WEEK 10: Amazon.eu CASE STUDY

MIS 3537: Internet and Supply Chains
2005 - Present

- Jeff Bezos ‘Napkin sketch’ outlining Amazon’s Strategy
“Catch the US in Five Years”

- 2002
  - US: $2,764 MM
  - Int’l: $1,168.9

- 2015
Segment Results – International

**Net Sales**
- Up 12% Y/Y; Up 22% F/X adjusted

**Operating Income (Loss)**
- Down 7% Y/Y; Up 65% F/X adjusted
## Current Network

<table>
<thead>
<tr>
<th>Flag</th>
<th>Country</th>
<th>Facility Type</th>
<th>Number of Active Facilities</th>
<th>Active Square Feet</th>
<th>Future Facilities</th>
<th>Future Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>United States of America</td>
<td>Fulfilment Centers and Redistribution Centers</td>
<td>75</td>
<td>59,093,700</td>
<td>10</td>
<td>7,264,300</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sortation Centers</td>
<td>26</td>
<td>7,135,600</td>
<td>1</td>
<td>117,200</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Prime Now Hubs and Fresh Delivery Stations</td>
<td>59</td>
<td>1,982,400</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td><strong>SubTotal USA</strong></td>
<td></td>
<td><strong>160</strong></td>
<td><strong>68,211,700</strong></td>
<td><strong>11</strong></td>
<td><strong>7,381,500</strong></td>
</tr>
<tr>
<td></td>
<td>Canada</td>
<td>Fulfilment Centers</td>
<td>5</td>
<td>2,140,100</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Mexico</td>
<td>Fulfilment Centers</td>
<td>1</td>
<td>400,000</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>United Kingdom</td>
<td>Fulfilment Centers</td>
<td>10</td>
<td>5,270,300</td>
<td>2</td>
<td>1,654,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Delivery Stations</td>
<td>20</td>
<td>1,545,200</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
<td>Fulfilment Centers</td>
<td>9</td>
<td>9,404,200</td>
<td>1</td>
<td>500,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Prime Now Hubs</td>
<td>14</td>
<td>66,500</td>
<td>1</td>
<td>75,300</td>
</tr>
<tr>
<td></td>
<td>France</td>
<td>Fulfilment Centers</td>
<td>4</td>
<td>2,647,000</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Italy</td>
<td>Fulfilment Centers</td>
<td>1</td>
<td>645,600</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Spain</td>
<td>Fulfilment Centers</td>
<td>1</td>
<td>807,000</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Czech Republic</td>
<td>Fulfilment Centers &amp; Return Centers</td>
<td>2</td>
<td>1,291,200</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Poland</td>
<td>Fulfilment Centers</td>
<td>3</td>
<td>3,438,300</td>
<td>1</td>
<td>-</td>
</tr>
</tbody>
</table>
2005 - Present

- Amazon growth rate vs. e-commerce sales growth in US
2005 - Present

- Share Price
Tom Taylor – now VP Sellers Services

- Webstore,
- Payments
- Fulfillment by Amazon)
SPECIAL TOPICS IN GLOBAL SUPPLY CHAINS – ETHICS AND ENVIRONMENT
AGENDA

- Ethics
- Green Supply Chains
ETHICS

- **Definition**
  - society's general understandings of what is good or appropriate behavior

- **Corporate Social Responsibility**
  - corporate self-regulation
  - monitor and ensure their adherence to law, ethical standards, and international norms.

- **Social accounting**
  - communication of social and environmental effects of a company's economic actions to particular interest groups within society
ETHICS IN SUPPLY CHAINS

- a company at one part of the supply chain (typically a brand owner, retailer or other Western company with a public profile) takes responsibility for the social and/or environmental performance at other stages of the chain

Why?
- Most powerful value chain members bears greatest burden of responsibility
- With greater power comes greater responsibilities
Ethics in Supply Chains

What are Challenges to ensuring ethics in supply chains?

- 
- 
- 
- 
- 
- 
- 
ETHICS IN SUPPLY CHAINS

What are Challenges to ensuring ethics in supply chains?
- Outsourcing (e.g. control)
- Globalization (e.g. different laws, expectations)
- Complexity
- Competition ( $$, opportunity)
CONCERNS IN ETHICAL SUPPLY CHAINS
CONCERNS IN ETHICAL SUPPLY CHAINS

- Child labor
- Low prices
- Harsh working conditions
- Strong arm tactics
- Discrimination / Diversity
- Environment
- Late recall of unsafe products
- Animal and human testing
- Biopiracy
- Employee raiding
- Political unstability
- Utilization of natural resources
ETHICS IN SUPPLY CHAINS

- How to Drive Ethics in your Supply Chain?
  
  - 
  
  - 
  
  - 
  
  - 
  
  - 
  
  - 
  
  -
ETHICS IN SUPPLY CHAINS

How to Drive Ethics in your Supply Chain?

- Identify and develop suppliers whose policies and values mirror yours
- Influence supply chain partners using size, buying power, reputation, ...
- Willing to do the right thing – including ending relationships / contracts with unethical or repeat offenders
- Focus from traditional → sustainable SC
- Leadership: Vision backed up with disciplined decisions & actions
Fair Trade

- Fair trade's strategic intent is to deliberately work with marginalized producers and workers to help them move from a position of vulnerability to one of security and economic self-sufficiency.

- Handicrafts, coffee, cocoa, sugar, tea, bananas, honey, cotton, wine, fresh fruit, chocolate and flowers.

- Setting a price floor; ensuring sustainable business practices

- Starbucks fair trade certified coffee
FAIR TRADE PRINCIPLES

- Market Access for Marginalized Producers
- Sustainable and Equitable Trading Relationships based on dialogue, transparency and respect
- Capacity Building & Empowerment
- Consumer Awareness Raising & Advocacy
- Fair trade supply chains
  - integrated supply chain
  - product certifications
SUPPLY SIDE

- Ethical Consumerism
- Fair trade
- Organic
- Dolphin safe fish
- Animal welfare standards (e.g. Free range poultry)
- Rainforest alliance certified
- Recycled Material Use
GREEN SUPPLY CHAINS

- Which is more environmentally friendly
  - Beer in glass bottles or beer in cans?
  - Is buying local always the right choice?
  - Real or fake firs?

BUY LOCAL.
GREEN SUPPLY CHAINS

- Definition:
GREEN SUPPLY CHAINS

Definition:

- Sustainable
- Long-term commitment
- Entire supply chain (including suppliers capability)
- Considers the environmental, social and economic consequences of:
  - Design
  - Non-renewable material use
  - Manufacture and production methods
  - Logistics, service delivery
  - Use, operation, maintenance
  - Reuse, recycling, disposal
GREEN SUPPLY CHAINS

Elements

- Green Design
- Green Sourcing
- Green Production
- Green Distribution
- Green Reverse Logistics
GREEN SOURCING

- Green Design
  - Emotionally durable design
  - Preservation of natural resources
  - Ease of Production
  - Waste Prevention
  - Less packaging
  - Life Cycle (Design for reuse, recycle, disposal)
GREEN SOURCING

- **Supplier Screening**
  - Pollution, emissions, waste control
  - Less packaging
  - Biodegradable materials
  - Preservation of natural resources

- e.g. ordered all 5000 suppliers be ISO 14001 (EMS- Environmental Management System) compliant (1998 – 2003)
  - “… proven that business and the environment can live in harmony, Ford has demonstrated it can save millions of dollars and at the same time reduce our environmental impact.”

*Tim O’Brien – director of Ford’s Environmental Quality Office*
GREEN PRODUCTION

- Environmental Compliance
- Remanufacturing
- Disposal of hazardous waste
- Waste prevention
- Energy Sources and Use (Carbon Footprint)
- Using safe materials
  - Mercury free batteries
  - No CFC
GREEN DISTRIBUTION

- Green packaging
- Green Equipment (e.g. Energy Star)
- Green transportation
  - Fuels
  - Efficiency (Empty miles, e-Distribution)
- Green marketing
- Measure and Minimize
GREEN REVERSE LOGISTICS

- Waste free supply chains
- Incentivize consumers to reuse and recycle
- Ensure a well developed recycling network
  - Acquisition, reverse logistics, refurbish, market
- Recovery, Refurbish
**Examples**

- **IKEA**
  - ‘People and Planet Positive’
  - Energy, waste, sustainable sourcing

- **Cisco**
  - “What is good for the world and good for business are more closely connected than ever before.” CEO
  - Product Life-cycle (e.g. returns)
  - Energy, emissions, waste, ...

- **Starbucks**
  - Hi quality, ethically purchased and responsibility produced products
  - Minimize environmental footprint ... inspire others to do the same.
Do ethics work?

- Voting with dollars
  - How much higher price are you willing to pay for ‘ethical’ products?
  - Do You vote for Social Responsibility, ‘Green’ with your $$? 
CONSUMER INCONSISTENCY

“I love my car; I hate the bus. Yet I vote for candidates who promise to tax gasoline to pay for public transportation. ... I have an “Ecology Now” sticker on a car that drips oil everywhere it is parked.”? Mark Sagoff

Does it Exist?
Do ethics work?

- Consumers and “green”

How important is it to you for coffee shops to be “green”?

- Very important, I only go to businesses with environmentally sustainable practices
  - 12%

- I do not pay attention to these practices because I think, in most cases, it is not a sincere effort
  - 17%

- Not important, other factors such as quality/price play a bigger role in my decision
  - 23%

- Somewhat important, I support these businesses but do not prefer them as a result of this practice
  - 47%
Do ethics work?

- Corporate Social Responsibility (CSR) is a means to avoid regulation
  - Window dressing?

- Management Tension?

Profits $$
Doing what’s best for Society
Questions ?