

Amazon's faster delivery speeds are resonating with customers

Article



The insight: Amazon is ramping up its technological innovation to increase delivery speeds—and its stickiness with customers.

- It's developing smart glasses for delivery workers to help them navigate driving routes and customers' homes. The tech can help them deliver more packages per shift and reduce
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fulfillment costs, per Reuters.

- The company is now [using drones to deliver items](#) in Arizona's West Valley Phoenix Metro Area in under an hour, the company announced last week.
- It's also combining its **Whole Foods Market** and **Amazon Fresh** fulfillment networks into a single delivery platform, establishing Amazon as a [one-stop shop](#) for all grocery and household needs.
- And Amazon continues to expand its use of automation: Its newest fulfillment center in Shreveport, Louisiana, features thousands of robotics systems and is "the largest advancement in robotics and AI technologies deployed" in company history.

Why it matters: There's a reason Amazon is fixated on delivery speed—the faster customers get their orders, the more likely they are to use the retailer for everyday needs like health, beauty, and personal care items, as well as nonperishable grocery products.

- "When customers purchase these types of items from us, they build bigger baskets, shop more frequently, and spend more on Amazon," CFO **Brian Olsavsky** said on the company's [Q3 earnings](#) call.
- **Amazon's everyday essentials business is growing 50% faster than the rest of its retail business**, retail CEO [Doug Herrington revealed](#) during a recent internal all-hands meeting, largely because more than half of those essentials are now being delivered same- or next-day.
- Those improvements are helping Amazon [win ecommerce share](#) in the health and personal care and the food and beverage categories (among others)—and [grow online sales](#) faster than the vast majority of its competitors.

Room for growth: Amazon has made great strides in speeding up fulfillment—more than 40 million customers benefited from same-day delivery in Q3, up 25% year over year (YoY).

But it sees opportunities for improvement.

- The retailer is overhauling its inbound fulfillment process to spread inventory more efficiently across its regional distribution centers. That lets Amazon get more items closer to the end consumer and reduces costs.
- While Amazon's fulfillment automation initiatives are in their "early days," they're producing results: The new Shreveport fulfillment center reduces processing time by up to 25% and

expands the number of items that qualify for same- or next-day delivery. It's also expected to reduce the company's cost to serve during peak delivery periods by 25%.

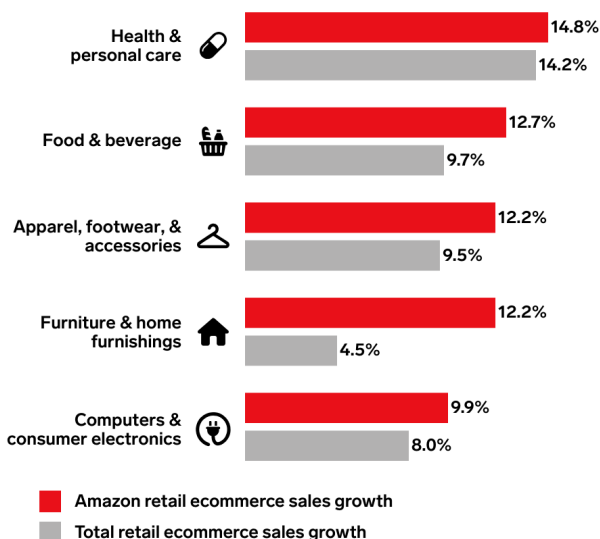
What it means for the holiday season: Amazon's investments in speed bode well for its performance this holiday season, as the shorter period between Thanksgiving and Christmas puts pressure on consumers to get their festive shopping done faster.

- Nearly 3 in 10 shoppers (29%) expect holiday gifts to be delivered in two to three days, per a survey by Radial—a 53% increase YoY. And 45% expect a three- to five-day delivery window, up 22% YoY.
- The retailer's ability to get shoppers what they need—and fast—will give it a **42.1% share of US holiday retail ecommerce sales** this year, per our forecast—more than its full-year share of US online sales.

Go further: Read our reports on [The Ecommerce Delivery Opportunity](#), [US Ecommerce Forecast 2024](#), [US Holiday Shopping 2024](#), and [US Amazon vs. Other Retailers Benchmarks: Q4 2024](#).

Amazon Is Gaining Category Share With Faster Growth in the Largest Ecommerce Segments

% change YoY in US Amazon retail ecommerce sales vs. total retail ecommerce sales, by category, 2024



Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales
Source: EMARKETER Forecast, July 2024

