

Amazon's grocery reboot begins to take shape

Article

The news: Several months after **Amazon** began testing a grocery delivery service for consumers who don't belong to its **Prime** loyalty program in select cities, the retail giant plans to expand the offering nationwide, per Bloomberg.

- The retailer was "pleasantly surprised" at the number of consumers who used the service during the pilot, **Claire Peters**, the worldwide vice president of Amazon Fresh, told Bloomberg. She also noted the retailer plans to offer delivery from **Whole Foods Market** stores to non-Prime members in the "very near future."

- The expansion coincides with Amazon's plans to resume opening **Amazon Fresh** grocery stores next year after roughly a [year-long pause](#).

Why it matters: Groceries are one of the few retail categories that Amazon doesn't dominate and the leading player in the space is its chief rival, **Walmart**.

- [Walmart has grown its lead in the US grocery market over the past year](#). It accounts for over one in four dollars that US consumers spend on groceries, which far outpaces its next-closest rival, **Kroger**.
- **That strong position is helping it grow its retail media business.** Our [US digital ad revenue forecast](#) expects Walmart's advertising revenues to grow 40.4% this year, outpacing the rate of every other large company.

While Amazon has long sold a massive number of household staples online, it rightly recognizes that physical stores are where the vast majority—88%, according to our [grocery forecast](#)—of sales take place.

- However, its initial attempt to develop technology-focused Amazon Fresh stores fell flat. It is now in the midst of redesigning its existing stores to increase selection and add elements such as in-store **Krispy Kreme** doughnut shops.

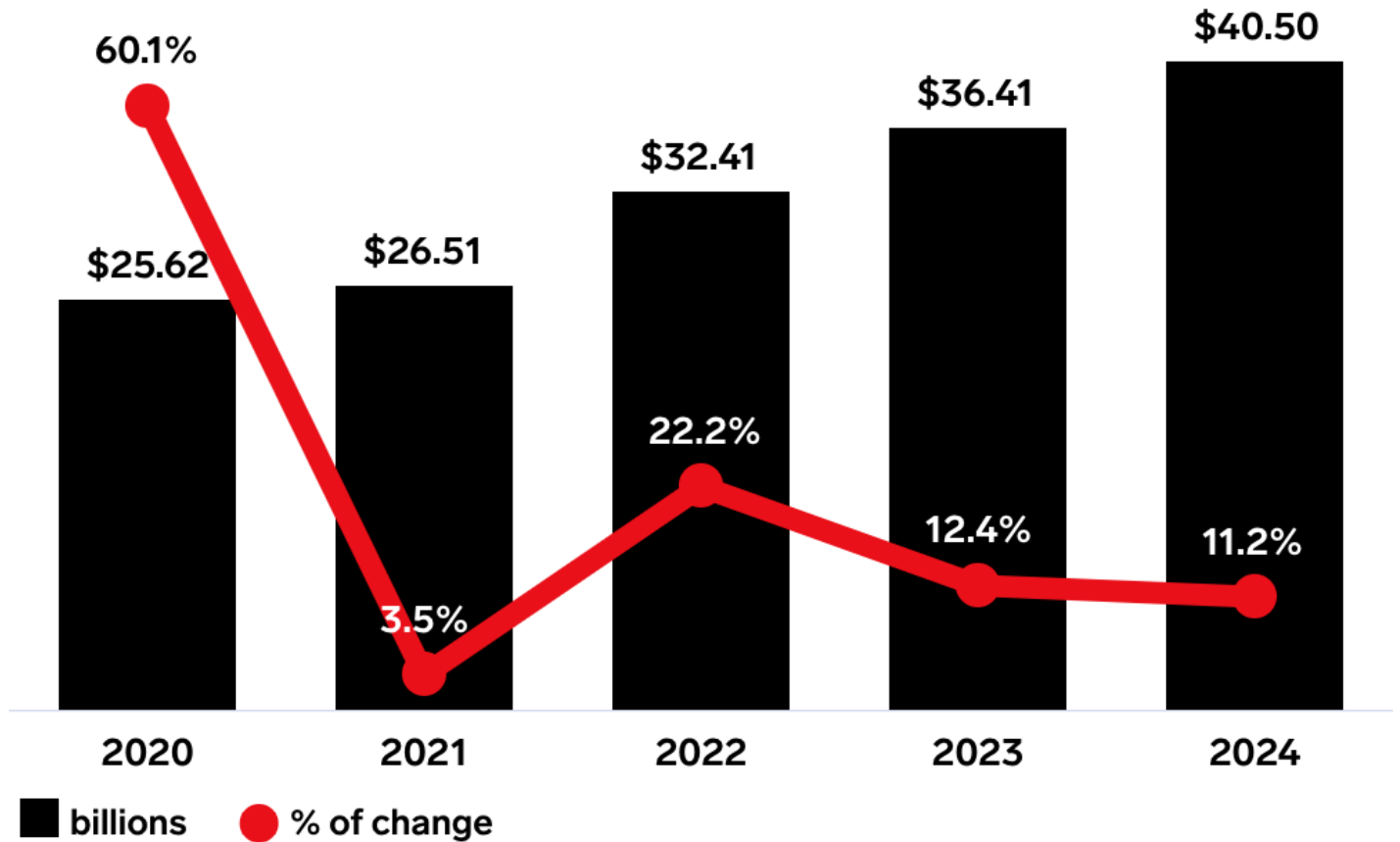
The big challenge: If Amazon wants to present a serious challenge to Walmart, it needs to rapidly grow its physical footprint.

- It operates just 44 Amazon Fresh stores and around 500 Whole Foods locations.
- That pales in comparison to Walmart, which has over 4,600 US stores, and routinely boasts that 90% of the US population lives within 10 miles of a Walmart store.
- Unless Amazon buys a grocer with a large number of stores, it will face a steep uphill climb.

Go further: Read our [Retail Media Forecast H2 2023](#) report.

Amazon Grocery Ecommerce Sales

US, 2020-2024



Note: represents the gross value of grocery products sold on Amazon.com (browser or app), regardless of the method of payment or fulfillment; includes Amazon Fresh and Whole Foods delivery and pickup; includes direct and marketplace sales; excludes fuel

Source: Insider Intelligence | eMarketer, November 2023

Insider Intelligence | eMarketer