

Amazon tries multiple paths to finally crack the grocery code

Article

The news: Amazon is testing a small-format grocery store called **Amazon Grocery** next to a **Whole Foods Market** in a high-rise building in an affluent area of Chicago, per The Information.

- The 3,800-square-foot store features about 3,500 products such as **Coca-Cola** and **Tide Pods** that aren't sold in Whole Foods due to the store's restrictions on artificial ingredients and additives.
- “Customers can now shop their favorite natural and organic brands while also quickly topping up their groceries with a larger assortment of favorite national brands, grab-and-go meals, and household essentials—all in one trip,” wrote **Tony Hoggett**, Amazon's senior vice president, worldwide grocery stores, in a [LinkedIn post](#).

The broader strategy: Amazon Grocery is one of several grocery-oriented experiments the retail giant is currently running as it looks to capture a greater share of an industry [we expect](#) will generate \$1.57 trillion in sales this year.

- Amazon is currently [building a micro fulfillment center](#) that's attached to a Whole Foods Market store in Plymouth Meeting, Pennsylvania, which will enable Whole Foods shoppers to order items from Amazon's website and [Amazon Fresh](#) and then pick them up in store.
- Earlier this month it overhauled 26 Amazon Fresh fulfillment centers to include a wider array of products, including goods from Whole Foods and household goods from Amazon.com “so customers can get everything they need for their routine grocery shopping trip in one easy online order,” the retailer wrote in a [blog post](#).
- It recently launched a small-format Whole Foods concept called [Whole Foods Market Daily Shop](#) that aims to serve urban consumers grabbing a few quick items for lunch or dinner.
- Amazon also opened up more Amazon Fresh locations, launched new private label lines such as the value-focused **Amazon Saver** line, and rolled out two new [subscription plans](#).

Not surprisingly, the retailer's test-and-learn approach resulted in some notable misses.

- It recently closed [three Amazon Go convenience stores](#) in New York.
- It also [pulled its Just Walk Out technology](#) out of its US Amazon Fresh stores.

Our take: While Amazon has long positioned its online presence as “the everything store,” it has yet to figure out a formula that works offline in grocery or other categories.

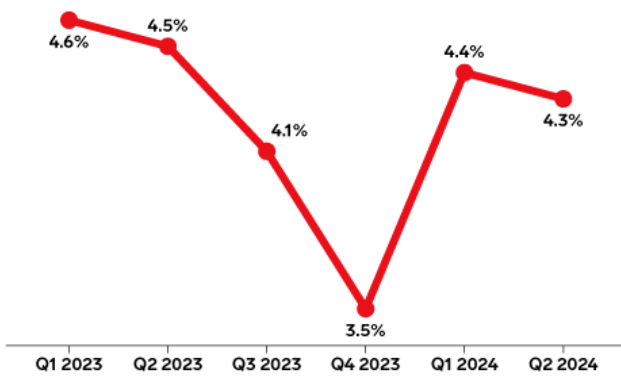
- In addition to the recent Amazon Go closures, the retailer also [shuttered several other concepts](#)—including its apparel-focused stores, bookstores, 4-star shops, and pop-up stores—amid corporate belt-tightening.

- Physical stores accounted for just 4.3% of the company's worldwide net sales in Q2 and have been around that share for some time.

If Amazon is going to grab a greater share of grocery sales, it will need to identify and rapidly scale a formula that works offline given that **the vast majority—87.0%—of grocery sales will take place in physical stores this year**. That won't be easy given that it is competing against retailers such as **Walmart** and **Kroger** that operate thousands of stores.

Physical Stores Maintain a Small, Steady Share of Amazon's Net Sales

physical store % of Amazon consolidated net sales worldwide, Q1 2023-Q2 2024



Note: numbers reflect Amazon's online and physical store net sales excluding foreign exchange impacts; physical store sales include product sales made in-store and exclude online orders picked up in-store
Source: Amazon, "Q2 Financial Results," Aug 1, 2024

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