

TOP 10 WAYS

That Amazon's Purchase of Whole Foods Will Impact CPGs

BY ANGELA EDWARDS

- 1 Expect delivery of groceries and essentials to expand dramatically as Amazon uses Whole Foods physical stores as DCs for Amazon Fresh, Prime Pantry, and Prime Now. CPGs will have to ensure that they maximize assortment within Pantry and Fresh.
- 2 Expect click and collect to also expand dramatically as Amazon uses Whole Foods physical stores as pick-up locations for Amazon Fresh Pick-up. CPGs will have to ensure that they achieve full distribution in Amazon Fresh and invest to ensure strong platform visibility.
- 3 The shift towards healthier, more natural food and personal care products will accelerate. CPGs will need to shift their product portfolio accordingly. Amazon's Whole Foods merger could also accelerate the current shift away from pre-packaged foods and center of store items so be prepared for volume declines on brands that aren't able to be positioned as healthy and all natural.
- 4 We may start to see Whole Foods or 365 branded items on Amazon.com, Amazon Pantry, and Amazon Fresh. CPGs may need to invest more on Amazon to ensure that they don't lose share to this new private label threat within healthy foods and essentials.
- 5 Expect that the Whole Foods in-store experience will evolve as Amazon uses consumer purchase data to reduce inventory levels at Whole Foods making space for Amazon to use Whole Foods stores as showrooms for Amazon products (Books, Kindles, Alexa, etc.) and pickup locations for Prime purchases. CPGs will have to prepare for tighter inventory management, faster shipping, and possible packaging changes to adapt to the new format.
- 6 Food Deflation. Pricing is going to be significantly challenged as Amazon is a Deflationary force and this will put pressure on CPG manufacturers and retailers to be more efficient and flexible in their procurement and pricing models.
- 7 While 95% of shopping trips still happen in-store, Shopper Marketing will now, more than ever, need to be digitally oriented and focused on pre-shop and clickable content.
- 8 Retailers that were already having challenges in e.g., Supervalu, Albertsons and Target will most likely struggle the most, so CPGs may have to reduce their investment levels at trouble retailers in anticipation of decreased sales.
- 9 Expect that Amazon will dominate grocery within the next five years, as demonstrated by the huge stock declines for Kroger, Walmart, and Target and plan marketing investments accordingly.
- 10 Consumer Packaged Goods companies need to immediately move into a very proactive role with Amazon if not already there – Amazon needs to be treated like a key account requiring leadership level investment and expert guidance.



ABOUT THE AUTHOR

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