# Amazon loses contract with FedEx Express as it builds out competing delivery network

*The e-commerce giant is increasingly competing with FedEx, UPS, and USPS*

By [Nick Statt](https://www.theverge.com/authors/nick-statt)[@nickstatt](https://www.twitter.com/nickstatt)  Jun 7, 2019, 2:43pm EDT

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FedEx has decided not to renew one of its shipping contracts with Amazon amid increased competition between the two companies, [according to CNBC](https://twitter.com/carlquintanilla/status/1137047451607719938). The contract in question is Amazon’s FedEx Express contract, which according to Amazon is used for air transportation of packages and is not used for last-mile, ground deliveries. [As previously reported](https://www.cnbc.com/2018/09/18/should-ups-be-concerned-about-amazons-order-of-20000-vans.html), Amazon Prime’s two-day deliveries are mostly handled by UPS, and Amazon says its contracts with FedEx to handle any other logistics, including filling the gaps not plugged by UPS, are still in place.

Still, FedEx’s decision not to renew its contract with Amazon is evidence of escalating tensions between the US domestic shipping industry and the country’s largest and most dominant e-commerce company. Amazon’s success is due in part to offering free shipping, an immense cost it has largely paid out to shipping companies like FedEx, UPS, and the United States Postal Service.

It is no secret [Amazon wants to own every link in its logistics chain](https://www.bloomberg.com/opinion/articles/2018-02-09/amazon-s-delivery-dream-is-a-nightmare-for-fedex-and-ups), from the warehouses that store its products to the planes, cargo ships, and delivery trucks that move its products around the world. Just last month, Amazon CEO Jeff Bezos [celebrated construction crews breaking ground](https://techcrunch.com/2019/05/14/jeff-bezos-personally-dumps-a-truckload-of-dirt-on-fedexs-future/) on the company’s $1.5 billion, 3 million-square-foot air hub attached to the Cincinnati/Northern Kentucky International Airport. Earlier this week, Amazon [revealed its brand-new hybrid Prime Air delivery drone](https://www.theverge.com/2019/6/5/18654044/amazon-prime-air-delivery-drone-new-design-safety-transforming-flight-video), a device that Amazon hopes will one day compete with FedEx and UPS delivery trucks.

AMAZON IS INCREASINGLY COMPETING WITH ITS OWN SHIPPING PARTNERS

“FedEx has made the strategic decision to not renew the FedEx Express US domestic contract with Amazon.com, Inc., as we focus on serving the broader e-commerce market,” reads FedEx’s statement, released publicly on Twitter by CNBC journalist Carl Quintanilla. “This decision does not impact any existing contracts between Amazon.com and other FedEx business units or relating to international services.” So it seems as if Amazon will still use FedEx for shipping in some circumstances, although we don’t know how large of a chunk of the two companies’ business dealings involved FedEx Express.

FedEx goes on to say that Amazon represented less than 1.3 percent of total FedEx revenue last year. It also clarified that Amazon is not the company’s biggest customer, so choosing not to renew its Express contract may not have a big impact on FedEx, either. “There is a significant demand and opportunity for growth in e-commerce, which is expected to grow from 50 million to 100 million packages a day in the US by 2026,” FedEx’s statement continues. “FedEx has already built out the network and capacity to serve thousands of retailers in the e-commerce space. We are excited about the future of e-commerce and our role as a leader in it.”

The decision is unlikely to surprise Amazon, which has spent years now building out its own delivery infrastructure to cut down on logistics costs and maintain more control over how its products go from manufacturers to Amazon warehouses to customers’ homes. The company oversees a massive warehouse, air hub, and cargo freighter logistics network in addition to its [growing network of Flex personal delivery drivers](https://www.geekwire.com/2016/amazon-quietly-rolls-out-uber-like-delivery-of-standard-packages-report/), which are employed using an Uber-like contract model.

“We respect FedEx’s decision and thank them for their role serving Amazon customers over the years,” an Amazon spokesperson tells The Verge.

Yet just one look at the company’s financials, however, paints a stark picture of the cost of Amazon’s growth. Over the last 10 years, the company’s logistics and shipping costs have [ballooned from around $1 billion each to around $34 billion and $28 billion](https://www.statista.com/chart/12893/amazon-fulfillment-and-shipping-costs/), respectively, in 2018. By owning the infrastructure of its shipping network, Amazon could drastically cut costs while also allowing it to come up with ever-faster ways of delivering products, like its existing Prime Now same-day delivery initiative and its grocery and food delivery programs.

FedEx, on the other hand, is seemingly uninterested in helping one of its primary competitors gain enough of an edge to put it out of business. Although FedEx will still supply Amazon with some of its services, the company is busy developing its own alternatives to Amazon-style delivery programs. FedEx [now offers retailers FedEx Extra Hours](https://www.businessinsider.com/fedex-extra-hours-metro-faster-than-amazon-prime-2019-1), an option for late-night deliveries that delivers products ordered as late as 2AM the very next day or in two days, just like Amazon Prime.