

# Zappos.com, Inc., and the Warehouse Decision

Sources

- 1. Amazon.com, "Amazon.com's Fulfillment Strategy", [www.amazon.com](http://www.amazon.com), 2012.
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- 3. Amazon.com, "Amazon.com's Fulfillment Strategy", [www.amazon.com](http://www.amazon.com), 2012.
- 4. Amazon.com, "Amazon.com's Fulfillment Strategy", [www.amazon.com](http://www.amazon.com), 2012.
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- 8. Amazon.com, "Amazon.com's Fulfillment Strategy", [www.amazon.com](http://www.amazon.com), 2012.
- 9. Amazon.com, "Amazon.com's Fulfillment Strategy", [www.amazon.com](http://www.amazon.com), 2012.
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Source	Year
1	2012
2	2012
3	2012
4	2012
5	2012
6	2012
7	2012
8	2012
9	2012
10	2012

**Warehouse option decision depends on:**

- Location (proximity to customer, local infrastructure)
- Product (size, weight, fragility)
- Volume (quantity, seasonality)
- Service (specialized handling, cold storage)
- Cost (rent, labor, utilities)
- Flexibility (ability to change location)
- Risk (fire, theft, natural disasters)



**Multi-Tier Warehousing**

- Multiple tiers of warehousing options are available
- Each tier has different characteristics and capabilities
- Centralized warehouse (high volume, low cost)
- Regional warehouses (medium volume, faster delivery)
- Local warehouses (low volume, fastest delivery)
- Each tier serves a different geographic area
- Flexibility to move inventory between tiers
- Optimized for product characteristics and customer needs

**Public Warehouse Option**

- Third-party owned and operated
- Standardized services and rates
- Highly flexible and scalable
- Wide geographic coverage
- Cost-effective for low-volume and seasonal demand
- Ability to handle a wide range of products
- Flexibility to change location
- High level of service and support

**Private Warehouse Option**

- Owned and operated by the company
- Highly customized and flexible
- Control over inventory and operations
- Ability to handle specialized products
- High level of security and protection
- Long-term commitment
- High cost of ownership

**Contract Warehousing Option**

- Third-party owned and operated
- Highly flexible and scalable
- Wide geographic coverage
- Cost-effective for low-volume and seasonal demand
- Ability to handle a wide range of products
- Flexibility to change location
- High level of service and support

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Sources 

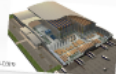
1. David H. Blackburn, Management: The Right Task, Right Person, 6th ed., 2003
2. David H. Blackburn, Management: The Right Task, Right Person, 6th ed., 2003
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5. The McGraw-Hill Companies, Inc. "Logistics: The Right Task, Right Person, 6th ed., 2003



Source	Year
Amazon	2013
PSC	2013
Warehouse	2013

**Warehouse option decision depends on:**

- Location relative to customer base, located near a primary customer or the secondary office
- Duration: temporary or permanent storage
- Specialized services: cold storage, hazardous materials
- Flexibility: duration of employment, scaling
- Costs: the cost per square foot, taxes
- Product type: liquid, gases



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**Multi-User Warehousing**

- Ability to share warehouse space
- Flexibility in scaling up or down
- Specialized services for different products
- Shared infrastructure: utilities, security, etc.
- Shared infrastructure: utilities, security, etc.
- Shared infrastructure: utilities, security, etc.



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**Thank you for your attention!**



**Public Warehousing Options**

- Location: independent business
- Flexibility: short-term or long-term
- Specialized services: cold storage, hazardous materials
- Shared infrastructure: utilities, security, etc.
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- Shared infrastructure: utilities, security, etc.



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**Private Warehousing Option**

- Location: based on the geographic area of the supply chain
- Flexibility: short-term or long-term
- Specialized services: cold storage, hazardous materials
- Shared infrastructure: utilities, security, etc.
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- Shared infrastructure: utilities, security, etc.



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**Contract Warehousing Option**

- Location: based on the geographic area of the supply chain
- Flexibility: short-term or long-term
- Specialized services: cold storage, hazardous materials
- Shared infrastructure: utilities, security, etc.
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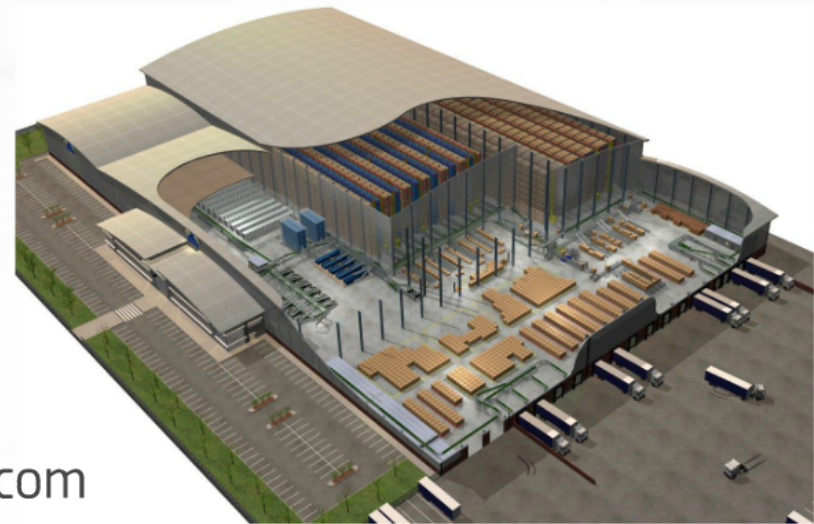


# Agenda

- **Introduction**
- **Private warehouses option**
- **Public warehouses option**
- **Contract warehousing option**
- **Multi-user warehousing**
- **Example: Amazon's "Vendor Flex"**
- **Sources**

# Warehouse option decision depends on:

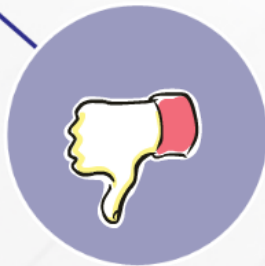
- Location: access to rail line or port, located near a primary customer or the company office
- Duration: temporary or permanent, storage
- Services: specialized services such as ultraclean storage, cold storage, a communications system
- Access: duration of shipment receiving
- Costs: the cost per square foot, taxes
- Product type: solid, liquid, gases



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## Public Warehouses Option



- Run as an independent business
- Charging storage fees and inbound and outbound transaction fees
- Classified as general merchandise, refrigerated, special commodity, bonded, household goods and furniture
- Month-to-month leased

- Financial flexibility
- Ability to supply skills and experience
- Large capital investment avoidance
- Easy access to wider geographical area
- Flexibility to deal with changing demand

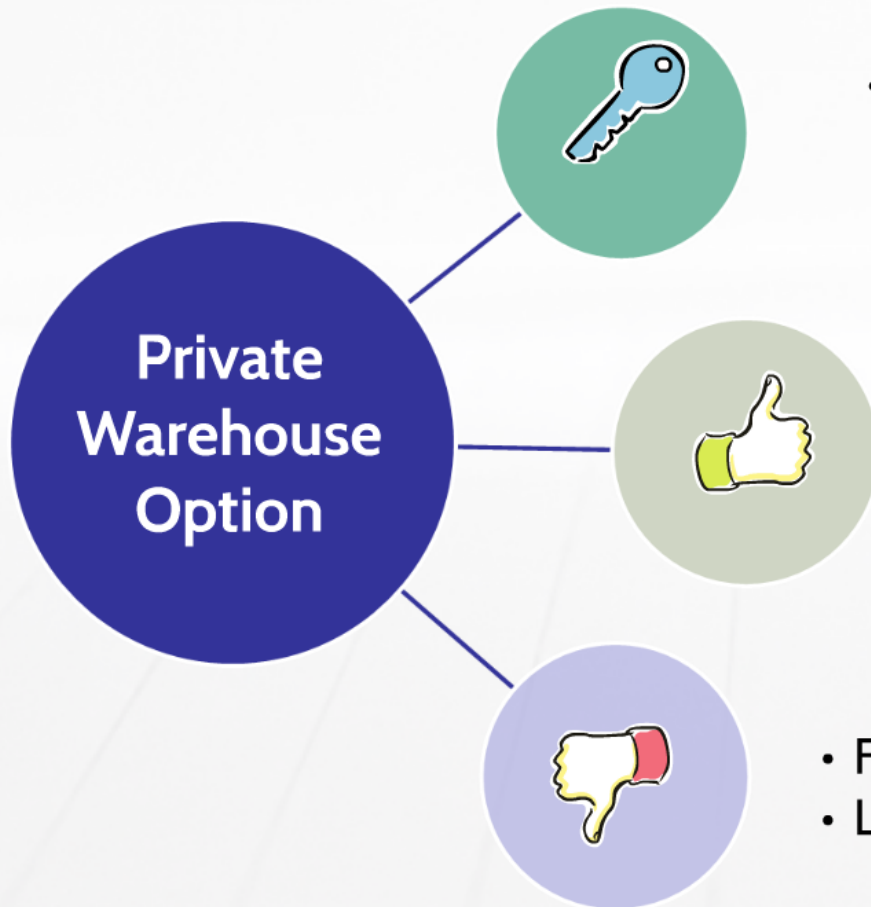
- Problems with availability of free space
- Lack of specialized services
- Communication problems
- High price per square foot

Source: Vinod V. Sople: Logistics Management, The Supply Chain Imperative, India, 2007



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## Private Warehouses Option



- Owned or leased by an organization as a part of its own supply chain

- Total control over a central part of logistics
- Corporate image
- Easier communication
- Costs benefits

- Financial constraints
- Lack of flexibility





## Contract Warehousing Option



- Long-term mutually beneficial arrangement which provides unique and specially tailored warehousing and logistics service exclusively to one client, where vendor and client share the risks associate with the operation
- Services (facilities like cross-docking, packaging, inventory control, just-in-time inventory management, local transportation, and quality control)
- Lower cost as warehouse owned and operated by a third party.
- Sharing management, labor, equipment, information
- A certain degree of control at a reasonable price
- Long term contract



Source: Donald J. Bowersox: *Supply Chain Logistics Management, Fourth Edition, 2013*

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# Multi-User Warehousing

Multiply choice of warehousing options are available

Stocking in and shipping from multiple distribution point

Centrally located in strategic areas where transportation is accessible and in close proximity with downtown distribution points

Special condition for storage of different type of products (proper sanitary handling, required temperature control, professional storage of dangerous materials)

Sharing the cost benefits amongst other similar organizations with better material handling processes and efficient operational performances

Sharing special management system as well as information database, human resources, different storage systems (manual or automated pallet racks, shelving racks, or cantilever racks)



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1. David H. Blackburn, "Amazon's Warehouse Strategy: The Right Time to Move In", *Supply Chain Management*, 2012.
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5. David H. Blackburn, "Amazon's Warehouse Strategy: The Right Time to Move In", *Supply Chain Management*, 2012.



**Warehouse option decision depends on:**

- Location relative to customer base, located near a primary customer or the secondary office
- Duration: temporary or permanent storage
- Specialized services: hazardous materials, cold storage, oversized cargo capacity
- Flexibility: duration of employment, stacking
- Costs: the cost per square foot, taxes
- Product type: bulk liquid, gases

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**Multi-User Warehousing**

- As a result of multi-user warehousing, the available space is shared among several users.
- Specialized services for storage of hazardous materials, cold storage, oversized cargo capacity.
- Flexibility: duration of employment, stacking
- Costs: the cost per square foot, taxes
- Product type: bulk liquid, gases

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**Public Warehousing Option**

- Location: independent business
- Duration: temporary or permanent storage
- Specialized services: hazardous materials, cold storage, oversized cargo capacity
- Flexibility: duration of employment, stacking
- Costs: the cost per square foot, taxes
- Product type: bulk liquid, gases

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**Private Warehousing Option**

- Location: independent business
- Duration: temporary or permanent storage
- Specialized services: hazardous materials, cold storage, oversized cargo capacity
- Flexibility: duration of employment, stacking
- Costs: the cost per square foot, taxes
- Product type: bulk liquid, gases

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**Contract Warehousing Option**

- Location: independent business
- Duration: temporary or permanent storage
- Specialized services: hazardous materials, cold storage, oversized cargo capacity
- Flexibility: duration of employment, stacking
- Costs: the cost per square foot, taxes
- Product type: bulk liquid, gases

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