

The Future of Same-Day Delivery: Same as the Past?

Although home delivery of pizza has been successful in the United States, most other same-day delivery efforts have failed. The same-day delivery battle has again heated up with Amazon, Walmart, and eBay launching major efforts to implement same-day delivery.

Amazon has a new game. Now that it has agreed to collect sales taxes, the company can legally set up warehouses right inside some of the largest metropolitan areas in the nation. Why would it want to do that? Because Amazon's new goal is to get stuff to you immediately—as soon as a few hours after you hit Buy.

It's hard to overstate how thoroughly this move will shake up the retail industry. Same-day delivery has long been the holy grail of Internet retailers, something that dozens of startups have tried and failed to accomplish. (Remember Kozmo.com?) But Amazon is investing billions to make next-day delivery standard, and same-day delivery an option for lots of customers. If it can pull that off, the company will permanently alter how we shop. To put it more bluntly: Physical retailers will be hosed.¹

Walmart reacted to Amazon's efforts by announcing tests for same-day delivery in a few cities.

The big-box giant announced this week that it too would be offering same-day delivery, using its extensive network of superstores as distribution centers, and shipping products to consumers via UPS. According to a report in The Wall Street Journal, the service will initially be available in the Northern Virginia, Philadelphia, Minneapolis, San Jose, and San Francisco areas. The service will cost \$10 per delivery, with no minimum order. Amazon's own same-day delivery service costs \$8.99, with a \$0.99 per-item shipping charge.²

Whereas Amazon and Walmart were offering same-day delivery for products they stocked, eBay was experimenting with same-day delivery for products it did not necessarily stock. The *Wall Street Journal* reported on a customer order for which eBay sent a courier to Macy's for the

¹ Farhad Manjoo, "I Want It Today: How Amazon's Ambitious New Push for Same-Day Delivery Will Destroy Local Retail," *Slate*, July 11, 2012.

² Christopher Matthews, "Walmart Announces Same-Day Delivery, Tries to Beat Amazon at Its Own Game," *Time*, October 11, 2012.

purchase and then had it delivered within an hour.³ The paper reported that eBay had a team of fifty couriers in San Francisco that “fetch and deliver goods directly to customers’ doorsteps within an hour of an online order.” eBay had also started the service in New York and planned to roll it out in other cities. Others testing same-day delivery included the U.S. Postal Service, with a program called Metro Post, initially offered in San Francisco.

The Iconic (www.theiconic.com.au), an Australian company selling clothing, shoes, and accessories, offered three-hour delivery within Sydney for \$9.95. It promised to have goods picked, packed, and delivered within three hours to Sydney metro areas, between 7:00 a.m. and 6:00 p.m. on business days. Although the company was young, this service had been extremely well received. 7-Eleven Japan was another company offering home delivery—in this case, its 7-Meal service targeting Japan’s aging population. The service offered a menu of high-quality meals that customers could choose to pick up at 7-Eleven stores or have delivered to their homes or offices.

If history was any guide, the profitable implementation of same-day delivery would be challenging. Urbanfetch and Kozmo pursued this business model during the dot-com boom. Urbanfetch operated in densely populated areas like London, Manhattan, and Brooklyn but was forced to shut down in Fall 2000 due to a lack of funding; Kozmo, which raised more than \$280 million in funding and operated in eleven cities, folded in early 2001.

Opinions were clearly divided about the potential for success with same-day delivery. One writer opined that “this move [by Amazon] will shake up the retail industry,”⁴ whereas a *New York Times* article countered that “some retail analysts are questioning whether the expense and difficulty of same-day delivery would be worth it.”⁵

³ Greg Bensinger, “Order It Online, and . . . Voilà,” *Wall Street Journal*, December 3, 2012.

⁴ Manjoo, “I Want It Today.”

⁵ Stephanie Clifford, “Same-Day Delivery Test at Wal-Mart,” *New York Times*, October 9, 2012.