

Amazon looks to same-day delivery to spur growth

Article

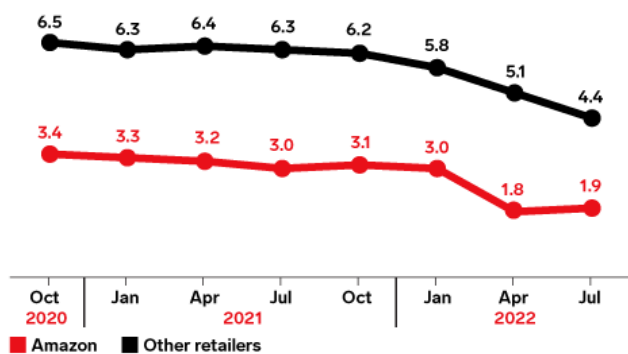
The news: Amazon is investing heavily in its network of ultrafast delivery options that enable shoppers to receive their orders within a matter of hours of clicking the buy button, [per](#) The Wall Street Journal.

- **The move comes at a challenging time for the retail giant.** [The company's ecommerce revenues](#) declined for four of the past five quarters and it has embarked on several large-scale [cost-cutting measures](#) such as [laying off](#) roughly 18,000 staff and putting its planned expansion of [Amazon Fresh](#) grocery stores on ice.
- **Fast-delivery competition is growing.** Target last week announced [plans](#) to invest \$100 million to expand its network of sortation centers to speed up and lower the cost of delivering online orders, **Shopify** recently rolled out its own [Shop Promise](#) service that guarantees next-day and two-day delivery, and companies like **Instacart** and **DoorDash** are helping an array of retailers offer consumers [quick delivery](#).

Amazon has consistently invested to ensure it can deliver consumers orders faster than other merchants to give it an edge on its competitors. For example, 65% of US consumers check a product's availability on Amazon to see if shipping is faster, [per](#) an X Delivery survey.

Click-to-Door Speed* for US Digital Purchases Made on Amazon vs. Other Retail Sites, Oct 2020-July 2022

days



Note: represents activity on NielsenIQ's platform; broader industry metrics may vary; *the number of days from a digital purchase transaction to package arrival
Source: NielsenIQ as provided to Insider Intelligence, Aug 10, 2022

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Expanding its infrastructure: Amazon's ultra-fast deliveries rely on the retailer's same-day sites, which are warehouses a fraction of the size of its more typical large fulfillment centers and are specially designed to prep items for immediate delivery. That stands in contrast to larger centers that often rely on delivery stations closer to customers for the final stage of shipping.

- Amazon has opened 45 same-day sites since 2019, [per](#) MWPVL International. The retailer has plans to open eight more and could expand to at least 150 centers in the next several years.
- The sites, which feature the retailer's 100,000 most popular items, are generally located near large cities such as Los Angeles, San Francisco, and Phoenix.

Finding the right formula: Ultrafast delivery can cost nearly double that of a shipment that makes its way through a typical fulfillment center, although same-day sites can cut some of those costs, MWPVL told The Journal.

- However, ultrafast delivery is one of myriad services that Amazon uses to make its Prime subscription service sticky. It also recoups some of those costs by collecting a \$2.99 fee per order that doesn't meet a \$25 minimum threshold.
- While Amazon needs to build out its infrastructure to deliver items quickly, both Target and **Walmart** can leverage their stores to quickly get shoppers' online orders to their doors.

The big takeaway: "For the first time in a long time, Amazon is feeling pressure in the delivery space," said **Blake Droesch**, eMarketer senior analyst at Insider Intelligence. "Amazon was a pioneer in the next-day and same-day space, but today consumers can access these types of delivery speeds from nearly every major retailer. Amazon knows that delivery is the cornerstone of Prime and staying ahead of the curve is crucial in retaining membership, especially as competing services like [Walmart+](#) gain prominence."

Go further: Read our report [The Future of Last-Mile Delivery](#), which explores the role of companies such as Instacart and DoorDash in helping retailers compete on delivery.

*This article originally appeared in Insider Intelligence's **Retail & Ecommerce Briefing**—a daily recap of top stories reshaping the retail industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

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