

Amazon's Latest Attempt to Own Online Groceries

Article

Whole Foods Market just got a whole lot more affordable.

Is it worth forking over \$119 a year to get 10% off at Whole Foods? That's what **Amazon** is banking on with its new initiative to offer Prime members discounts on **Whole Foods** orders.

According to **CNBC**, around 75% of Whole Foods shoppers are Amazon Prime members, but less than 20% of Amazon Prime members are Whole Foods shoppers. This leaves a considerable number of consumers who could be swayed to commit to Prime for a discount

on items they already buy—and conversely—an even larger number who might finally be convinced to shop at Whole Foods.

Amazon had already launched symbiotic perks like free Prime Now delivery in limited markets and 5% cash back when using an Amazon rewards Visa to pay at Whole Foods.

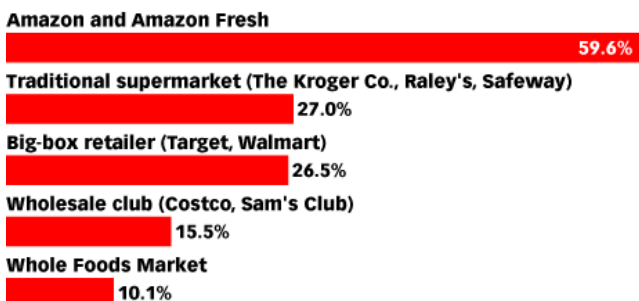
There is a rush for traditional supermarkets to master online grocery sales since it is a potential growth area, even though most US consumers still shop in-store for food. A new forecast from **Brick Meets Click** says online grocery sales will increase faster than in-store sales, posting a compound annual growth rate (CAGR) of 13% by the end of 2022, compared with 1.3% for in-store sales. The firm also predicts the share of online grocery sales will grow from less than 5% in 2017 to over 8% during that same time period.

Brick Meets Click defines two types of online grocery retailers: pure-play providers that are online-only (like Amazon Fresh) and in-market providers, which are physical supermarkets that offer delivery or pickup options (like Whole Foods). The consultancy found that in-market options were used by more shoppers (around 15%), and buyers purchased more items and had higher order values.

In a February 2018 survey by RichRelevance, only 10.1% of US digital grocery buyers said they had shopped at Wholefoods.com. A majority (59.6%) had bought from Amazon and Amazon Fresh, though. With Amazon consistently launching incentives to shop at Whole Foods, that small consumer base is sure to soar.

Retailers Where US Digital Grocery Shoppers Shop for Groceries Digitally, Feb 2018

% of respondents



*Note: n=712 ages 18+
Source: RichRelevance, "Digital Grocery 2018 Consumer Survey," March 19, 2018*

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The fact that there are so few pure-play online grocers shows how hard it is to crack the online food and beverage market. FreshDirect and Peapod are limited in geographic scope, and startups like Boxed Wholesale focus primarily on bulk items. Despite Whole Foods' specialization in organics, Amazon needed that entry point into the physical world.