



## Could Amazon's One-Day Delivery Guarantee Actually Be a Big Risk?

### Description

Does **Amazon.com** ([NASDAQ: AMZN](#)) have a **Domino's Pizza** (NYSE: DPZ) problem? According to a report by *The New York Times* and Pro Publica, the e-commerce giant is pushing its delivery drivers so hard, they're becoming involved in numerous vehicle crashes.

Domino's old 30-minute pizza delivery guarantee (any later and it was free) resulted in numerous car crashes — some fatal — and led to almost just as many multimillion-dollar lawsuits against the pizzeria, forcing it to end the guarantee. Now, Amazon may also find itself on the receiving end of a multitude of expensive lawsuits.

### A driving need for speed

*The Times* and Pro Publica [article](#) identified 60 accidents since June 2015 that resulted in serious injury or death where the driver was an Amazon contractor. They found that even though Amazon was named as a defendant in 45 of the cases, it was unclear whether the company ever had to pay out. Amazon requires the companies and drivers it contracts with to hold it blameless in the event of damage, accident, or death. Sometimes it was dropped from the lawsuits, while others had confidential settlements so it could not be determined who paid.

BuzzFeed published a [similar article](#) on the same issue. Both reports say the relentless drive of Amazon to speed up delivery to customers — first with two-day free delivery for its Prime members, and now one-day — is leading its contractors to take risks that are putting people's lives in jeopardy.

### Competition will increase the risk

But both articles say the crashes they found are most likely the tip of the iceberg. Many people involved in such crashes don't sue, and when they do, it's difficult to know whether the driver was working for Amazon or not since the gig work requires the use of a personal car and not a vehicle emblazoned with Amazon's name.

Regardless, it should still be concerning to Amazon investors because as the e-commerce leader's ambitions to become a full-fledged [logistics and transportation player](#) have grown, the likelihood of more and worse accidents grows with it. Speedy, low-cost last-mile delivery has become the key ingredient in making e-commerce a successful retail endeavor — not just for Amazon, but also for **Walmart** ([NYSE: WMT](#)), **Target** ([NYSE: TGT](#)), and others.

There were scores of lawsuits filed against Domino's throughout the 1980s and early 1990s, but it was the jury awards from a handful of victims — particularly one in St. Louis where a jury awarded the plaintiff almost \$79 million (she settled for an estimated \$15 million) — that caused the pizza chain to end its 30-minute delivery guarantee.

## Employees versus contractors

An important difference between Domino's and Amazon is that the drivers were employees of the pizzeria, versus Amazon's independent contractors. But through the use of technology, Amazon still exerts exceptional control over deliveries that could lead a jury to believe the drivers are de facto employees.

According to *The Times* and Pro Publica, Amazon requires that 999 out of 1,000 deliveries must be made on time. And because Amazon is able to track its packages from warehouse to the customer's door, dispatchers can call drivers when they start falling behind schedule.

BuzzFeed says about half of all Amazon purchases are subject to next-day or even same-day delivery. As both Walmart and Target have invested heavily in their own logistics capabilities and can [now rival Amazon](#) in next-day delivery, the competitive pressure to make good on delivery promises will escalate all around.

Amazon delivered an estimated 2.3 billion packages in 2018 and spent almost \$28 billion on shipping expenses, recouping some of that cost through the \$119 Prime membership annual fee.

## A big risk no matter how you slice it

Still, it has invested a substantial amount in its logistics program, purchasing tens of thousands of delivery trucks and vans, recruiting third-party companies in the gig economy to have their own drivers deliver packages, as well as offering employees help with seed money to start their own delivery businesses.

That's naturally going to increase the number of serious accidents its drivers are involved in, and despite hold-harmless clauses in its contracts, Amazon may soon discover it has a Domino's problem of monumental proportions.

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1. NASDAQ:AMZN (Amazon.com Inc.)
2. NASDAQ:DPZ (Domino's Pizza)
3. NYSE:TGT (Target Corporation)
4. NYSE:WMT (Wal-Mart Stores Inc.)

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