

## What I Learned at Amazon's Fulfillment Center



This past week, I had the opportunity to tour one of Amazon's fulfillment centers. This article is different from those I typically write each week because it doesn't contain any financial planning or investment tips. However, I wanted to share how the nation's largest online retailer is able to quickly and efficiently fulfill orders for [more than 500 million products](#) in the US alone.

I was hoping to see some robots, but apparently, those were not incorporated until the 8<sup>th</sup> and 9<sup>th</sup> generation of fulfillment centers. The Phoenix location was a 7<sup>th</sup> generation site (opened in 2010), so no robots. Nevertheless, its sheer scope, size, and efficiency were super-impressive.

### Here are some fun facts I learned during my Amazon fulfillment center tour:

- The facility we toured is one of the largest warehouses I have ever seen (1.2 million square feet). That is the equivalent of 28 football fields.
- The construction of this warehouse required as much steel as 2 Eiffel Towers.
- This location is only one of 100 Amazon fulfillment centers in the United States. There are approximately another 100 international locations.
- The facility runs 24x7x365 and employs 2,000 people. Amazon as a company employs over 600,000.

Amazon's fulfillment center motto, painted on walls throughout the facility, is: Work Hard. Have Fun. Make History.

### What surprised me the most:

What surprised me the most was how this facility organized its inventory. I assumed it would have pallets full of a product in a single location in the warehouse. I also assumed products of the same type (e.g., baby toys) would all be in the same general location. This was not even close. The inventory looked like a mish-mash of unrelated products in tens of thousands of small bins. Our tour guide explained that

each item gets scanned, and then a single product is distributed to dozens (if not hundreds) of locations throughout the warehouse. The computers know where every item is and direct the person picking the order to the closest bin. This results in much quicker packing by eliminating the need to travel across 28 football fields to get an item.



#### **Once a product has been picked:**

Once a product has been picked, it travels by conveyor belt to a station where the product is scanned and the computer tells the worker exactly which box or envelope to use. A machine also automatically spits out packing tape in the correct size. The tape can be moved after it is applied because it uses a specialized wet glue.

#### **Sort by shipping method:**

Another dazzling display of technology was the efficiency by which the packages are sorted for shipping. Packed envelopes and boxes move quickly along a conveyor belt and pass under a scanner. The scanner reads the shipping method from the bar code on the label. Each package then travels another 20-200 feet before the conveyor kicks the package down a specific chute based on how that package will be shipped. The chutes deliver each package to another conveyor belt, which brings the package to the appropriate shipping bay. The packages are loaded on the correct truck, and each truck departs to its designated location. Some trucks go straight to McCarran Airport; others go to shipping partners such as UPS or FedEx; and others go straight to a delivery route in the local market.

#### **Amazon jobs:**

Our tour guide was very proud to point out how well Amazon treats its employees. He told us Amazon was one of the first companies to institute a nationwide minimum wage of \$15 per hour. Workers at the Phoenix fulfillment center generally start at \$15-19.50 per hour, and receive full benefits from day one, including 20 weeks of parental leave.

#### **Miscellaneous tidbits:**

Our tour guide explained that Amazon's goal is to sell everything a consumer could want from "A to Z." That is why the smile on the Amazon logo goes from the A to the Z in AMAZON.

There are specialized fulfillment centers for different types of merchandise such as "non-sortable" items (e.g., big screen TVs, kayaks), or Amazon Fresh, which distributes certain types of groceries.

One program I did not know about is [AmazonSmile](#), which enables you to support your favorite charitable organization every time you shop at Amazon at no cost to you. The program has already resulted in more than \$124 million in donations.

Amazon was also touting some of its sustainability initiatives during the tour. These included working with manufacturers on their packaging, ensuring that all cardboard boxes received by Amazon are recycled, and adding solar to the roofs of existing and new facilities. You can read more about Amazon's sustainability initiatives [HERE](#).

Are you thinking, *Wow! That sounds super cool. I wonder how I could go on an Amazon Fulfillment Center tour?* You can find that info [HERE](#).

Have a great week!

- Jeremy Kisner, Senior Wealth Advisor