

Amazon hunts for incremental revenue opportunities as retail sales stagnate

Article

The roundup: Amazon rolled out a spate of initiatives aimed at boosting revenues and cutting costs.

- **Amazon Anywhere** allows mobile developers to offer physical merchandise for sale in-game, to be fulfilled by Amazon.
- Amazon is also developing generative AI tools for marketers to create images and videos for their Amazon Ads campaigns, per The Information.
- The retailer will begin licensing its TV and movie content to other media companies via its new distribution arm, **Amazon MGM Studios Distribution**.
- The company put six Twin Cities properties previously meant to be Amazon Fresh stores up for sublease as it continues to look for a [scalable physical grocery model](#), according to Axios.
- And the retailer is offering shoppers \$10 if they pick up orders of \$25 or more in person as it tries to streamline fulfillment and reduce expenses, per Reuters.

Low-hanging fruit: As the lumbering retail giant attempts to refashion itself into a leaner organization, it's no surprise the company is going after low-hanging fruit like licensing fees, and making incremental improvements to its highly profitable advertising business.

- Features like Amazon Anywhere also strengthen the retailer's B2B appeal, allowing it to rake in more money from seller fees, one of its most lucrative profit engines.
- Amazon's third-party services segment grew faster and made more money than AWS in Q1, despite flat retail sales in the quarter, as the retailer leveraged its fulfillment capabilities and marketplace dominance to take a [larger cut of merchants' sales](#).

Looking for savings: Amazon is also trying to balance its desire to grow retail sales and offer customers even faster delivery speeds with the need to reduce expenses.

- The retailer introduced a number of measures to [reduce returns](#), and [adjusted its fulfillment model](#) to optimize costs and delivery times.
- While its latest move to incentivize shoppers to pick up orders in person may—in theory—cause some to shift their buying habits and allow Amazon to save on last-mile delivery, it's unlikely to sway the majority of customers, who rely on the retailer's fast and hassle-free delivery.

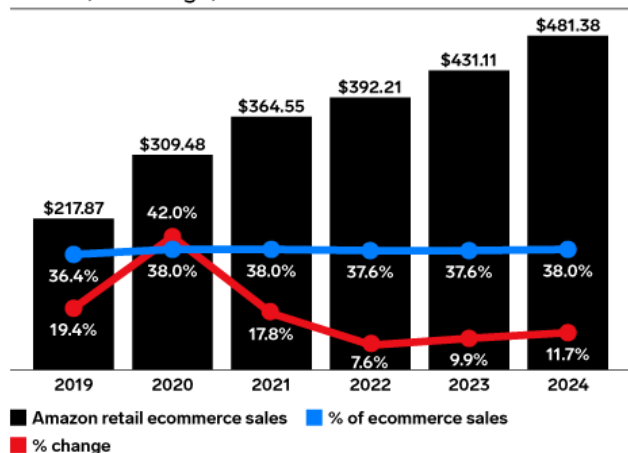
The grocery question: Amazon's decision to pull the plug on Amazon Fresh store openings underscores the difficulties the retailer has had in the physical grocery space.

- While the retailer hoped the convenience of its Just Walk Out tech would win it loyal shoppers, the stores offer a “soulless shopping experience,” per Winsight Grocery Business editor-in-chief **Heather Lalley**.
- The stores also require a significant amount of manpower, not just to keep shelves stocked and help with shopper queries, but also to manually review transactions to ensure customers are being charged accurately, per a report by The Information.
- While the company is yet to find a mass format that works, CEO **Andy Jassy** is hopeful it will hit upon a solution this year that not only enables it to grow its grocery market share, but also offers benefits across the rest of the business.

The big takeaway: Amazon is pulling every possible lever for growth. But with ecommerce sales stagnating, its current inability to figure out brick-and-mortar growth is a considerable roadblock.

US Amazon Retail Ecommerce Sales, 2019-2024

billions, % change, and % of ecommerce sales



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, Amazon Business sales, advertising services, and credit card agreements; includes direct and marketplace sales
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