**Amazon Is Building a Delivery Powerhouse. Look Out, FedEx, UPS, USPS.**

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[Amazon.com](https://www.barrons.com/quote/AMZN)’s shares have rallied this year for the obvious reason that e-commerce is accelerating as a result of the Covid-19 pandemic, while before the arrival of coronavirus, the story was more about the company’s industry-leading cloud-computing business. Now, there could be another leg to the stool: package delivery.

In a research note Monday, BofA Global Research analyst Justin Post argues that [Amazon](https://www.barrons.com/quote/AMZN)’s (ticker: AMZN) enormous investment in logistics has created a valuable asset that will allow the company to [become a major player in the package-delivery sector](https://www.barrons.com/articles/fedex-stock-ups-package-delivery-service-covid-19-online-51586355618)—and not just for goods sold on Amazon.com. Post contends the company’s delivery capabilities could be worth $100 billion to $230 billion by 2025.

Post estimates that Amazon delivered 2.3 billion of its own packages in the U.S. in 2019, which compares with total package deliveries of 3.1 billion by [FedEx](https://www.barrons.com/quote/FDX) (FDX), 4.7 billion by [United Parcel Service](https://www.barrons.com/quote/UPS) ( [UPS](https://www.barrons.com/quote/UPS) ), and 6.2 billion by the U.S. Postal Service. Post sees a substantial opportunity for Amazon to expand package delivery to third parties not using Amazon’s fulfillment services.

Post says Amazon already has about 22% of the 10.6 billion package market for business-to-consumer deliveries in the U.S. He estimates that the market will reach 19.5 billion packages by 2025. If Amazon can take a 15% share of delivery on items not sold on Amazon, he estimates, the company could see an incremental $15 billion in services revenue. He thinks that by 2025, Amazon will be delivering between 7.5 billion and 9.7 billion packages in the U.S. market.

In his report, Post notes that Amazon’s network includes 500 logistics facilities in the US and 1,100 globally. Post adds that Amazon is investing $1.5 billion in a 3-million-square foot central hub opening next year in Kentucky.

“With 800+ third-party delivery service partners and 20,000 delivery vans (and an additional 100,000 vans by 2030), thousands of contractors, 40 aircraft (increasing to 70 by 2023), and 200,000 sortation robots, Amazon is approaching a truly vertically integrated logistics network on par with the largest delivery companies in the world,” he writes. Post estimates Amazon invested $10 billion in retail delivery capital spending in 2019, nearly equivalent to the $13 billion spent by UPS, FedEx, and the U.S. Postal Service combined.

“Retail, cloud and advertising are still top reasons to own Amazon, but we see expanding delivery capabilities as a strategic asset for the retail business and a material opportunity to roll out another high-margin service leveraging existing capacity,” he writes.