

# Amazon pilots paid Whole Foods delivery— competitors may see an opening

Article

**The news:** Amazon is testing a delivery fee for Prime members using **Whole Foods** grocery delivery in select markets, [per Bloomberg](#).

Beginning August 30, the retail titan will charge **\$9.95** for delivery orders in six cities, including Boston, and Chicago. The new fee doesn't affect click-and-collect orders.

**How we got here:** Amazon wants to offset costs as online grocery sales skyrocket.

- Grocery retail ecommerce sales are **set** to hit **\$112.89 billion** this year, constituting 8.5% of overall retail sales—up from **\$62.21 billion** and **5.4%** pre-pandemic, per our forecasts. This growth was driven by COVID-19: Shutdowns and consumer wariness about getting sick pushed grocery orders online. Amazon alone saw Whole Foods delivery orders **triple** annually in 2020, a spokesperson told Bloomberg.
- The spokesperson said the new fee is intended to help offset costs and avoid raising prices. Fulfilling orders is **costly**, and expenses will only increase as online grocery grows and sticky shopping habits keep users online post-pandemic.

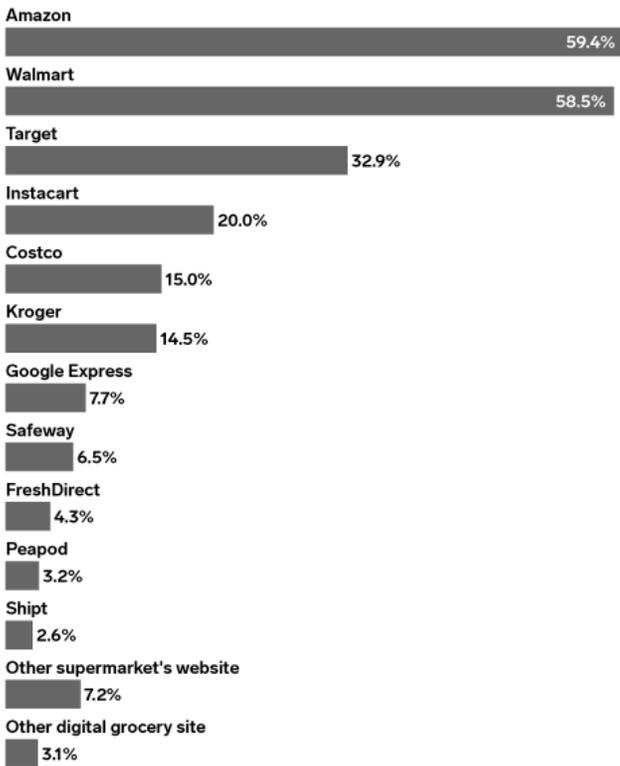
**What's next?** If Amazon rolls out the fee nationally, it may cut into the retailer's online grocery dominance and give a boost to competitors.

- Nearly **3 in 5** US digital grocery buyers have done their shopping on Amazon, **per** a July 2021 Cowen study, making it the top online grocer in the US. This popularity was likely driven by Amazon's low prices and wide reach: With **63.4%** of US households already **having** Prime memberships, the option was likely more appealing than other services with per transaction fees, like Instacart.
- But shoppers already paying **\$119** a year for Prime might not respond well to an added fee. Instead, they could turn to cheaper competitors like Walmart+, which **offers** unlimited grocery delivery for a **\$98** annual fee and has a wider **reach**—with **3,570** US Supercenters versus about **500** Whole Foods locations—and **lower** average food prices.

**The big takeaway:** While the new fees likely won't pull customers away from Prime entirely, they could threaten Amazon's burgeoning online grocery business. Users might turn to Walmart+, which already has a **shared base** with Prime and is nipping at Amazon's heels to be the top online grocer. The pilot also opens the door for other firms to experiment with free or lower cost services to try to cut into Amazon's business.

## Coronavirus Impact: Digital Grocery Sites Where US Digital Buyers Made a Purchase, June 2021

% of respondents



Note: in the past 30 days; among those who actively use digital grocery monthly  
Source: Cowen and Company, "COVID-19 Consumer Survey Tracker: June '21 Update," July 20, 2021

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