

Social context

Amazon A-Z: Logistics

“The Amazon business that FedEx recently lost was some of the least profitable business the company handles. Because of its free delivery policy for Prime members, Amazon demands very low-priced delivery service from carriers who want to get a piece of its massive and ever-growing volume of shipments” – writes Chris Isidore from CNN Business.

The pressure that Amazon puts on logistic and freight companies is largely due to the Prime service, where customers and clients can make unlimited purchases with free delivery. But delivering each shipment means extra expenses, so Jeff Bezos tries to minimize them at all costs. That’s why FedEx decided in late 2019 not to renew its contract with Amazon, not seeing any further profit prospects. In response, Amazon decided to prohibit third party sellers on its platform from using FedEx services, explaining this by the unsatisfactory speed of service (the decision was eventually reversed).

This step, however, has a different subtext. For many years Amazon has been developing its own logistics capabilities at every level. In the 2016 articles in “Quartz” and “Business Insider”, Chase Purdy and Danielle Muoio describe this process. Purdy: “To slice away at shipping costs, the company is eliminating the middlemen in China who deliver goods from warehouses to seaports, opting to bring that job in-house. It also bought thousands of tractor trailers (not the trucks) to more efficiently load and ship goods. And most recently, Amazon announced it’s leasing 20 Boeing 767s [...]”. In 2019, there were already 50 planes and by 2021, the number is expected to rise to 70. In the same year, the company also wants to launch an air hub in Kentucky, with a warehouse and parking spaces for 24 machines.

Muoio: “Amazon has also dipped into actual ships. The company’s subsidiary in China has obtained a license that allows Amazon to sell space on container ships traveling between Asia and the US and Europe.” “This makes them the only e-commerce company that is able to do the whole transaction from end-to-end. Amazon now has a closed ecosystem” – adds Steve Ferreira from Ocean Audit, cited by “USA Today”. So, we have a large volume of sea transport, fast air transport and trucks moving between the fulfillment centers. The last element missing, which closes

the mentioned “ecosystem” is what in logistics is called “the last mile”.

But first, let’s look at one more, maybe the most important aspect of these changes – people. Employees are most often the ones who bear the real burden of cost-cutting. Taking the entire logistics process under Amazon’s own wing may mean the same thing to employees in related industries as to warehouse workers. According to Abha Bhattarai and Kevin Williams of “The Washington Post”, several dozen Atlas Air pilots – the subcontractor operating Amazon Air – protested in April 2019 against working conditions and wages, shortly after the crash of one of the Amazon-coloured Boeing 767s. An initial investigation into the case showed, as Jeremy Bogaisky of “Forbes” reports, that the first officer in the ill-fated flight was performing poorly during his training in Atlas Air, and in applying for work he concealed previously failed training from other carriers.

The protesting pilots added to this too long working hours and low wages. According to the pilot quoted by “The Washington Post”, Atlas Air planes flying for Amazon earn 40 to 60% less than those flying for UPS or FedEx. According to the trade union survey, also cited by the protesters, 60% of Atlas Air pilots would like to quit their jobs and move on to the competition. “It was a slow company. Now there is more work than ever,” adds another pilot. Amazon is also completely changing the rules of remuneration for truck drivers, but in this case, according to “Business Insider”, the industry’s views on the effects are strongly divided.

Let’s get back to the “last mile” issue. Amazon consistently cultivates its image of a great innovator who turns the rules of the game over and introduces innovative technical solutions. A few years ago, it advertised loudly for super-fast drone delivery tests, and patents filed by the company confirm that Jeff Bezos thinks about it very seriously. However, as long as technology, costs and legal conditions don’t allow for the full implementation of these solutions, Amazon always reaches for low-paid employees.

The reality of the “last mile” today is not ultra-modern, autonomous drones, but a network of small courier companies, to which the e-commerce giant can freely impose high work rates and low wages, unlike large, strongly unionized companies

such as UPS, FedEx or USPS. On top of that is Amazon Flex, an app that works on a similar basis to Uber, through which almost anyone with a driving license and a car can become Amazon deliveryman or woman. Analysts of investment bank Morgan Stanley calculate that in 2019 Amazon itself delivered 2.5 billion packages globally, while FedEx about 3 billion and market leader, UPS, 4.7 billion. According to their forecasts, in 2022, Bezos' corporation will be the new leader, with 6.5 billion shipments, also providing services to other companies. The question is at what cost.

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