

PARCEL

Buy With Prime: Is Amazon Rivaling FedEx and UPS?

By Caleb Nelson

In early January, Amazon announced the [expansion of its “Buy with Prime” \(BWP\) service](#) to all eligible US retailers. The program, which first launched as an invite-only beta in April 2022, allows retailers to offer shoppers browsing their website an option to purchase products through their Amazon Prime account. The purchase is completed with the payment information on file with Amazon, and Amazon fulfills the order.

There are clear incentives to use the program for all parties. Shoppers save time in the payment process and trust Prime’s services to deliver their orders fast and free. Because of this, the retailer converts more sales. With these factors at play, Amazon stands to increase Prime subscriptions - and most consider that to be its main motive. *But is it?*

Challenging the Duopoly

While subscriptions are undoubtedly a factor, and maybe the main factor, this is a further step into the logistics space for Amazon. Merchants have used Amazon to ship their orders through the Fulfillment by Amazon (FBA) program for years, but that was only available to third-party merchants selling on Amazon’s marketplace. By integrating BWP into their own website, merchants can now shift nearly any amount of volume from non-Amazon sales to Amazon. They don’t have to be FBA sellers to be eligible for BWP, meaning virtually anyone can sell and ship with Amazon.

So, what’s driving Amazon to do this? It’s no mystery that Amazon has been building toward a logistics network that matches the capabilities of FedEx and UPS. In 2013 and 2014, Amazon experienced, or narrowly avoided, [peak season debacles with UPS](#), its primary fulfillment partner at the time. Amazon executives, following founder Jeff Bezos’ principle of obsessing over customer experience, realized that fulfillment being out of their control was a major threat to customer satisfaction and, ultimately, a threat to their business.

This, coupled with fulfillment being Amazon's largest expense, led the e-commerce giant to invest in its own logistics network. The company began investing in warehousing improvements, vehicle fleets, started Amazon air, acquired regional last-mile carriers, and established "Amazon Logistics," a program to partner with independent delivery service providers for local fulfillment.

When [experts predicted](#) Amazon was building towards a logistics network that could potentially compete with FedEx and UPS, Amazon took the stance that it was simply looking to help lighten the capacity burden the company put on its partner carriers. Today, Amazon still remains UPS's biggest customer.

The efforts have paid off. [Per SJ consulting group](#), Amazon controlled the transportation of 72% of its packages in 2021, up from just 45% in 2019. But that wasn't, and still isn't, 100% - and that's not due to lack of capacity.

In 2022, Amazon overexpanded its logistics network to the point where it had to [delay openings of distribution centers](#). Amazon CFO Brian Olsavsky has said the company has "excess capacity" they need to "grow into."

Buy With Prime, and profiting off of that capacity, is how Amazon is growing.

"If you build it..."

Merchants will come (to Buy with Prime). The benefits are clear: [59% of American households have at least one Prime membership](#), and seeing the Prime logo they associate with reliable, fast, and free delivery can be pivotal in purchase decisions. This, combined with the ease of a one-click checkout, led to [a 25% conversion rate increase](#) in BWP's beta testing.

The sales benefits don't end there. Historically, many FBA merchants have sold their products *exclusively* on Amazon. Many view creating a website, building brand awareness, and assembling a logistics network as daunting tasks, and FBA offers an opportunity to focus on nothing more than selling products. However, they miss out on opportunities from not selling direct-to-consumer on their own site.

Brand visibility is limited on Amazon (can you remember the brands of the last three things you bought through Amazon?). With their own site, merchants can present their products with a unique branded experience and build affinity that leads to repeat purchases.

Additionally, Amazon merchants aren't given identifiable info on *who* they're selling to. On their own site,

they can incentivize customers to enter their email information, creating remarketing opportunities.

A merchant's site is a more logical option for advertising. Driving to a product page on Amazon shows potential customers recommended products from competitors. And with intelligent data analytics, merchants can also look at their geographic sales performance, revolutionizing how and where they advertise their products.

BWP creates an opportunity for FBA sellers to quickly set up a site with a service like [Shopify](#) and gain these strategic advantages without sacrificing their access to Amazon's logistics capabilities.

So what about those *already* selling on their own sites?

Pandemic-related capacity issues opened the eyes of parcel shippers nationwide. Shipping with only one carrier is no longer an option, and we've seen regional carriers expanding their capabilities to become even more viable alternatives to FedEx and UPS. Amazon has now entered that mix.

Shippers looking to diversify their carrier mix can use BWP and pre-determine a set amount of volume they want to ship through Amazon (as they'll have to pre-ship units to an Amazon facility). Should inventory at their own warehouse run out, they can easily divert sales and shipments to BWP.

Large shippers might worry about losing volume-based discounts with their carriers, but logistics intelligence and proper data analysis can find the right amount of volume to shift to Amazon (or elsewhere). This creates "swimlanes" for more resilient shipping, grants them a boost in customer experience with free two-day shipping, and, as the data suggests, increases sales conversions.

A New Era

The benefits of participating in BWP are wide-ranging, and it should be an attractive program for both current Amazon sellers and merchants selling on their own site. It's clear they've been quietly expanding their logistics capabilities to have a network of this magnitude. With the expansion of the BWP program, Amazon is announcing with a bang that it is here to challenge FedEx and UPS.

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