

Amazon retools its brick-and-mortar strategy to prioritize grocery

Article

The news: Amazon is closing all 68 locations of its bookstores, 4-star shops, and pop-up stores, [per Insider](#).

A company spokesperson said the company would continue to invest in developing physical retail concepts and technologies, as well as its grocery business, **Amazon Go** stores, and cashierless capabilities, [per CNBC](#).

More on this: These store closures will have a miniscule impact on Amazon's revenues, but they speak to the shift in the company's priorities as it focuses on areas where it has the most opportunity to grow.

- Shutting down its bookstores isn't likely to affect Amazon's hold on the book market: It is **estimated** to be responsible for at least **50%** of all print book sales and over **75%** of ebook sales in the US. With online book sales **continuing to grow**, Amazon has no reason to spend extraneous resources on a sector it already controls.
- Without Amazon's acquisition of **Whole Foods**, its brick-and-mortar retail business would be virtually nonexistent. In fact, prior to the deal, Amazon didn't report sales from its physical stores, despite launching the first **Amazon Books** in 2015.
- The company's physical store revenues grew **17%** year over year in 2021, **per** its earnings release, but still fell short of its pre-pandemic numbers despite the growing tally of Whole Foods and **Amazon Fresh** locations.

Innovation station: Amazon's approach to brick-and-mortar has often been more experimental than practical, hampered by the company's lack of experience and the absence of a concrete strategy.

- Apart from Amazon's grocery stores, its brick-and-mortar locations have functioned more as opportunities to test out new technologies than as sales drivers.
- Even in successful cases, such as with its **Just Walk Out** tech, Amazon has been slow to scale up implementation, instead focusing on selling the functionality to **other retailers**. However, the company's decision to bring Just Walk Out to its **newest Whole Foods location** suggests it is looking to change this state of affairs.

What lies ahead: Amazon's brick-and-mortar priorities clearly lie with grocery, despite its **struggles** to compete effectively with Walmart and Target, both of which have a much larger retail footprint.

- In the past year, Amazon has **focused its resources** on building out its Amazon Fresh grocery stores, with plans to open dozens of new locations across the country in the next three years. But the company will need to expand much more quickly if it wants to become a major physical grocery player.

Leading Retailers Where US Adults Shopped In-Store vs. Digitally, Aug 2021

% of respondents

In-store		Digitally	
Walmart	63%	Amazon	65%
Target	25%	Walmart.com	37%
Walgreens	18%	eBay.com	17%
Lowe's	17%	Target.com	13%
The Home Depot	16%	Apple.com	11%
Amazon Go or Amazon Grocery	15%	BestBuy.com	8%
Kroger	12%	Etsy.com	8%
Kohl's	11%	HomeDepot.com	7%
Apple	11%	Lowes.com	7%
Sam's Club	11%	Kohls.com	6%

Note: in the past 3 months

Source: Jungle Scout, "Consumer Trends Report: Q3 2021," Sep 14, 2021

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The big takeaway: Amazon's decision to shed unsuccessful retail formats points to the pressure that **Andy Jassy**, Amazon's new CEO, is under to improve profitability and streamline operations.

That doesn't mean Amazon's investments in brick-and-mortar retail will end—they will likely be tied more closely to the grocery business.