



DAN BROUILLETTE FOR WSJ

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# Amazon Expands Fast Delivery In Rural Areas, Taking on USPS

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**Amazon.com** is reaching into the remote corners of America to deliver its packages quicker to customers in rural areas, a push that represents its last frontier of ultrafast delivery in the U.S.

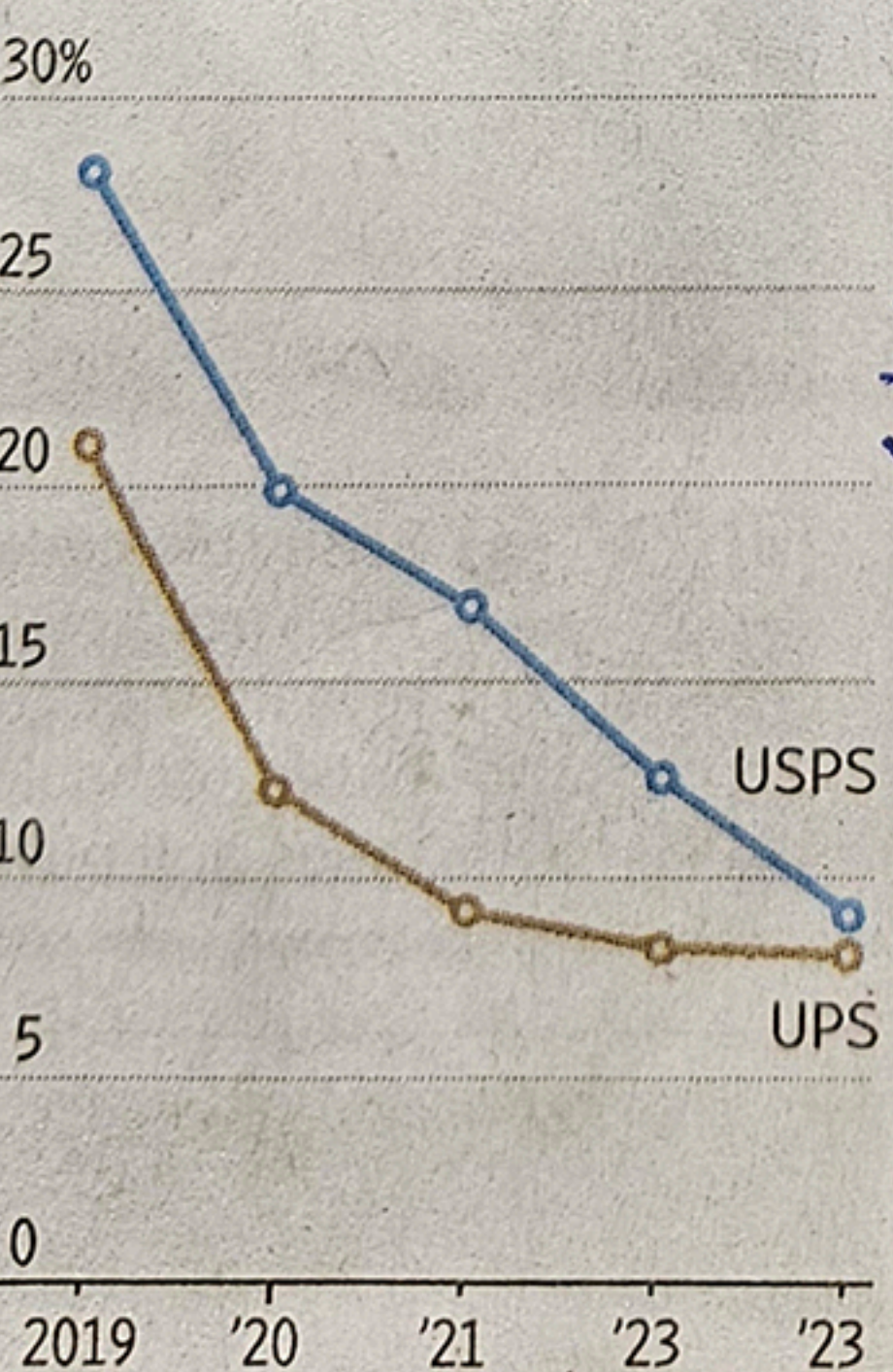
The retail giant is expanding its one-to-two-day delivery capabilities throughout the country as it seeks to boost sales in less-populated regions.

Amazon is ready to tackle rural regions after years of fine-tuning its logistics systems in more dense areas of the country.

Details of this expansion haven't been previously reported.

The strategy means customers in small towns will re-

Share of Amazon's U.S. packages handled by:



Source: ShipMatrix

ceive Amazon packages faster, and fewer of those deliveries could be handled by the U.S. Postal Service, which

has a mandate to deliver to all addresses in the country and is typically relied upon for rural parcel deliveries.

Amazon has been building a logistics empire that by some measures has surpassed UPS and FedEx.

To reach deeper into rural America, the e-commerce company is using hyperefficient warehouses, contracted drivers and mom-and-pop shops.

Amazon's goal is to increase its shipping volume and have more control over its deliveries. The company is seeing demand in more remote pockets of the country and betting that offering faster delivery to rural customers increases the rate at which they purchase items. By increasing its volume, it can offset the higher delivery

costs with the fees it charges its sellers.

Amazon isn't trying to deliver itself to 100% of its customers in the U.S., but as of now is targeting around 90%, people familiar with its plans said. Amazon said that it now delivers more than two-thirds of its own packages in America.

Maya Vautier, an Amazon spokeswoman, said expanding the rural delivery network "will help cut delivery times for customers in smaller towns and more isolated parts of the country."

The rural push comes as Amazon has pinned down what customers want and where demand is. Many people moved to live and work remotely during the Covid-19 pandemic, and the company

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## Amazon Upgrades Rural Speed

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is pushing to expand categories such as medicine delivery. "As Amazon has gotten better at delivery, it has become economically practical to do it in more places," said Josh Lowitz, co-founder of Consumer Intelligence Research Partners, which studies Amazon Prime members. "They have learned that they can do it."

Amazon is opening optimized delivery centers that are smaller than its traditional warehouses and closer to rural areas and increasing the level of automation across its delivery network. It is using contracted drivers and existing small businesses to pick up Amazon's remote expansion includes small cities and towns in Arizona, Minnesota, Louisiana and Texas.

Amazon's outreach is also a way to lessen the company's exposure to the U.S. Postal Service. The USPS has been raising rates and reducing pickups in some areas. To



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compel shippers to use more of the Postal Service's network, the USPS has said it wants to modify contracts to end discounts to shippers dropping parcels off at delivery units just for the difficult final mile of deliveries.

The USPS isn't worried about the competition, said a spokesman. The Postal Service's infrastructure enables daily package delivery to every address at an affordable rate that competitors would be hard-pressed to match, he said. If Amazon believes it can deliver its packages more ef-

ficiently than the USPS, it will do so, company insiders said. Amazon said that the USPS remains "valued partners." While retail margins can generally be low, especially when delivering to remote locations, Amazon has built a logistics operation that in 2023 generated almost one-quarter of Amazon's total revenue through fees it charges sellers on its site to store, pack and deliver items. That massive business helps offset costs and depends on consumers to buy evermore items. Amazon's deeper dive into

remote pockets is a strategy to maintain a competitive edge against its fiercest rivals. Walmart, which has thousands of stores in rural areas, has been expanding a service called GoLocal that delivers packages for other retailers "anywhere in the U.S." through third-party contractors. E-commerce company Temu, which has risen in popularity in the U.S. because of its bargain prices, relies on carriers that include the USPS. Duluth, Minn., is an area where Amazon is expanding. The company plans to open

its first delivery site in the city in an industrial park area that was once the home of a steel plant.

The greatest beneficiaries of the new Amazon site will be the areas near Duluth, said Daniel Fanning, vice president of strategy and policy of the Duluth Area Chamber of Commerce.

He pointed to places in Minnesota like Ely, which has a population of about 3,200 and Grand Marais, with a population of roughly 1,300, according to the latest Census figures.

Customers in those and similar remote areas sometimes wait three to five days for some Amazon packages, Fanning said. That time could soon be cut in half, he said. "Some people that order medicine or other important things could benefit," he said.

A search of Amazon's products makes the company's ambitions clear. A pack of WaterWipes baby wipes, one of Amazon's most in-demand products, can take a day or less to get to San Francisco area ZIP Codes. The same item showed several days to get to Ely. A pack of Charmin toilet paper showed similar results. Amazon wants to bridge that gap.

The company has long desired to dominate its own e-commerce parcel delivery in America, and it has made immense strides. In recent years, it has sought to deliver

packages to large population centers in a day or less. The company aims to reach certain remote areas in a day, insiders said.

Amazon is delivering an increasing share of its own orders. As of last year, market research firm ShipMatrix said the USPS handled about 9% of Amazon's packages, while UPS handled about 8%, both significantly down from 2019.

Carriers have a tough relationship with Amazon, which is simultaneously a customer and a competitor. Amazon last year revived a service that handles packages sold on Amazon's website, as well as items from other websites and selling channels. The service is seen as a competitor to UPS and FedEx.

A partnership between Amazon and FedEx soured in 2019 when FedEx said it would end delivery contracts to move Amazon's boxes.

As Amazon has encroached further into rural territory, the USPS has extended delivery times for mail in its current restructuring program.

In places where there is less mail, the agency has tested a program in which trucks collect mail only in the morning rather than twice a day, which has worried some rural residents. The Postal Service has said that this is temporary and that it expects service to improve as changes mature.

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