Amazon closes several facilities

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At first, the news seemed horrible for Amazon.

That's good news or bad, depending on whether you consider the online retailing giant to be our benevolent overlord or the epitome of evil and the root cause for the end of civilization.

The news, compiled over the last few months by consulting firm MWPVL and reported by Bloomberg, is that Amazon is closing dozens of its facilities and scuttling plans to open others.

Most of the buildings that have closed are delivery stations, which is where delivery drivers are given the goods to be delivered.

Forty-two buildings or planned facilities are affected, totaling almost 25 million square feet of usable space. Another 21 buildings with a whopping 28 million square feet of usable space have had their openings delayed.

Does that mean that Amazon has had a setback? Has its tentacles, like kudzu, finally reached a place in which it cannot grow?

Has it reached a saturation point at which it is so dominant in American business that it can no longer expand and necessarily has to begin to contract?

Well, no. Not really.

When the coronavirus first hit and everybody started shopping online, Amazon leadership moved basically to open as many warehouses as they could. They were moving more product than ever, and they needed space to keep the inventory until they could ship it out. They doubled their already massive shipping and storage capacity in just two years.

This fact astounds me: For a while, the corporate giant was opening an average of one massive new warehouse every 24 hours.

In other words, they did what they had to do to meet the demand.

But happily, shoppers are discovering brick-and-mortar stores again.

Amazon weathered the crisis, and the crisis has passed.

Now it has warehouses to sell and employees to get rid of. So far, they have not had to resort to layoffs. But during the second quarter of this year alone, they have trimmed their hourly workforce by 100,000 people, down to 1.52 million.

The company has achieved this near decimation by slowing its hiring and also, as Bloomberg put it, "tightening disciplinary or productivity standards."

Meanwhile, Amazon continues its building spree in other locations, if at a diminished pace. The idea is to have the buildings where they need them, when they need them.

The "when" part of the formula is especially intriguing.

It's fall now. The holiday gift-buying season is almost at hand. While Amazon trims the fat, they will have to make certain to keep enough space and enough employees to handle what will soon be a greatly expanded demand.

It's a tough tightrope to walk. Amazon, a company that thrives or dies on its logistical abilities and efficiency, will have to determine precisely how much space is too much, and how many employees are too few.

Its financial health—and a happy holiday season for the entire country—depend on it.