

Amazon halts its UK grocery store expansion as sales disappoint

Article

The news: Amazon has halted the planned expansion of its UK self-checkout **Amazon Fresh** grocery stores, per The Sunday Times.

- Amazon has abandoned talks on dozens of new sites for the stores and ended searches for new locations.

- Sales at most of the 19 UK Amazon Fresh locations have fallen short of projections.

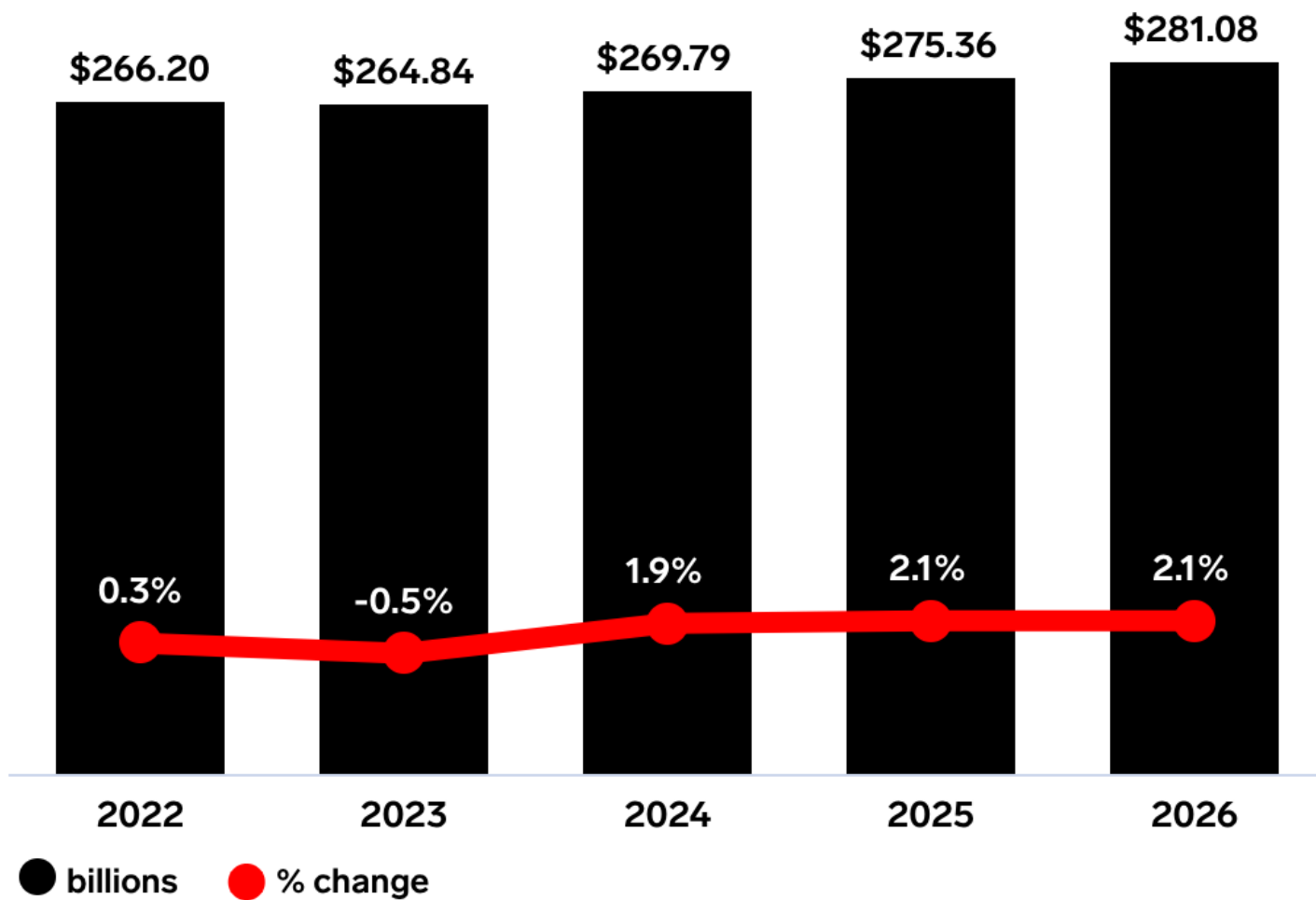
A tough environment: The UK grocery market is fiercely competitive with flat growth. **We expect non-ecommerce grocery sales to grow just 0.3% this year.**

- Amazon has sought to gain market share by focusing on price; the retailer last month announced it would **match** rival **Tesco's** prices on hundreds of products in a bid to win over customers from the UK's top grocer.
- The approach makes sense given that **UK grocery shoppers are increasingly price-sensitive as food prices rose 12.7% last month.** The situation isn't improving as UK inflation is expected to exceed 18% in January 2023, **per** a new Citi projection cited in Axios. That would be the highest inflation in nearly 50 years.
- But Amazon also faces stiff competition from other grocers that are focused on price, said **Carina Perkins**, eMarketer senior analyst at Insider Intelligence. "Many of the people who could be lured away from Tesco were likely already eyeing up the even bigger discounts available at **Aldi** and **Lidl**," she said. "If people are changing where they're shopping, they're going straight to the discounters."

The data bears that out as Aldi recently overtook **Morrisons** as the UK's fourth-largest supermarket, **per** Kantar as cited in This is Money.

Non-Ecommerce Grocery Sales

UK, 2022-2026



Source: eMarketer, June 2022

eMarketer | InsiderIntelligence.com

A strategic shift: Since the UK's largest grocery chains are struggling to compete with the discounters and remain profitable, it's not surprising that Amazon Fresh—which only has 19 physical locations and relatively expensive technology-filled stores—has scaled back its ambitions, Perkins said.

- Amazon's shift in strategy comes amid a [major reorganization](#) within the retailer's physical stores division that's designed to streamline operations and improve collaboration, [per Insider](#).

- Earlier this year, Amazon [closed](#) all 68 locations of its bookstores, 4-star shops, and pop-up stores as it sharpened its focus on grocery and Just Walk Out technology.
- The reorganization aims to help Amazon unlock stronger growth from its physical stores, where sales rose 12% in Q2.

The big takeaway: Amazon is right to press pause on its planned expansion of its physical store footprint in the UK given the challenging economic environment. Instead of building out storefronts outfitted with expensive technology, the retailer can look for other ways to grow its UK business such as finding ways to increase its UK Prime membership.

Go further: [For more on The Era of Uncertainty, read our report here.](#)

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