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TECH

Amazon Orders 20,000 Mercedes-Benz Vans for New Delivery Service

Fleet operators will own the vehicles as part of a plan to have small businesses carry packages



An Amazon van. The company says it is ordering 20,000 such vehicles as it builds out its delivery fleet. PHOTO: LINDSEY WASSON/REUTERS

By *Laura Stevens*

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Amazon.com Inc . [AMZN -1.83% ▼](#) said Wednesday it is ordering 20,000 Mercedes-Benz vans from Daimler AG [DMLRY +0.00% ▲](#) as part of a broad plan to build out its delivery fleet and have small businesses carry an excess supply of packages.

The online retail giant in June said it would for the first time invite entrepreneurs create delivery companies, each employing as many as 100 drivers and leasing between 20 and 40 vans emblazoned with Amazon’s logo.

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Amazon is aiming to handle more of its own deliveries to keep up with its surging growth, loosening its reliance on the U.S. Postal Service and companies such as FedEx Corp.

The company expects to have more than 100 vans on the road by year-end, and will take delivery on all 20,000 vans by the end of 2019, said Dave Clark, Amazon's senior vice president of world-wide operations.

The company won't own any of the vans. Instead it will farm them out to fleet-management companies that will buy the vehicles and lease them to the small delivery-service providers.

Mr. Clark said several delivery-service providers have completed training in Seattle and have begun using the new vans to make deliveries. Based on its order, Amazon is indicating it expects at least 500 delivery companies to join the program initially. Amazon received tens of thousands of applications, many of which the company is still evaluating.

"We expected a lot of interest, but we really have been blown away at how many people—the fact that tens of thousands of people—have gone through the full process of application to get to the vetting stages," Mr. Clark said.

Amazon has long relied on FedEx, United Parcel Service Inc. and the Postal Service to handle the bulk of its deliveries.

But as its online orders have grown at a faster rate than those companies' capacity, it has started building out its own shipping network. Amazon now collects nearly half of every dollar spent online in the U.S.

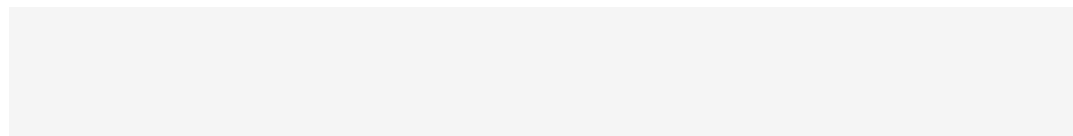
Amazon sees the new initiative as helping it better control costs and deliver packages to the so-called last mile, which is typically the most expensive piece of an online order's journey. In building out that network, it has relied on a contractor model, employing small companies that own vans to make the deliveries.

Amazon expects to compete with the delivery giants one day, but it has a long way to go, as the 20,000 new vans represent a fraction of the size of the biggest players' fleets. UPS says on its website it owns roughly 119,000 package cars, vans, tractors and motorcycles. FedEx says its Ground operation, which also uses a contractor model, has more than 60,000 vehicles, while its Express division has more than 100,000.

FedEx also owns and leases roughly 670 aircraft, while UPS owns about 245 and leases roughly 320. Amazon has previously said it has the option to lease about 40 planes.

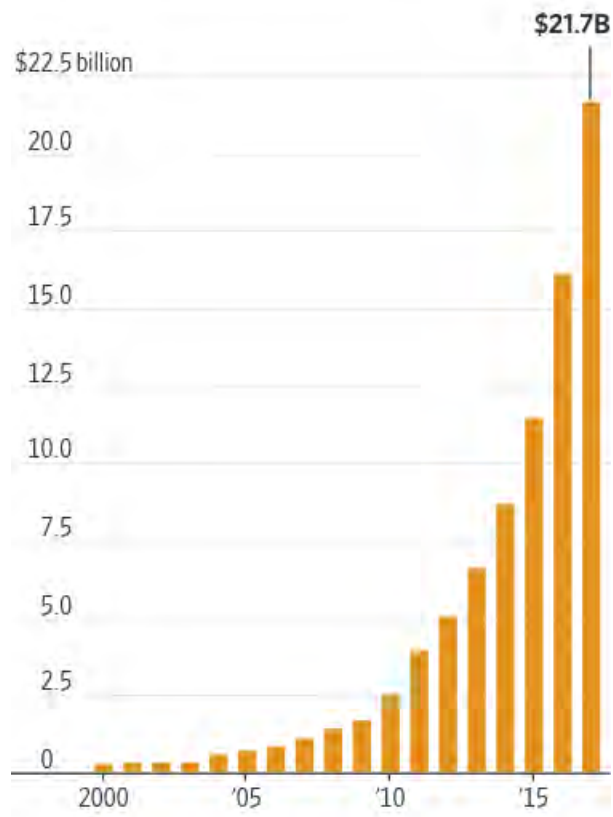
Amazon announced Wednesday's news at a joint press conference with Mercedes-Benz during the opening of the auto maker's new factory in North Charleston, S.C.

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Boxing Up

Amazon's shipping costs



Source: the company