

## Spotlight: 21<sup>st</sup> Century Store Wars, Part 1 of 4

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### ☀ Amazon's catchment

South America's Amazon River is the world's largest river as per discharge volume of water, often defying further description (i.e. aka The Amazon), with an origin dating to the dawn of creation. Seattle, WA-based [Amazon](#) is the world's largest Internet-retailer by total sales and market capitalization (also defying further description), with an origin dating to July 1994. Only the company's founders can say if they set out to emulate the scope of its namesake. Catchment, velocity and discharge – all dimensions of a river – can be equally applied in an attempt to grasp the commercial force of the e-tailer. Nevertheless, while The Amazon drain basin is limited to the Amazon Valley, Amazon's catchment is limitless.

### ☀ Amazon's Whole Foods acquisition

Amazon's purchase of [Whole Foods Market](#) (WFM) was not the e-tailer's first foray into the food sector. [Amazon Fresh](#) is operational in select US states, as well as the cities of London, Tokyo, Berlin, Hamburg and Munich. Experience, track record and consumers' repeat purchase patterns were factors which validated the largely unforeseen [Amazon acquisition](#) of North America's largest "health food store" chain.

### ☀ WFM whole paycheck image

("pay cheque", for the Canadian and UK readers). Industry observers credit WFM as the first global chain retailer of organic food (historically premium priced to conventional) and the destination of choice for basic, minimally-to-no processed food, enjoying double-digit growth despite a tier-1 pricing strategy. However, WFM's across-the-board premium prices of 15%-40% have not escaped the derision of savvy shoppers (hence the nickname) nor the attention of [Wall Street's business analysts](#).

### ☀ WFM trade violations

In 2015, NYC charged WFM with city-wide trade violations at store level, involving over-declared net quantity violations on more than 80 items, an [overpricing scandal](#) that tarnished WFM's image of pureness. Subsequently, WFM has implemented remedial steps and has been gradually aligning their price points with those of other specialty chains.

### ☀ Enter Grocer-e

Grocery chains worldwide have been weighing the pros and cons of online operations since the concept of e-commerce first emerged in the 1990's. WFM itself has had an online presence for several years. However, the acquisition of WFM by Amazon signals a fundamental change in the competitive landscape, eerily evident to all [stakeholders in the global grocer sector](#). On the surface, the transaction appears to be an anomaly, as it couples the cost-efficient, high-tech, price-competitive e-commerce giant Amazon with the tree-hugger, premium-priced, specialty-food leader WFM. First impressions aside, the merger unifies two retailers, who have, individually, capitalized on once nascent market trends (WFM: organic food; Amazon: e-commerce) in a trajectory of success and a rate of growth that left competitors in their dust.

### ☀ The Amazon ripple effect

As predicted in [Canada's Food Price Report 2018](#) "The threat from Amazon is real, and things will change quickly". Shifts in the food retail and distribution landscape are anticipated to have a very significant and very likely downward effect on food prices throughout the western world. Grocer alignment of their bricks-and-mortar operations with concepts such as [virtual space](#) and "building an [omnichannel](#)" directly impacts related businesses such as the warehouse and distribution sector, topics which will be examined in future issues of Food Fax 2018 "Store Wars".

### ☀ NAFTA by the numbers

Meanwhile, check out this infographic which describes NAFTA from a US perspective. [NAFTA by the numbers](#) by the firm RSM estimates the level of NAFTA-generated North American transactions to equal (USD):



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