

What that Whole Foods- Amazon partnership means 5 years in

Article



We take a look at how the partnership has evolved in the five years since Amazon's acquisition.

Danger ahead: In 2017, **Whole Foods was at risk of** being taken over by activist investors, according to founder John Mackey.

- To avoid a hostile takeover, Mackey shopped for someone interested in purchasing the retailer.
- Warren Buffett and Albertsons both refused, but Amazon CEO Jeff Bezos took the bait, leading Amazon to acquire Whole Foods for \$13.7 billion.

Since then, Whole Foods has undergone a series of changes at both the store and corporate level.

In one place: Corporate operations were centralized at Whole Foods' headquarters in Austin, Texas.

- Though procurement no longer takes place within the individual stores, the grocer has doubled down on its local focus by adding **3,000 local brands**, a 30% increase from before the merger.

A win-win: The partnership has been **beneficial** to both Amazon and Whole Foods customers.

- Amazon Prime members have access to special deals and promotions online and in-store, as well as access to delivery and free store pickup.
- The ecommerce giant's proprietary technology enables shoppers to skip the traditional checkout process.
- Amazon's drive to lower Whole Foods' prices has made the store more accessible to lower-income consumers.

Making it easy: Leveraging its extensive fulfillment network, Amazon has streamlined delivery operations for Whole Foods.

- The grocer previously **teamed up with Instacart** in 2014 to bring delivery to multiple markets, but ended the partnership in 2019.
- In 2020, Whole Foods opened its first **"dark store"** in Brooklyn, New York. The space is not open to customers and is only used for workers to pick up delivery orders.

Brave new leader: Last month, **Jason Buechel** took over for Mackey as the second-ever company CEO.

- Mackey **announced his retirement** last September, taking a year to transition the role over to Buechel.

- At the annual Groceryshop conference in Las Vegas, Buechel shared **his plans** for the grocery chain, which include bringing Amazon's Just Walk Out and smart shopping carts to more stores and making the shopping experience like "theater," for example, by having employees provide insights into how shoppers' food was raised or made.

Adding it up: Including Whole Foods, Amazon's **US grocery ecommerce sales** will hit \$29.49 billion this year, a 16.5% increase over last year.

- Amazon's ecommerce grocery sales will **see strong growth** over the next two years. However, the retailer's (comparatively) small brick-and-mortar footprint, coupled with slower click-and-collect sales growth, will hinder it from gaining share of total sales.

Big picture: In the last five years, Amazon has shaped Whole Foods into a strong competitor in the fight for grocery dollars. In turn, Whole Foods has provided Amazon with a physical presence and helped it forge relationships with local merchants.

But it may not be enough. Will Buechel's technological vision for Whole Foods give it the edge it needs? Or will the sheer size of its competitors win out?

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