

AMAZON MOVES TO CONQUER FREIGHT

Analyzing Amazon's biggest moves in logistics management – and what they mean for your business

Special Report Courtesy of CoLoadX



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Is Amazon Finally Set to Conquer Freight?

It should come as no surprise: Amazon has taken another huge step into the logistics space by preparing to roll out a delivery service for businesses dubbed, “Shipping With Amazon.”

Until now, all of Amazon’s logistics moves were built to benefit their internal business objectives, speeding products they sell to the customer’s door. But the new service is aiming for a bigger piece of the delivery pie: Amazon will make its service available to third-party sellers and manufacturers, putting them squarely in competition with major logistics players such as FedEx and UPS.

Amazon is “growing backwards,” reaching ever deeper into the logistics market.

According to [The Wall Street Journal’s Laura Stevens](#), “While the program is being piloted with the company’s third-party sellers, it is envisioned as eventually accommodating other businesses as

well...Amazon is planning to undercut UPS and FedEx on pricing, although the exact rate structure is still unclear...”

It’s hard to overstate the importance of this development to every player in the supply chain.

UPS pretended to be unfazed: although they don’t disclose what percentage of their business comes from Amazon, they claim that no one client accounts for more than 3% of their business. But even if they lose a significant part of that business, it only applies to Amazon’s own captive cargo. Once Amazon starts competing with UPS for other shipments, the impact will likely be far greater.

Growing Backwards

Effectively, Amazon is “growing backwards,” reaching ever deeper into the logistics market by controlling the movement of goods directly from their suppliers’ locations. Eventually, they’ll manage non-Amazon related shipments as well. So, what’s next? Warehousing? FTL/LTL trucking? Container haulage?

It's hard to predict the specific order, but the progression is clear: there's a straight line to be drawn between Amazon's moves and their arrival in freight forwarding as a service provider.

What It Means for You

It should be obvious by now to freight forwarders and NVOCC's that Amazon's entry into the NVOCC business in 2016 will follow the same trajectory as their efforts in last mile.

That's the key takeaway for freight forwarders and NVOCC's: It's no longer enough to argue that Amazon will fail at ocean freight because "you can't automate relationships" and "it's a complicated industry." Amazon is here to stay, and it's growing bigger every day.

All Is Not Lost

Amazon's play is a classic "disruptive" move, and disruption creates opportunities that may not have existed before. The trick is to keep a close eye not just on Amazon, but also on how the entire logistics ecosystem adjusts in response. One thing is certain: logistics -- and

certainly ocean freight -- will not look the same three years from now (maybe even one year from now).

Also, Amazon's logistics play is a massive undertaking and is vulnerable to overreach. Even Amazon does not execute flawlessly in all of its ambitions. In a complex economy, there is still room for specialization. And provided that your technology (or the technology vendors you work with) allows you to serve your customers well, that is a model that can help you survive, thrive, and even grow ■

The Amazon Logistics Timeline

1995

- Amazon.com launches as an online bookseller and an early e-commerce pioneer.

1997

- Amazon holds its IPO. Valued at \$18.00 a share, the company had yet to produce a profitable quarter. By the next year, they expanded beyond book sales, offering music and video sales as well.

2001

- Amazon survives through the dot-com bubble burst, turning its first profit ever. While other online services and retailers faltered, Amazon showed it had lasting power.

2006

- Amazon launches Fulfillment by Amazon. The service, which allows sellers access to resources like warehouse space and shipping assistance, positions Amazon's logistics capabilities as a profitable component of the company.

2016

- Amazon receives permission to operate as an NVOCC between China and the U.S. while Amazon China registers as a forwarder, paving the way for the company's growth in freight management.

2017

- Amazon launches its Seller Flex program. Designed to allow vendors to transport their goods from warehouses to customers with the help of Amazon's shipping resources, the service also potentially expands the number of goods available to Prime customers.

2018

- Amazon announces Shipping With Amazon. Promising to deliver packages from companies to customers, Amazon's delivery capabilities would no longer be tethered to warehouses. The move potentially rivals other parcel-delivery giants like UPS and FedEx.

Thanks for reading. If you'd like to discuss how CoLoadX can help you prepare your logistics business for the future, we'd love to hear from you.

Please contact us at info@coloadx.com or 650-918-4612, and we'll start the conversation.

