Why Experts Believe Amazon Isn’t a Major Problem for the USPS

As the U.S. Postal Service (USPS) continues to struggle with what postmaster general Louis DeJoy described as “a financially unsustainable position absent significant fundamental change,” President Donald Trump is again singling out ecommerce giant Amazon as the root cause.

According to CNBC, Trump said the USPS is losing $3 to $4 on average per package delivered for online retailers and should raise prices to curb its losses. This despite the USPS announcing a plan days earlier to increase prices for commercial customers from Oct. 18 to Dec. 27.

Trump has been tweeting on the subject since at least 2017 when he noted the USPS was losing “many billions of dollars a year.” In March 2018, he tweeted that Amazon’s “use [of] our postal system as their delivery boy [has caused] tremendous loss to the U.S.”

It reported a net loss of $2.2 billion for the third quarter of fiscal year 2020, following losses of $748 million and $4.5 billion in Q1 and Q2, respectively.

But USPS revenue from packages has been on the rise since 2011, which continued this year. In Q1 2020, package revenue was up $146 million, despite a decline of 84 million pieces. And it has been up ever since, seeing $386 million in Q2 with an increase of 12 million pieces and $2.9 billion in Q3 with an increase of 708 million pieces.

The same was true last year. In its 2019 fiscal year report, the USPS reported a $514 million revenue increase “driven largely by price increases and continued growth in the

shipping and packages business," according to a statement.

However, postmaster general at the time, Megan Brennan, said in a statement that this revenue growth "will never be enough to offset imbalances in the Postal Service's business model, which must be addressed through legislative and regulatory reforms in order to secure a sustainable future."

Chelsea Gross, director at research firm Gartner, noted that many brands take a loss on shipping by not charging the full amount it requires to deliver a given package. Although, generally speaking, she said higher package volume should bode well for the USPS unless consumers are ordering heavier items and weight is an issue.

"We've seen since the initial contract with USPS in 2013 [for Sunday deliveries], it's pretty clear Amazon has a vested interest in increasing the revenue of the post office," Gross said.

Plus, Steve Sarracino, partner at investment firm Activant Capital, said Amazon took on shipping in cities as it built out its logistics network while using the USPS in more expensive rural areas where it would lose money. This makes the solution more complicated than simply charging Amazon more.

We also don't know how many packages the USPS delivers for Amazon. A 2019 CNBC report found that Amazon was delivering 2.5 billion packages a year, which is about half of its U.S. volume. But Amazon uses a range of delivery partners for the remainder, and 20% of its 2.2 million third-party sellers use their own in-house fulfillment.

Gross also noted the issue is "much bigger" than simply Amazon versus USPS, as the volume of online retail increases and strains fullfilment networks. That's part of why we see Amazon encouraging consumers to bundle products through services like Subscribe and Save and Amazon Day, which combine orders and

limit boxes.

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