How Amazon is leveraging its non-ecommerce retail

Article

Amazon operates close to 600 physical stores in the US, the majority of which are locations of grocer Whole Foods Market, which Amazon acquired in 2017. The rest are Amazon-branded stores, including Amazon Fresh (grocery), Amazon Go (cashierless convenience stores), Amazon 4-star (featuring products with a four-star rating or higher on Amazon.com), Amazon

Books (carrying books and electronics), and Amazon Pop Up (shopping center locations that highlight various brands and trends).

The ecommerce giant has cast a wide but shallow net in physical retail. It has explored several retail concepts over the years, but the Whole Foods acquisition remains its most serious investment to date. Amazon's multifaceted approach makes its competitors in the brick-and-mortar space everyone from big-box retailers, like Walmart and Target, to grocery chains, department stores, and electronics retailers. **But its brick-and-mortar presence is still too small to be a serious threat in physical retail.**

Amazon's brick-and-mortar business makes up a small percentage of its overall retail sales. In its Q1 2021 earnings release, the company reported $52.90 billion in online first-party sales that quarter, while its physical stores generated just $3.92 billion. The company doesn't break out figures for Whole Foods Market alone, but given the comparatively few Amazon-branded stores, it's safe to assume that most of Amazon's physical store sales come from Whole Foods.

Sales, however, have never been at the center of Amazon's brick-and-mortar business model. Originally, its Books and Pop Up stores acted mainly as marketing vehicles for Amazon-branded electronics. Amazon stores have also served as **testing grounds for omnichannel shopping integration and new technology**. For example, Amazon 4-star draws on the company's trove of online reviews to inform inventory decisions, while Amazon Go and Amazon Fresh stores are used to deploy new retail technologies, such as store sensors that enable cashierless checkout, smart grocery carts, and biometric payments.

Long term, Amazon will likely use its physical stores to bolster its ecommerce efforts and to draw more value from its Prime members. The company has been using Kohl's physical locations to offer users in-store returns for goods purchased on Amazon.com. Now nearly every Amazon-owned location provides in-store pickup and returns. As consumers continue to adopt omnichannel shopping habits, Amazon will likely focus on expanding hybrid offerings like click and collect and leveraging its Prime members to build customer loyalty for physical stores as it has done online.

While these concepts may never generatethe level ofrevenuesbrought in byAmazon's ecommerce business, they will continue to serve as discovery platforms for the products and services available through Amazon, whether in-store, online, or somewhere in between.

For more on Amazon and ecommerce, read our latest report on The Power of Amazon.

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The Power of Amazon