

Amazon's new service aims to capture more value from its fulfillment network

Article

The news: Amazon rolled out a new service called Amazon Warehousing & Distribution that lets sellers store long-term inventory in Amazon distribution centers to enable them to

“seamlessly replenish” fulfillment centers, [wrote Gopal Pillai](#), vice president of Amazon distribution and fulfillment solutions, in a blog post.

- The so-called “supply chain-as-a-service” offering, which is set to launch next year, aims to help address Amazon sellers’ inventory management challenges by offering operational efficiencies.
- “For many businesses, managing logistics and operations—such as inventory storage, distribution, and order fulfillment—is a source of complexity and cost,” wrote Pillai. “These challenges have only been amplified in recent years as constrained supply chains caused global inventory backups and fulfillment challenges.”

Good timing: Amazon is seeking to wring value out of the [excess capacity](#) it built up when it aggressively expanded its warehouse footprint throughout the pandemic in response to the surge in ecommerce demand.

- The timing is right given that [warehouse vacancy rates](#) are among the lowest they have been in decades. That’s due to a confluence of factors, including retailers stocking up early on goods to avoid supply chain-related outages, and [softening demand](#) for items such as consumer electronics, which has left merchants with excess inventory.

The big takeaway: Amazon is making a savvy move that, not surprisingly, should bolster its business by luring sellers deeper into the Amazon ecosystem.