

Amazon freed up to expand Fresh, delivery lockers

June 11 2013, by Amy Martinez

With fewer worries about new sales-tax requirements, Amazon.com Inc. is free to cross over to the bricks-and-mortar world - starting with a large fleet of grocery-delivery trucks.

AmazonFresh, which brings meat, dairy, produce and boxed groceries to customers' doors at prearranged hours, is rolling out to California after nearly six years of testing in Seattle.

Industry analyst Bill Bishop says Fresh likely will expand to as many as 40 U.S. markets in coming years. He calls Amazon's combined offering of low-margin, high-volume groceries and more-profitable mass merchandise "the best of both worlds."

A refrigerated warehouse and truck fleet in dozens of markets once seemed out of the question for Amazon.

But the Seattle-based company soon will collect sales taxes in 16 states, up from five a year ago, making moot any efforts to minimize its physical footprint in those states for tax reasons.

Amazon is among the main supporters of federal legislation to overturn a 1992 U.S. [Supreme Court ruling](#) that forbids states from requiring [Internet retailers](#) to collect sales taxes unless they have a local [physical presence](#).

"The sales-tax issue is fait accompli," said Bishop, chief architect at

retail-technology consultancy Brick Meets Click.

"Amazon has accepted that, and now they're working hard to find a way to continue to grow and prosper," he said.

Analysts say that if Amazon must collect a state's sales tax, it's going to make sure it gets the most from doing business in that state.

Some believe a Fresh expansion lays the groundwork for a broad-scale same-day delivery service, something Amazon already is trying in select cities.

Fresh "can take an order at 1 a.m., put it on a truck seven hours later and get it to a house that afternoon," said Ben Burke, director of the retail and consumer products practice at PointB, a Seattle-based consulting firm.

"Another retailer, unless they build their own delivery capability, won't be able to provide the same level of service."

Internet giants eBay and Google are exploring same-day delivery in partnership with big-name store chains, including Target and Walgreens.

Wal-Mart offers same-day, in-store pickup of purchases made online, and Macy's uses stock from its stores to fill Web orders more quickly.

Meanwhile, Amazon is testing package drop-boxes in convenience stores and malls, possibly paving the way for same-day delivery at no extra cost.

The drop-boxes, called Amazon Lockers, provide a secure location for customers to pick up their online orders.

The lockers also help Amazon save time and money on shipping, since it's easier to deliver packages to a 7-Eleven or a Staples store rather than separate doorsteps.

It's no wonder Amazon supports federal online sales-tax legislation, said Eric Best, chief executive of Seattle-based Mercent, which helps businesses with their online strategies.

"They no longer have to worry about the placement of lockers in a city or state creating inadvertent tax liability," Best said.

"This allows them to be more aggressive with experimentation."

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