

Amazon's people problem poses an existential threat to its customer experience

Article

The challenge: Amazon may run out of people to hire in its US warehouses by 2024 due to attrition and competition for workers, according to leaked internal research reported by

Recode.

- The report examined the pool of available workers based on characteristics like income and their proximity to current or planned Amazon facilities.
- The crisis is particularly acute in a few markets, including the Phoenix metro area and the Inland Empire of California.
- The situation could become **an existential crisis for Amazon**, which has built its well-regarded customer experience model on the backs of a **more than 1-million-strong workforce** that rapidly picks, packs, and delivers shoppers' online orders.
- Amazon's labor model has long relied on an intentionally high turnover rate. Former CEO **Jeff Bezos** feared that the productivity of workers who remained at the company too long would decline as they grew complacent. As a result, the retailer churns through the equivalent of its front-line workforce every year, [per](#) The Seattle Times.

Compounding issues: Since the memo was written in mid-2021, Amazon's labor issues have grown even more complicated.

- **The labor market has tightened**, with the **unemployment rate falling to 3.6%**. There are **roughly two open positions for every person looking for a job**, [according](#) to the US Bureau of Labor Statistics.
- **Workers in Amazon warehouses are increasingly interested in organizing**, and there was a [successful unionization effort](#) in Staten Island, New York.

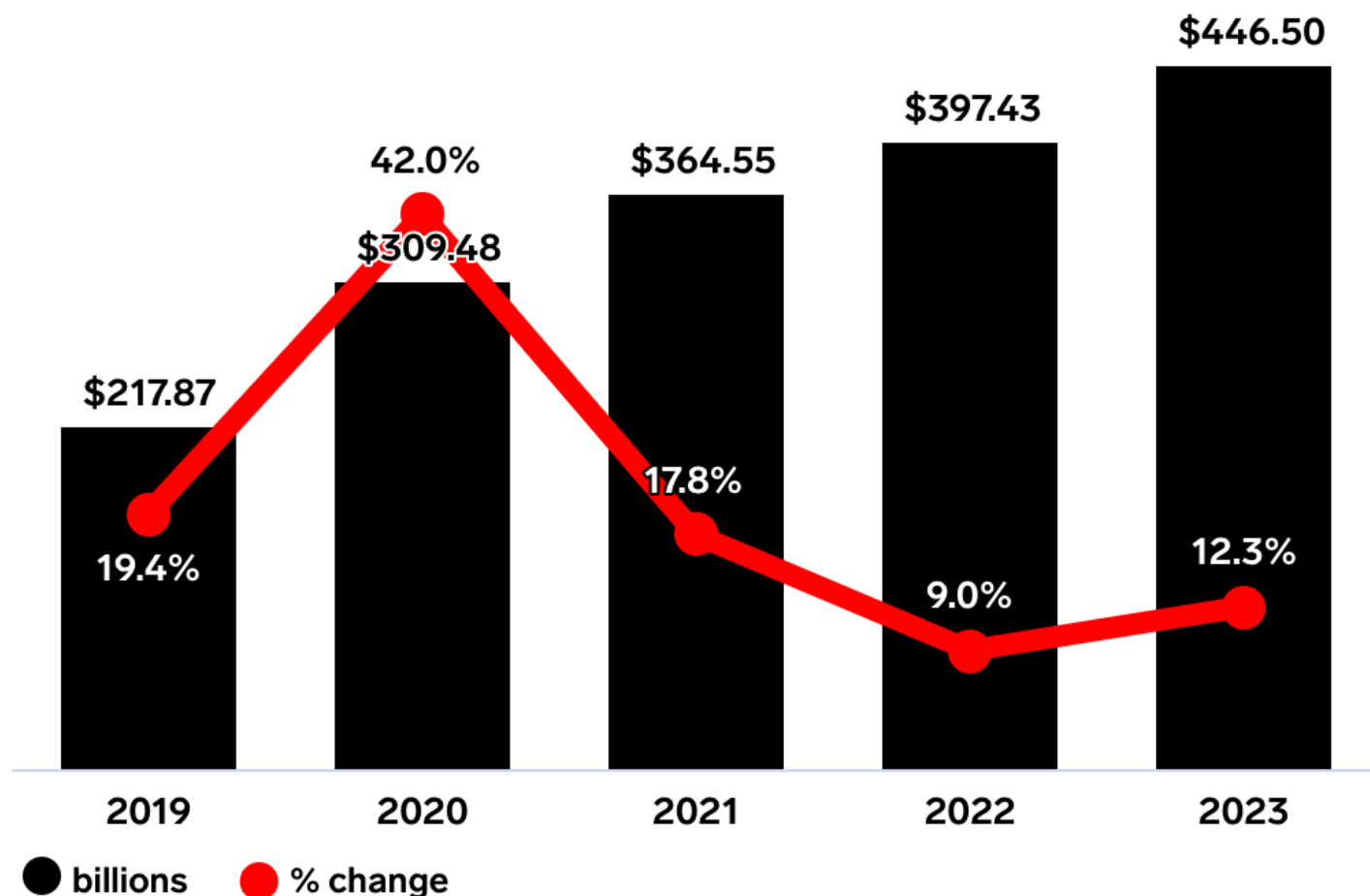
The customer experience: Amazon dominates US retail ecommerce thanks to the successful combination of a massive inventory, strong personalization, and a desire to be—in the words of its mission statement—"Earth's most customer-centric company."

- **But its growth is slowing:** We [expect](#) **Amazon's US retail ecommerce sales to grow 9.0% this year**, a marked slowdown from 17.8% a year ago.
- If its staffing issues worsen, Amazon's ability to deliver a superior customer experience could be threatened.
- The customer experience is critical to customer retention. **Sixty-four percent of consumers have stopped doing business with a company because of a poor customer experience**, [per](#) a 2022 Verint survey.

- Already Amazon saw a huge drop—from ninth in 2021 to 14th this year—in Axios/Harris Poll 100’s annual ranking of retailers’ reputations.

Amazon Retail Ecommerce Sales

US, 2019-2023



Source: eMarketer, June 2022

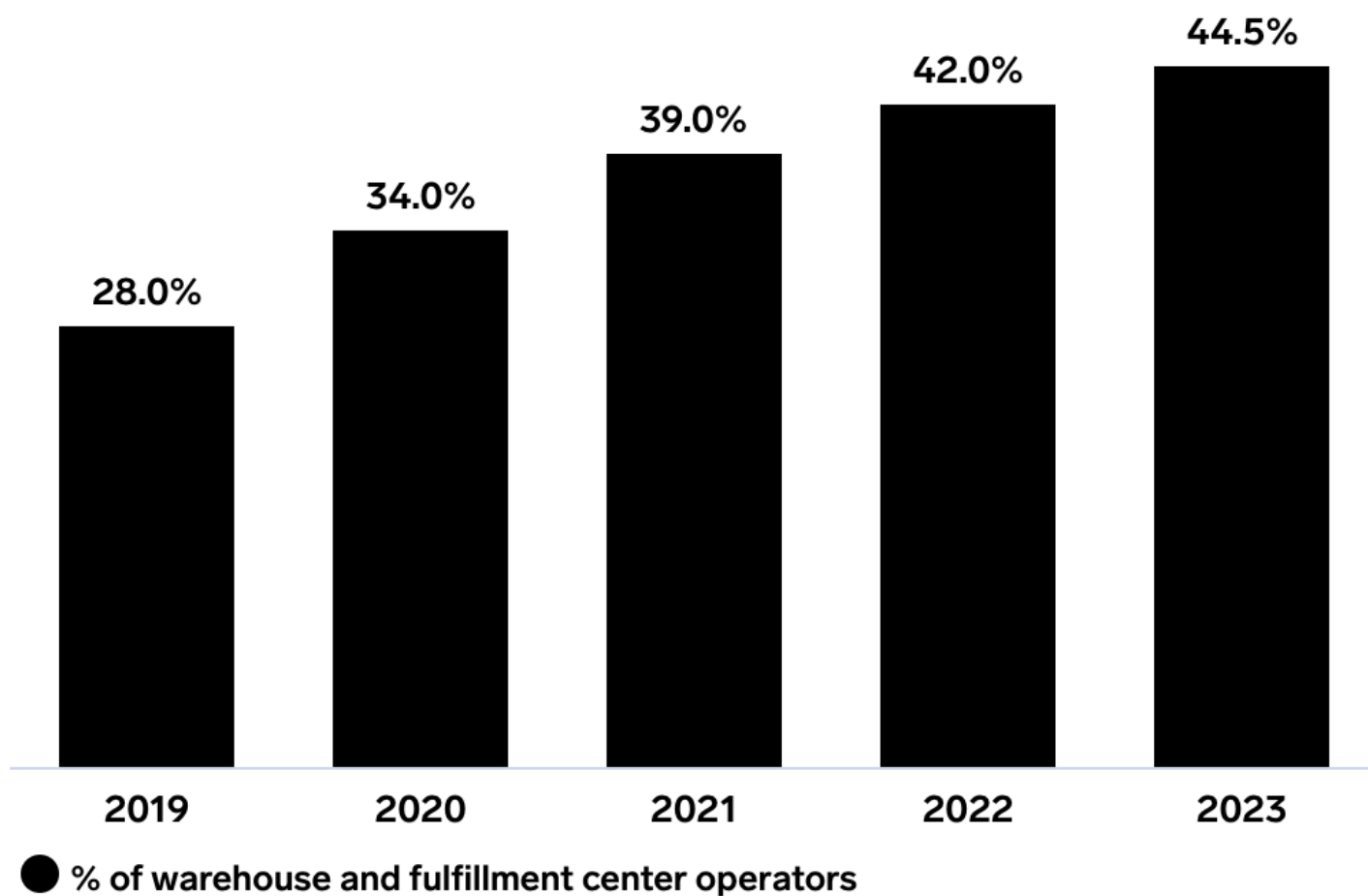
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What's next? The leaked research maps out potential solutions to Amazon’s churn problem, including increasing pay and expanding its use of automation.

- Amazon **boosted its starting pay** from \$15 to \$18 an hour for new transportation and fulfillment workers last September and **expanded its education and skills training benefits** for US employees.
- It has developed robots like **Proteus**, its “first fully autonomous mobile robot,” which can safely move large carts throughout warehouses, **per** a company blog post.
- And next year, Amazon will deploy **Cardinal**, an arm that can lift and move packages up to 50 pounds.
- It also leverages an **Amazon Robotics Identification** machine that reportedly recognizes packages, eliminating the need for workers to scan labels.

Warehouse and Fulfillment Center Robots

US, 2019-2023



Source: eMarketer, July 2021

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The big takeaway: The leaked report should have been a wakeup call for Amazon to rethink its old way of operating. Amazon has long focused on the customer at the expense of its workers. It needs to recognize that its workforce is critical to its long-term growth.

Go further: Read the Connectivity & Tech Briefing's take on Amazon's automation moves [here](#).