# Amazon Has a Nuclear Option Against Walmart and Other Competitors

By [Brittain Ladd](https://observer.com/author/brittain-ladd/" \o "View All Posts by Brittain Ladd" \t "_blank) • 06/13/19 9:00am

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I recently wrote an article titled, “[Did Walmart Convince FedEx to Dump Amazon?](https://observer.com/2019/06/walmart-fedex-amazon-contract-shipping/)” in which I made the argument that Walmart coached FedEx to make the decision to end its Express shipping contract with Amazon. It’s no secret that the relationship between Amazon and FedEx has soured as Amazon increasingly grows its logistics business. For several years, FedEx founder and CEO Fred Smith repeatedly made the comment that Amazon “isn’t a threat to FedEx.” But now, Smith has conceded that Amazon is indeed a competitor and has begun to reference the growing threat of companies like Amazon that have created their own logistics capabilities.

Walmart and Amazon have greatly increased their focus on each other with both companies seeking ways to gain the upper hand on the other through strategy and logistics. In the span of less than 30 days, both Amazon and Walmart have made a series of announcements related to [same-day shipping](https://observer.com/2019/04/amazon-one-day-prime-delivery-challenge-walmart-target/), with Amazon one-upping Walmart by [announcing](https://www.usatoday.com/story/tech/news/2019/06/03/amazon-prime-expands-one-day-shipping/1328806001/) free shipping on 10 million items for Prime members. I expect to see the logistics battle between Walmart and Amazon increase as each company attempts to grow its customer base and increase the volume of products sold and delivered.

However, at some point in the retail industry, someone must make a big move that will severely disrupt other retailers, while creating a nearly insurmountable competitive advantage. The tit for tat taking place among retailers, especially [Walmart](https://observer.com/2019/05/walmart-amazon-copycat-shipping-retail-war/) and [Amazon](https://observer.com/2019/05/amazon-whole-foods-strategy-domination/), isn’t sustainable. I believe the company best positioned to make a big move is Amazon.

## **Thinking Big at Amazon**

Amazon is a company of [big thinkers](https://observer.com/2019/06/amazon-ceo-jeff-bezos-meetings-success-strategy/). In fact, one of Amazon’s leadership principles is ‘Think Big,’ and the term is frequently spoken inside the company. For Amazon to grow and take market share away from Walmart and other retailers, Amazon must increase the size and scope of its logistics network and capabilities. Brick and mortar retailers are experts at moving pallets. Amazon has expertise in shipping packages. Therefore, Amazon requires a more extensive last-mile delivery capability than traditional brick and mortar retailers. Amazon has plans to invest an additional $800 million in 2019 on its logistics network, but it’s not enough to give Amazon a competitive advantage. Walmart, and even Home Depot, are investing billions in their e-commerce and retail logistics capabilities as well. Again, tit for tat.

I believe the time has come for Amazon to go nuclear on Walmart and every other retailer in the U.S. How? By acquiring the [U.S. Postal Service](https://observer.com/2018/03/trump-slams-amazon-usps/) (USPS).

The name of the game for Amazon is delivering packages to consumers in every city and state where they live. Period. Big city, small city. Rural or urban, it doesn’t matter. As Amazon’s e-commerce business grows, so too does the need for drivers to deliver packages. Unlike traditional retail shopping, where customers walk into a physical retail store to buy products off the shelf, e-commerce succeeds by shipping products directly to the customer’s home. Last-mile delivery is inherently unprofitable as most delivery trucks must travel long distances between deliveries. Operating a delivery truck costs money, and drivers don’t drive for free. The economics of last-mile delivery improve when delivery vehicles drive less miles and deliver more packages in a smaller radius from where they departed.

An even bigger issue facing Amazon, however, is the fact that Amazon’s growth has [raised a series of red flags](https://observer.com/2019/03/elizabeth-warren-amazon-whole-foods-split-capitalism/) with members of Congress, President Donald Trump and several Democratic candidates running for president. Amazon is under a microscope and the heat is increasing.

To solve its problems, I believe Amazon should proactively approach Trump with a solution for how to make the USPS more efficient and eliminate the significant losses in revenue experienced by the postal service. The USPS has lost $69 billion since 2007 and will continue losing money unless there are major reforms. The agency has $110 billion in unfunded liabilities for retiree pension and health care, and its workforce is accruing more retirement benefits every year. Without major restructuring, the USPS is expected to lose tens of billions of dollars over the next decade. The Government Accountability Office (GAO) has put the USPS on its “high-risk” list for its dismal financial outlook. Of all the issues on Trump’s radar, solving the riddle of the U.S. Postal Service should be one of his major priorities.

I am not advocating that Amazon acquire the USPS to only ship it’s own packages. Amazon would be required to ship mail and packages for any company that contracts the USPS. The strategic value to Amazon is that competitors couldn’t dump the USPS as there isn’t a viable alternative. Instead, companies would have to accept the fact that Amazon now delivers their packages.

Specifically, what I recommend is the following:

1. Amazon has contracts with government agencies, including a 10-year contract with the CIA to meet their cloud technology needs utilizing AWS. Amazon is favored to win several pending cloud computing contracts for additional government agencies in 2019. Contract Amazon to run the technology of the USPS on AWS for 10 years.

2. Request money from Congress to fund the unfunded liabilities of the USPS and ask that they remove several archaic rules that prevent the USPS from competing more effectively.

3. Contract Amazon to work jointly with the leadership of the USPS to utilize Amazon