

# Amazon notched considerable ecommerce gains in Q2 thanks to improvements in fulfillment

Article

**The news:** Amazon's retail business regained momentum in Q2 as the company's cost-cutting initiatives began to bear fruit.

- Net sales rose 11% year-over-year (YoY) to \$134.4 billion, significantly outpacing Bloomberg's estimate of \$131.6 billion.
- Amazon's North America retail segment swung to a profit, with sales up 11% YoY and operating income of \$3.2 billion.
- Advertising revenues rose 22% YoY to \$10.68 billion, beating StreetAccount's \$10.4 billion estimate.

**The need for speed:** CEO Andy Jassy highlighted the progress the company made in reducing fulfillment costs, even as it speeds up delivery times.

- Amazon recently moved to a regional fulfillment model that allows each of its eight geographic zones to operate largely independently. That has enabled the retailer to deliver items faster—and more efficiently—than before.
- More than half of US Prime orders in the 60 largest metro areas arrived on the same or next day in Q2, the retailer said.
- With faster delivery comes higher sales: The company has “seen a corresponding increase in demand, higher conversion, and more items from more categories brought into a shopper's consideration set for purchase,” an Amazon spokesperson told Insider Intelligence.
- Amazon plans to double the number of same-day facilities over the next few years to capitalize on the opportunity, as well as maintain an edge over rivals like Walmart and Target, that are making similar moves.

**The grocery question:** While Amazon's earnings release highlighted the company's achievements in ecommerce, AWS, advertising, generative AI, and even its B2B business, it stayed mum on grocery—an indication that the company is struggling to figure out a path forward in that highly competitive sector.

- Earlier this week, the retailer announced a series of significant changes to its grocery model, including letting non-Prime members access delivery as well as a streamlined ordering process.

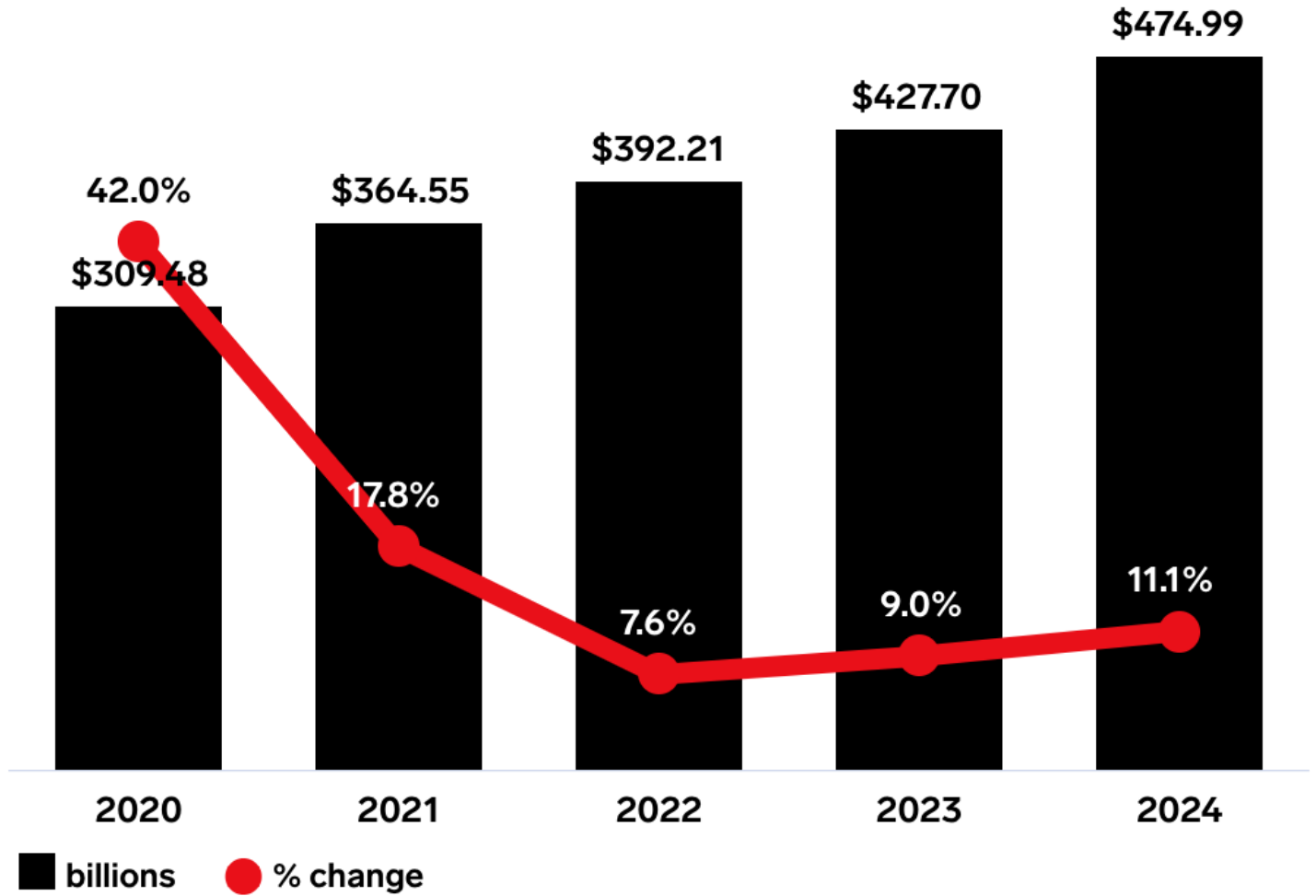
- But that might not be enough to appease investors, many of whom are openly questioning Amazon's ability to differentiate itself in an industry where consumers already have plenty of choice, and where it has no particular advantage.
- It seems that Amazon may finally be waking up to that possibility: Workers were informed that this year could be “make or break” for Amazon Fresh, a former employee told the Washington Post, as it scrambles to find a model that is both profitable and scalable.

**Looking ahead:** Amazon expects its sales momentum to continue into Q3, especially with the added boost from its [largest Prime Day ever](#).

- The retailer forecast sales in the \$138-billion-to-\$143-billion range (up 9% to 13% YoY).
- However, while Amazon's turnaround strategy under Jassy appears to be producing returns, an upcoming [FTC antitrust suit](#) could quickly take the wind out of its sails.

# Amazon Retail Ecommerce Sales

US, 2020-2024



Note: represents the gross value of products or services sold on amazon.com (browser or app), regardless of the method of payment or fulfillment; excludes travel and event tickets, Amazon Web Services (AWS) sales, advertising services, and credit card agreements; includes direct and marketplace sales

Source: Insider Intelligence | eMarketer, June 2023

Insider Intelligence | eMarketer