# Amazon Is Looking More and More Like a Shipping Company

## The e-commerce giant is investing a lot in shipping and delivery infrastructure for today and tomorrow.

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There was a notable change in **Amazon.com**'s ([NASDAQ:AMZN](https://www.fool.com/quote/nasdaq/amazon/amzn)) annual report this year. Under the competition section of its 10-K, Amazon listed "companies that provide fulfillment and logistics services."

Previously, Amazon had always considered**FedEx** ([NYSE:FDX](https://www.fool.com/quote/nyse/fedex/fdx)) and **UPS** ([NYSE:UPS](https://www.fool.com/quote/nyse/united-parcel-service/ups)) partners. But the company is moving more and more of its shipping needs in-house. On the fourth-quarter earnings call, CFO Brian Olsavsky said the online retailer can ship many packages itself [for less](https://www.fool.com/investing/2019/02/05/amazons-cfo-says-shipping-orders-itself-is-cheaper.aspx)than it'd have to pay a third party.

Since the start of the year, Amazon has been making investments in potential solutions for last-mile delivery, as well as expanding its Prime Air network, buying more planes and developing its airport hubs. Here's what it's been up to and why its moves should scare FedEx and UPS.

## Automating the last mile

The biggest bottleneck in any logistics operation delivering packages from a fulfillment center to a customer's doorstep can be the last mile. This can often be the most costly part of a delivery. Amazon, FedEx, and UPS often fall back on the U.S. Postal Service to deliver packages where their own networks fall short but the government mandate ensures packages get delivered.

Amazon has made several investments in last-mile delivery recently.

1.    It started testing Scout, a robot about the size of a cooler, to deliver packages autonomously in a suburb north of Seattle.

2.    It participated in a venture capital round to fund Aurora Innovation, an autonomous-vehicle company.

3.    It's also in talks to [invest in Rivian](https://www.fool.com/investing/2019/02/13/why-general-motors-and-amazon-might-invest-in-this.aspx), an electric-vehicle company.

Each is an opportunity to reduce the cost of sending trucks operated by a human to run delivery routes all over thousands of cities. An autonomous electric truck unleashing dozens of little robots throughout neighborhoods could deliver packages more quickly and less expensively over the long run.

Such a delivery scheme is still just a twinkle in the eye of Jeff Bezos. But Amazon is also investing in more practical delivery infrastructure in the here and now.

## Amazon Air is expanding

At the end of December, Amazon signed leases on 10 new planes to bring its total Amazon Air fleet up to 50. It also announced plans to open its Air Hub in northern Kentucky in 2021 where it will be able to house up to 100 planes and handle 200 takeoffs and landings per day.

Amazon Air made about 350 flights per week among 27 active cargo planes in the second quarter last year. The new hub in Kentucky will enable it to grow quickly and take full advantage of its entire fleet.

FedEx and UPS are still significantly larger. FedEx claims 678 aircraft under its control and UPS owns 248.

## This isn't just about ensuring two-day delivery

Amazon's rhetoric has been that FedEx and UPS are partners, and it built Amazon Air to ensure on-time delivery for its customer. The company's recent efforts to grow its fleet of cargo planes, expand its network of air hubs, and boost its investments in solving the last-mile delivery problem are a big indication that it's not just looking to supplement FedEx and UPS capacity anymore.

The comment from Olsavsky that the company can deliver some packages faster and cheaper than the major couriers, and the disclosure that it now considers fulfillment and logistics companies competition are an even bigger indication.

Amazon is starting to consider itself a shipping business.

As Amazon starts handling more and more of its own shipments over the next few years, it should be no surprise if the company expands to offer other businesses access to its fulfillment capacity at rates far lower than FedEx or UPS.

Thank You

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