BLOG

These delivery companies could help small businesses compete with Amazon

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When the pandemic hit, local retail took it on the chin. The shutdown of in-person shopping underscored the need for all businesses to develop e-commerce and delivery systems. Simultaneously, Amazon stumbled, unable to keep up with the increased demand, falling short in local delivery.

The pandemic, in effect, accelerated a simmering retail sector battle. After Amazon disrupted traditional retail with fast delivery, fueled by the Internet and people's desire for convenience, the rest of the retail world has been struggling to meet the shifting paradigm and compete.

Now, a new player is emerging on the field that could change the game for small businesses *and* delivery companies. One of these new players is Swyft. Think of them as a GrubHub for retail delivery. They serve, in essence, as a much-needed matchmaker, connecting retail businesses with local delivery providers and shipping carriers, making e-commerce and same-day delivery possible for local retail businesses and other online sellers alike. Their logistics software interfaces with regional carriers, making it easy for drivers to add Swyft deliveries to their existing routes.

Many smaller retailers list their products on Amazon marketplace because it's currently their only economic way to stay on par with the e-tail giant. They don't have the technical expertise or the capacity to handle last mile delivery. That seems to be changing. Swyft and its counterparts will let people get items delivered from local businesses just as if they'd ordered from Amazon.

By leveling the logistics playing field for fast last mile delivery, these companies are also providing an incredible opportunity for independent fleet operators and courier companies to find a viable business in retail delivery that doesn't involve contracting with Amazon. The model has enormous potential, and it could lead to the creation of more localized DSPs, allowing curious entrepreneurs to dip their toes into the delivery business.

Even as these delivery logistics enablers emerge, other major retailers are attempting to improve their last mile delivery. Target is experimenting with a new model that shifts away from utilizing UPS and FedEx services. Instead, they're using drivers who contract with their recently acquired subsidiary Shipt to deliver local online orders. An interesting piece of the puzzle: they are building warehouses called 'sortation centers' to store and distribute packages instead of continuing to ship directly from their stores. The success of Target's experiment relies on success with the Shipt drivers, who are usually underpaid and using their own vehicles.

If Target is able to create a stellar customer experience and provide same-day delivery with no additional cost, they could chip away at Amazon's business. If they fall short, or if the costs begin to outweigh the benefits, we may see them return to outsourced delivery. Perhaps they'll even seek out Swyft.

Risks, Considerations, and Opportunities

Independent Contractors Bring Inherent Risk

Shipt, Swyft, and similar entities enable independent "gig-economy" drivers that often use their own vehicles for deliveries. This can be risky on multiple fronts. If drivers are paid per package, they are incentivized to drive as fast as possible, which can lead to costly accidents. Additionally, since these independent contractors are not beholden to the delivery companies the way traditional employees are, they could behave in ways that leave the driver and the company vulnerable to lawsuits.

No Insurance Provided

Swyft and their competitors are forming a nationwide delivery network of couriers and DSPs, but they will likely not provide their insurance. Fleet operators, couriers, and DSPs will still have to pay for their own coverage. They must be assured profitable margins. Effective, affordable courier and delivery insurance can help with margins. We recommend speaking with a broker who specializes in the industry.

Better Treatment, Better Rates

As the emerging same-day delivery logistics providers build out their model, they have an opportunity to learn from the negative experiences DSPs have had with Amazon and differentiate themselves. Amazon has a well-reported history of mistreating their DSPs. If Swyft and their counterparts can promise better treatment and consistent delivery routes, they can attract high-quality DSPs. This new approach is encouraging from an insurance perspective. Reasonable delivery quotas and happy drivers mean safer driving, fewer accidents, and lower premiums.

Want to learn more?

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