More retailers are aiming for delivery self-reliance

Article



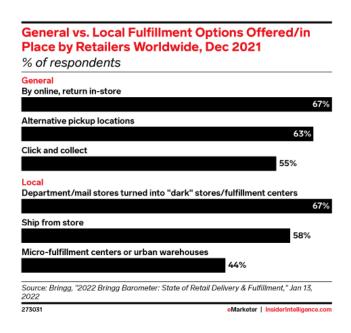
The trend: Major retailers like **Costco**, **Amazon**, and **JD.com** are building out their own logistics networks as they aim to reduce their reliance on third-party delivery partners.

- Costco now delivers around 85% of its US ecommerce shipments itself, the company's CFO
 Richard Galanti said during the latest earnings call.
- JD.com's logistics arm agreed earlier this week to buy Deppon Logistics, a trucking company, for about 9 billion yuan (\$1.40 billion), per a company release.





- Amazon has been growing its cargo airline and building out its delivery network over the past several years as it looks to exert more control on every step of the fulfillment journey, per The Wall Street Journal.
 - Why this matters: Logistics—particularly last-mile fulfillment—is becoming a priority for retailers looking to streamline their shipping processes and meet customers' expectations for rapid delivery.
- In the early days of the pandemic, it was clear that relying too heavily on third-party courier services would pose problems: High volumes increased the strain on delivery networks and made it difficult for companies like the USPS and FedEx to deliver packages on time.
- But building out the infrastructure is expensive, especially as labor costs continue to rise and retailers compete for warehouse space.
- That's given retailers with large numbers of physical stores across the country, like Walmart
 and Costco, an advantage. By leveraging their brick-and-mortar locations as fulfillment
 centers, they can send out orders faster and reach rural communities more efficiently.



At the same time: As retailers beef up their own shipping networks or partner with companies like Instacart and DoorDash that can offer rapid delivery, third-party logistics companies are struggling to keep up.





- Amazon has gained market share to become one of the top shippers in the country: In 2020, Amazon Logistics delivered 21% of all packages in the US, putting it behind only the USPS (38%) and UPS (24%) in terms of package volume, per data from Pitney Bowes.
- FedEx is struggling with late deliveries, disgruntled contractors, and an exodus of talent to Amazon, per Insider. The company has refocused its business to prioritize ecommerce deliveries over commercial ones, but heightened expenses have eaten into profits.
- The USPS is experiencing staffing and funding shortages, leading to delivery delays. But that hasn't stopped it from launching same- and next-day delivery solutions for business, per Chain Store Age.

The big takeaway: Building a logistics network is expensive, but it's also a profit opportunity: Retailers can allow other businesses to use their delivery services, thereby offsetting some of the costs.

- Walmart is letting companies tap into its fulfillment services through GoLocal, its delivery as a service business.
- Target's same-day delivery service, Shipt, has forged partnerships with retailers like Sephora and Walgreens.
- But with more retailers offering fulfillment services, traditional delivery companies are under even greater pressure to provide rapid delivery solutions and improve efficiency.