

Amazon says its drone deliveries will launch later this year

Article

The news: Amazon plans to launch Prime Air drone deliveries in Lockeford, California, later this year, the company announced on its blog.

- Notably, it appears to still be working on regulatory approvals as it noted, “We are working with the Federal Aviation Administration (FAA) and local officials in Lockeford to obtain permission to conduct these deliveries.”

Why now? When then-Amazon CEO **Jeff Bezos** in 2013 revealed the retailer's plans to launch a fleet of drones that could deliver orders within 30 minutes of the push of the buy button, he set off a rush within his own organization—and rival companies such as **Walmart**—to be among the first movers in the space.

- Bezos was overly optimistic about the initiative as he estimated that delivery by drone would appear within four or five years.
- Nearly a decade later, **the retailer has spent more than \$2 billion on the effort**, and assembled a team of more than 1,000 people around the world, per Bloomberg.
- **Amazon has fallen behind Walmart**—which last month announced it was expanding its DroneUp delivery network to six states—and **Alphabet**—which in April announced plans to roll out drone delivery service in the Dallas-Fort Worth area.
- However, with a tight labor market and high gas prices, **the current moment does offer a welcome backdrop for an alternative future.**

An expensive proposition: For now, the promise of drone delivery is a far cry from the reality as the technology is one of the most inefficient and costly means of delivery.

- Amazon's internal projections show **each package delivered via drone will cost the retailer \$63 in 2025**, per Business Insider.
- That's a far cry from the estimated **\$4.50 to \$5.50 it spends per package when it uses third-party delivery partners** or the **\$3.47 per package it spends for products shipped through its own logistics network**, according to estimates from Wells Fargo and MWPVL International.

Safety concerns: In addition to concerns about cost, there are also safety issues.

- **Amazon's prototype delivery drones had crashed at least eight times in the previous 13 months**, Business Insider reported in March.
- At least one of those crashes resulted in an acres-wide brush fire.
- Those types of safety issues (which Amazon says it has resolved), as well as concerns about noise, could lead some areas to prohibit the use of drones in their area.

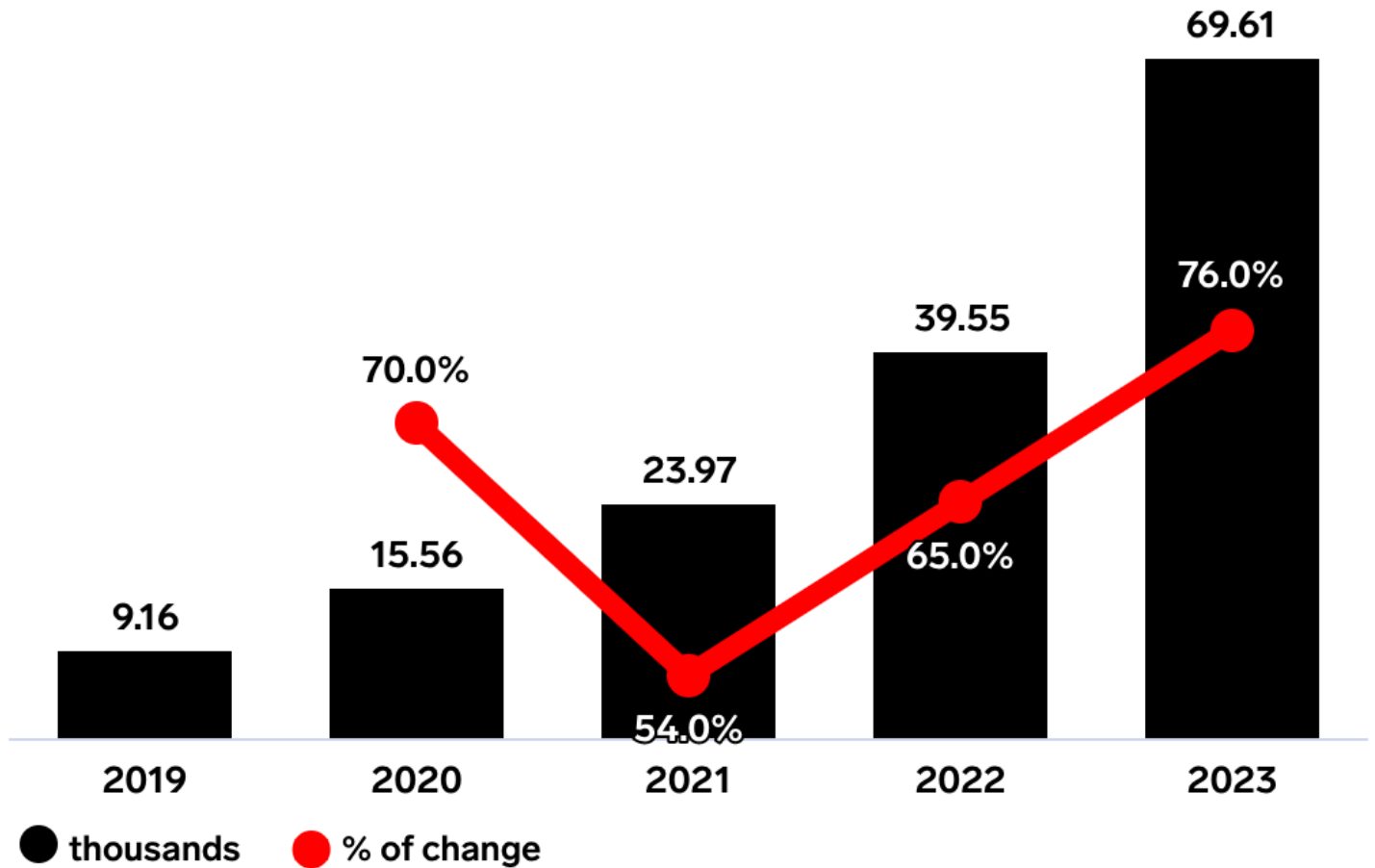
The big takeaway: It is still very early days for drone-based deliveries.

- While we estimate that the number of delivery drone units will rise 65.0% this year and another 76.0% next year, the overall numbers remain relatively small.

- There's a good reason for that, as it is not yet clear how or why delivery drones offer an advantage over current techniques.

Delivery Drone Units

US, 2019-2023



Source: eMarketer, July 2021

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