

# Amazon's New Grocery Chain Shakes Up the Dynamics in Grocery Ecommerce

Article

**T**he online grocery market is at an inflection point with the **news from The Wall Street Journal** that Amazon will open a new grocery chain, set to make the market even more

competitive in the year ahead.

Physical stores are key for buy online, pick up in-store (BOPUS) and as delivery fulfillment locations. Amazon's lackluster physical store presence has been a weakness in its **otherwise successful attempts** to break into the grocery ecommerce market.

"Amazon has attacked the online grocery market from all angles, and that has paid dividends with the market now beginning to accelerate," said Andrew Lipsman, eMarketer principal analyst. "At the same time, competition has ramped up from Walmart, Kroger and others with big brick-and-mortar footprints, which they are leveraging to their advantage against Amazon. We shouldn't be surprised that Amazon is looking to respond aggressively."

As its main competitor, Walmart Grocery played a key part in the 43% jump in ecommerce sales last year, according to CEO Doug McMillon, who also reported that Walmart's omnichannel shoppers spend twice as much overall, including more in-store.

Sam Gagliardi, senior vice president of ecommerce at IRI, suggested Walmart's success with online grocery was thanks in part to the visibility and discoverability of its physical stores. Customers have "that option put right in front of their face [and ask], 'Why am I here when I can just buy this online and pick it up in the parking lot?'" he said.

The big-box giant's momentum has been gradual however, and right now it's fighting with Amazon for the top spot. Data from TABS Analytics shows Amazon surging ahead in 2017, with a jump in penetration from 16% in 2016 to 25% the next year, and Walmart trails behind with more marginal growth.

#### Where Do US Internet Users Buy Groceries Online?

% of respondents, 2015-2018

	2015	2016	2017	2018
Amazon	14%	16%	25%	24%
Walmart	12%	12%	14%	15%
Target	7%	5%	9%	9%
Grocery banner	16%	11%	7%	9%
Jet	-	1%	5%	2%
Peapod	2%	1%	2%	2%
Netgrocer	0%	0%	2%	1%
FreshDirect	2%	2%	2%	1%
Other	2%	0%	1%	2%
None	66%	69%	65%	62%

Note: ages 18+

Source: TABS Analytics report titled "6th Annual Food and Beverage Consumables Study" conducted by Kantar TNS, Oct 17, 2018

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But research from The Retail Feedback Group painted a slightly different picture. Its “2018 US Online Grocery Study” showed Amazon with the top spot at 36% in 2017. Walmart trailed slightly (33%) but has momentum on its side with a 7-percentage-point gain in 2018.

Target, Jet and Peapod all fall in line behind the two giants. However, the market is growing quickly. We forecast that online food and beverage sales will grow 18.2% in 2019, making it the fastest-growing product category online.