

Why Amazon Wants Its Own Web of Delivery Contractors

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If you order now, by this time tomorrow, your Amazon Prime package will likely be on your doorstep.

With the move to guarantee one-day delivery for Prime Members, Amazon has faced increasing pressure to streamline and improve its supply chain operations continually. According to [2019 Q3 earnings](#), sales have grown 24% from last year as a result – notwithstanding a significant drop in operating income due to the increased investment in infrastructure. Prime Day is past, but with peak holiday shopping still to come, they need that infrastructure more than ever. Significant numbers of brick-and-mortar retailers closing means that there is more e-commerce market share to be had and taken.

Amazon recently let contracts with existing DSPs (delivery service providers) expire, resulting in thousands of layoffs. In place of the DSPs, there's [Amazon Logistics](#) – the no-experience-needed, small logistics business that anyone can start. Through Amazon Logistics, area locals can manage a team of 40-100 people and provide last-mile delivery from the nearest Amazon warehouse to the doorstep, usually the most expensive part of the delivery process.

With smaller, newer DSPs for last-mile delivery, Amazon can build out a centralized, data-driven network of contractors without having to integrate pre-existing third-party systems. From the warehouse to the final destination, all package information can live in one place. An in-house logistics network is not a band-aid; it's a whole new limb. It also doesn't hurt that this way, Amazon gets to maintain its bargaining power versus being reliant on a giant like FedEx or UPS.

It's not just about limiting accident liability, either. Amazon has come under fire for causing [well-publicized traffic accidents and deaths](#), but it also wants to minimize the financial risk of last-mile delivery. When demand inevitably fluctuates, the risk is on contractors and Amazon can stay nimble. One-day shipping is already a major investment, and even more so would be incurring the startup costs of hundreds of local DSPs.

The investment thus far seems warranted. A rapidly growing percentage of Amazon deliveries are being fulfilled “in-house” versus by a third party. Amazon can maintain control over delivery, an integral piece of the famous [Amazon Flywheel](#). They have the demand for vertical integration and in a few quarters, will have the infrastructure.

Meanwhile, Amazon's main competitor, Walmart, also touts [free one-day shipping](#) for qualifying orders and without a \$119 membership fee. Walmart has over 4,700 stores that can act as small distribution centers and a world-renowned logistics network. They have a 57-year history versus



Amazon's 25 years. Yet, Amazon boasts a market cap that is twice Walmart's, and its growth and expansion into new areas isn't anywhere near over.

Whether it was created for cost savings, bargaining power, data integration, efficiency, or general market take-over, Amazon Logistics can only grow.