the right recommendations⁴.

The standards of Amazon are high, and systems are well developed, tested, and updated when needed. Jeff Bezos claims that such systems will detect and correct flaws at the root, prior to any significant issue.

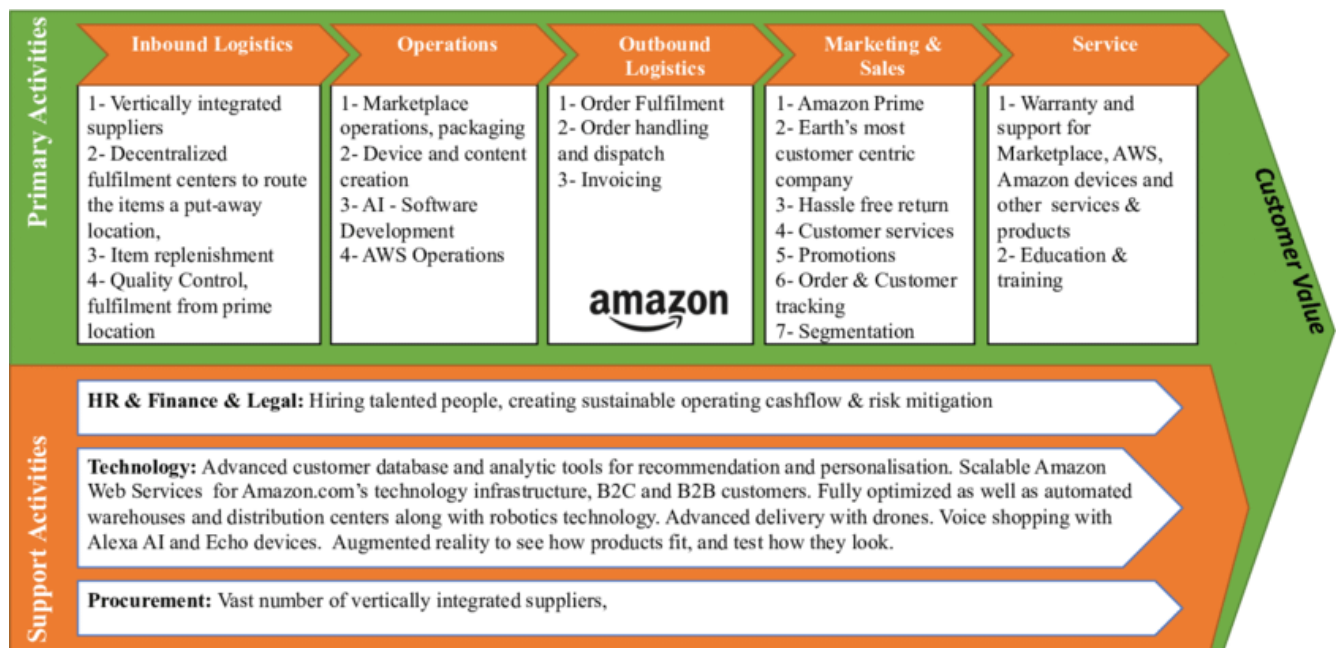
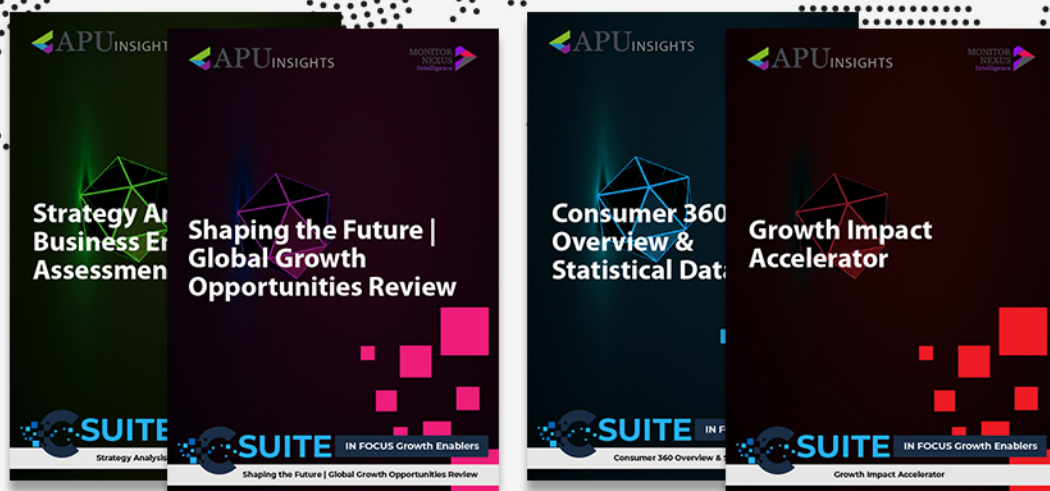


Fig 2. Value Chain Analysis of Amazon.com CaBInsights. (2018). Amazon Strategy Teardown: Amazon's Barreling Into Physical Retail, Financial Services.

REFERENCES:

1. Bahadir Kandemirli. (July 2018). Amazon.com's digital strategies amazon.com case study (July 2018)
2. Ferguson Edward. (February 2017). Amazon.com Inc. Operations Management: 10 Decisions, Productivity
3. INC. (August 2019). Jeff Bezos Revealed the Secret of Amazon's Stunning Success in Just 3 Words. (August 2019).
4. Steve Denning. (2019). How Amazon Became Agile. Forbes.





Designed and produced by APU Insights Creative Studio

2020 © APU Commercial Information Services
All Rights Reserved