# Amazon Package as Supply Chain

## Idea In Short

Amazon's decision to ship products without extra outer boxes is not a packaging gimmick; it is a deliberate supply chain play that cuts cost, crowdsources intelligence and tightens the link between manufacturer and customer. Executives should view packaging as a strategic lever, not an afterthought.

## The Doorbell, the Text and the Missing Box

A delivery arrives at the front door. The Echo lights up with a yellow ring. A text message confirms the package is there. Yet the familiar brown box is nowhere in sight. The product sits on the step in its manufacturer packaging, visible to every neighbor who walks past. For a customer accustomed to the privacy of a plain outer box, the change prompts a moment of reflection. An operations consultant would immediately frame this through the lens of Critical to Quality (CTQ). Is the outer box something the customer values enough to pay for? If the product arrives safe and sound, does anyone care? Amazon concluded that the answer is no, and the implications stretch far beyond packaging.

## Critical to Quality Thinking in Action

CTQ thinking forces executives to separate what is essential from what is superfluous. The outer box provided privacy and an extra layer of protection, but Amazon's data showed that products shipped in manufacturer packaging arrived intact at acceptable rates. The customer was not willing to pay for the outer box, so it failed the CTQ test. This is the same logic that underpins lean manufacturing and process improvement. Every component must justify its existence against the standard of what the paying customer actually values. 1 When a component fails that test, the smart move is to remove it.

## Crowdsourcing Intelligence From the Warehouse Floor

Amazon did not guess which products could ship without outer boxes. The company ran a pilot program for three months and involved more than 20,000 employees in identifying suitable items. Warehouse workers know shipping requirements better than anyone in a Seattle office, so Amazon turned them into a sensor network. The result was 2.2 million fewer boxes in a single program. Amazon claims that over the past decade it has eliminated 500 million boxes through this and other packaging initiatives. The broader lesson is that frontline employees hold operational intelligence that headquarters rarely accesses. Structured programs to capture that knowledge can deliver measurable cost savings at scale.

## Trade-Offs No Decision Is Free

Removing the outer box is not a free lunch. Fewer group packages mean Amazon sends products out one at a time, which can reduce the efficiency of consolidated shipments. Box purchasing power may decline as volumes drop. Manufacturers must strengthen their single-box packaging to withstand the full journey, which shifts cost upstream. Larger fonts and pictures appear on boxes designed for shipping rather than shelf display, turning every package into a walking advertisement. Greater variation in manufacturer box size, color and material introduces processing errors at the fulfillment center. Every supply chain decision creates a cascade of trade-offs, and executives must weigh these opportunity costs honestly before declaring victory.

## The Size of the Prize

Amazon's 2017 revenue was $178 billion and shipping costs were $11 billion. Packaging and logistics sit directly on the income statement, and even a fractional reduction in per-unit shipping cost translates into hundreds of millions of dollars. The expression "size of the prize" captures this mindset. Executives should quantify the financial impact of operational changes before committing resources. A packaging change that saves one dollar per shipment across billions of packages is not a detail; it is a strategic initiative. 2 The discipline of tying operational decisions to financial outcomes is what separates supply chain management from mere logistics.

## Backward Integration and the Delivery Service Partnership

Amazon announced plans to compete more directly with FedEx and United Parcel Service (UPS). The company already ships roughly 20 percent of its own packages and now picks up products from sellers to offer end-to-end service. Residential surcharges of $3.80 or more per package give Amazon a structural cost advantage, because business-to-consumer delivery is its core competency. The Delivery Service Partnership program creates a franchise system where a $10,000 investment gets an operator started. Operators hire and run teams of 20 to 40 delivery personnel. In Porter's Five Forces terms, Amazon exerts buyer power by vertically integrating backward into its supplier's space. The company gains stronger negotiating power and can choose where to compete, rather than duplicating capacity where UPS already has coverage.

## Economies of Scale and Scope

Amazon operates approximately 100 million square feet of warehousing with another 35 million in the pipeline. Combined, that footprint is roughly two-thirds the size of Manhattan. The network includes 75 warehouses, 3,000 trailers and 32 airplanes. The company invested $1.5 billion in a 200-acre air hub adjacent to the Cincinnati airport, with a similar facility in Fort Worth, Texas. Economies of scale drive down average fixed cost per unit as volume grows. Economies of scope tell a more interesting story. Amazon started with books, acquired Zappos in 2009 and now runs cloud services, a grocery chain and an online pharmacy. With 100 million Prime members globally and 56 percent of Americans starting product searches on Amazon, the company has captured the customer experience. The next frontier is extracting more wallet share from each visit.

## Where Else This Is Headed

Amazon is an explorer culture willing to redefine the question. Drones captured headlines, but the deeper insight is about delivery destination. If the problem is getting the package to the customer, why must it go to a home? Amazon Lockers, Whole Foods stores and even automobile trunks offer alternative delivery points. Automobile manufacturers work with Amazon to allow third-party access to car trunks, which raises obvious security questions. 3 The common thread is that Amazon treats the last mile as a design problem, not a fixed constraint. Executives in any industry should ask the same question: which assumptions about the customer experience are actually immutable, and which are artifacts of old thinking? The company that redefines the delivery problem first gains a durable advantage. Amazon also lists its competitors in its annual filing across seven categories: retailers, manufacturers, search and shopping, e-commerce, logistics, cloud and electronic devices. Logistics appears explicitly, which signals that Amazon sees delivery as a competitive arena rather than a cost center. That framing matters because it means every packaging decision feeds a broader strategy of owning the customer relationship end to end.

- 1Amazon's frustration-free packaging program details
- 2Amazon 2017 annual report and shipping cost disclosure
- 3Amazon Key in-car delivery program overview

## Summary

Amazon treats every package as a micro supply chain decision. Removing the outer box saves millions of dollars, crowdsources warehouse knowledge and deepens manufacturer partnerships. The lesson is clear: question every component that the customer does not value.