



# Numerator

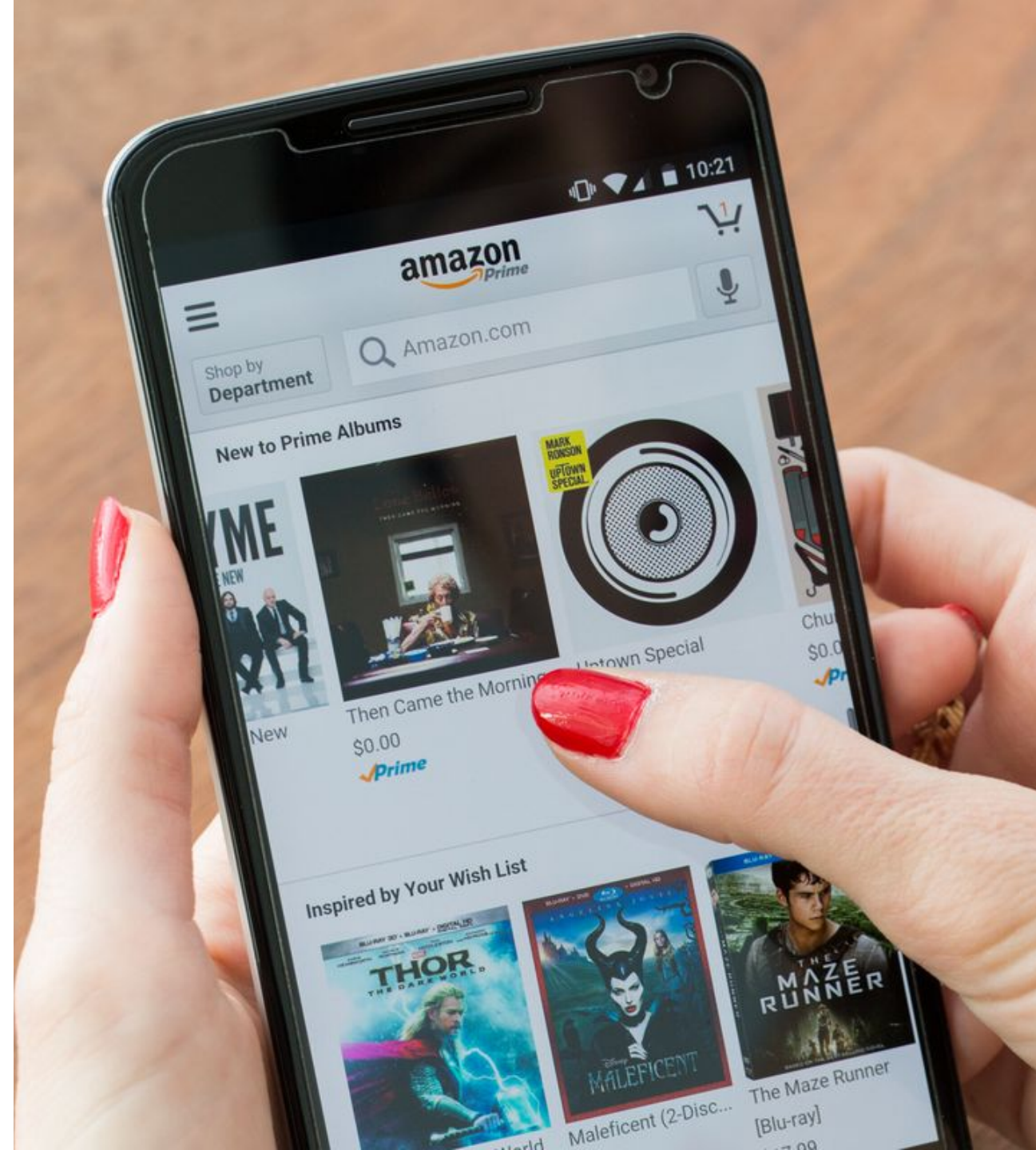
NEW FRONTIERS

**Win Once, Win the Shopper:  
The Amazon Revolution**



# Agenda

- How is Amazon changing shopping behavior?
  - Loyalty
  - Brands
  - Timing
- How is Amazon growing its presence in retail and beyond?
  - Whole Foods
  - The Amazon ecosystem
- What do consumers want from Amazon?
- How do Brands win with Amazon?



# Amazon Is Changing Retail in Many Ways

## Amazon could radically change how prescriptions

by Kaya Yurief @kyurief  
June 28, 2018, 6:08 PM ET



See Amazon's new Prime delivery initiative

In the last 24 hours, Amazon announced a program that all but franchises its last-mile deliveries and bought the popular online pharmacy PillPack. At first glance, these may seem like utterly unrelated deals -- another case of Jeff Bezos digging into his very deep pockets to reach even further into your life.

Step back, though, and you can see these two developments coming together to make dealing with a pharmacy as easy as thumbing your phone: Place your order and an Amazon-branded truck delivers your amoxicillin, along with tissues, all-natural cough drops and organic chicken noodle soup from Whole Foods.

Right now, going to the pharmacy can be a tough pill to swallow. Get your prescription, schlep to the drug store, wait in line. It's even worse when you're fevered and sneezing and generally feeling lousy. Bezos is betting you'd rather have those meds delivered to your door, along with everything else Amazon sells, in almost no time at all.

"This is going to have serious implications for the brick-and-mortar retail pharmacies," said Arielle Trzcinski, a senior analyst at Forrester who covers health care and technology.

Related: Amazon buys online pharmacy PillPack

CVS recently took steps in this direction. Just last week, it announced the start of next-day home delivery of prescriptions -- for \$4.99. "To me that's too little too late," Trzcinski said. "They're going to charge people per delivery."

## Food Retail Execs See Amazon as Biggest Disruptor: Survey

07/30/2018

A survey of more than 200 food retail executives has found that seven in 10 believe that if grocery stores don't modernize, more consumers will find other ways to purchase food -- most likely from the likes of Amazon, which they view as the biggest threat to traditional grocers.



A survey of food retail executives by Phonic found that most believe that supermarkets must modernize to stay competitive

The survey, from solid-state cooling provider Phonic, featured executives who work in the grocery and food retail space, among traditional grocers, convenience stores and big-box retailers that sell groceries. The aim of the survey was to uncover insights into shifting shopping habits, growing competition, the deployment of technology, and predictions on how these factors will affect food retail over the next five years.

"Food retail has become one of the most competitive markets, attracting numerous disruptors," said Tony Atti, CEO and founder of Durham, N.C.-based Phonic. "However, margins on staple items are already razor-thin. Rather than cutting prices, grocers need to deploy new tactics that focus on leveraging technology to improve convenience and increase basket sizes."

Phonic pointed out that the food retail executives responses largely aligned in several key respects with those of consumers who took part in the company's recent "Store of the Future" survey. According to the company, the executives' survey responses showed how they're looking to technology to meet consumer needs at a time of mounting competition.

Among the results:

- Asked to identify the biggest grocery disruptors, more than half of respondents (54 percent) fingered Amazon, two in five (41 percent) named Walmart, and one-quarter (25 percent) said online food delivery services, while smaller numbers chose Kroger (10 percent) and Target (8 percent).
- Three in five respondents (60 percent) said that their company invests sufficiently in in-store technology, and seven in ten (70 percent) said that their company is proactive in the

## Whole Foods Delivery Comes To New York And Florida

By PYMNTS  
Posted on July 24, 2018



Expanding its Prime Now grocery delivery service, Amazon is bringing the offering to more customers on the East Coast. The retailer, which delivers Whole Foods Market orders through the service, added areas of New York City along with three cities in Florida to the platform, CNBC reported.

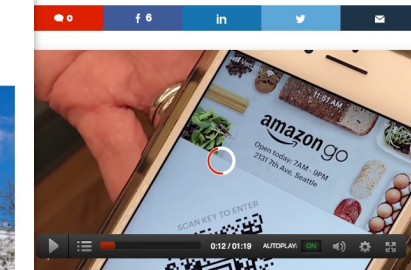
"We've been delighted with the customer response to delivery in as little as an hour through Prime Now, and we're excited to bring the service to our customers in Fort Lauderdale, Miami, Palm Beach, Long Island and New York City," Whole Foods Market Executive Vice President of Operations Christina Minardi said in an announcement. "Today's announcement is another way that we are continuing to expand access to our high-quality products and locally-sourced favorites."

At the same time, Florida and New York are competitive markets for grocery: In New York, for example, Walmart's Jet is starting to market same-day grocery delivery in New York. And, while Publix has long dominated the grocery market in Florida, grocers such as Lucky's Market and Sprouts Farmers Market are starting to open.

The news comes after Denver, Sacramento and San Diego joined the Prime Now lineup in April. The Prime Now platform allows Prime members to shop a few thousand items, ranging from produce, bakery, dairy, meat and seafood to floral and everyday staples. A selection of alcohol is also available for delivery to customers

## Is Amazon Go's cashier-less shopping the future of retail?

By Conner Forrest | July 3, 2018 -- 15:41 GMT (08:41 PDT) | Topic: Data, AI, IoT: The Future of Business



late 2016, e-commerce giant Amazon unveiled the ultimate grocery pre for introverts -- a cashier-less store in Seattle where customers nply walk in, take what they need, and walk out, with their account larged automatically. Using artificial intelligence (AI), the Amazon Go pre fundamentally changed what it meant to run to the store for some ilk and bread.

amazon Go opened to the public in January 18, promising no cashiers or checkout ies and a streamlined shopping perience. Amazon's system in the store is illed Just Walk Out, and it relies on chologies such as computer vision, insor fusion, and deep learning to ltermine what has been picked up by a istomer before making the appropriate larges to their Amazon account when they ave the store.

IE: Job description: Ecommerce tech alyst (Tech Pro Research)

ere's no denying that Amazon Go is controversial for its substitution of man workers with technology -- much like McDonald's use of ltomated self-service kiosks to take orders. But the bigger question is hether or not this will last, and spread to other retailers.

), is Amazon Go's cashier-less shopping the future of retail? The answer complicated.

low did we get here?

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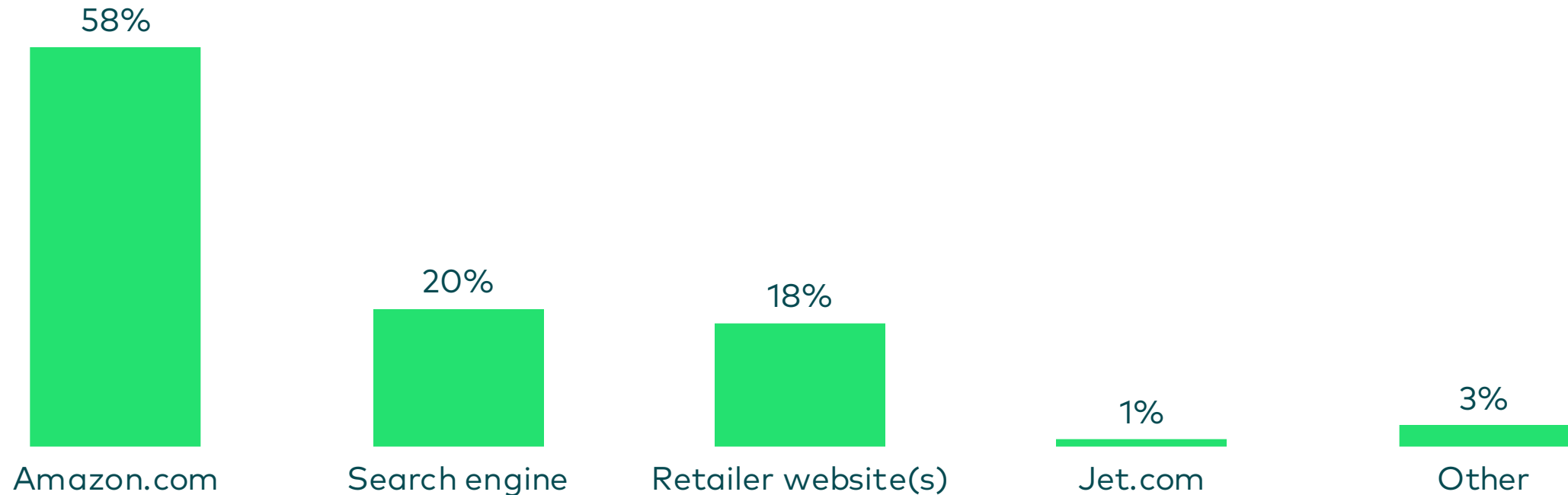
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# The Shopper Journey Begins on Amazon

When shopping online, consumers are more likely to search on Amazon than Google

## First Search Choice, for Products Online



# And Amazon Programs Make Shoppers Highly Loyal

60% of Amazon shoppers are Prime Members and 14% are Subscribe and Save users

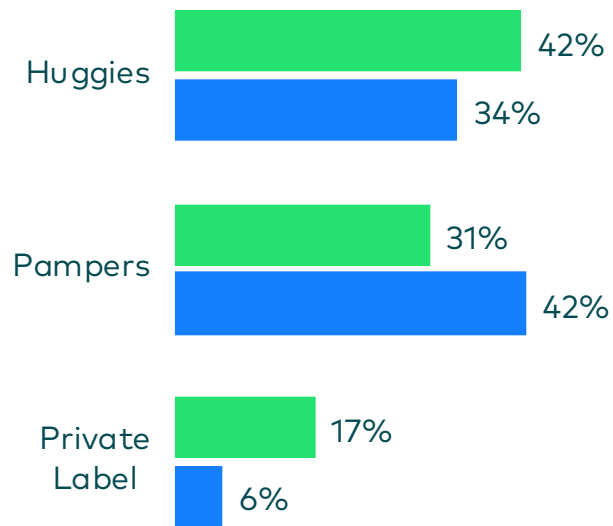


	TOTAL AMAZON	PRIME	SUBSCRIBE & SAVE
Spend per Trip	\$36.43	\$36.12	\$32.98
Annual Frequency	34	48	84
Buy Rate at Amazon	\$1,229	\$1,741	\$2,778
Amazon % of Total \$	7%	10%	15%

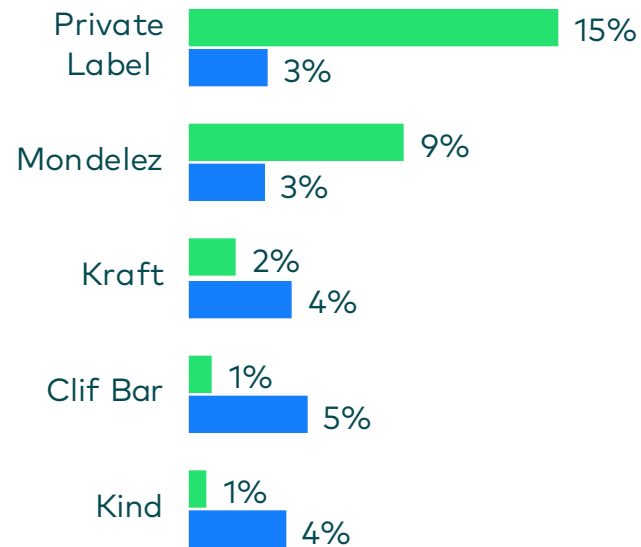
# Shoppers Buy Different Brands on Amazon

- Brands that win in store don't always win online, and niche brands can outperform.
- Shoppers are more likely to 're-order' than browse. Win once, win the shopper.

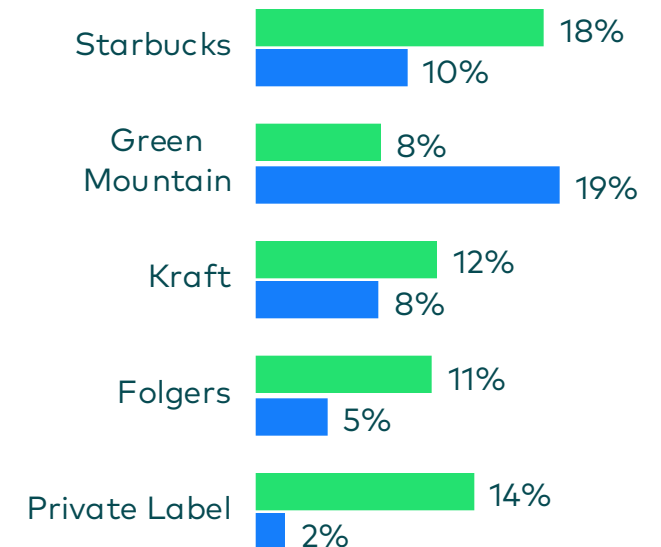
## Disposable Diapers



## Snacks



## Coffee



■ % of Spend, Offline ■ % of Spend, Online

# And have different baskets



**BRICK & MORTAR**  
a typical basket

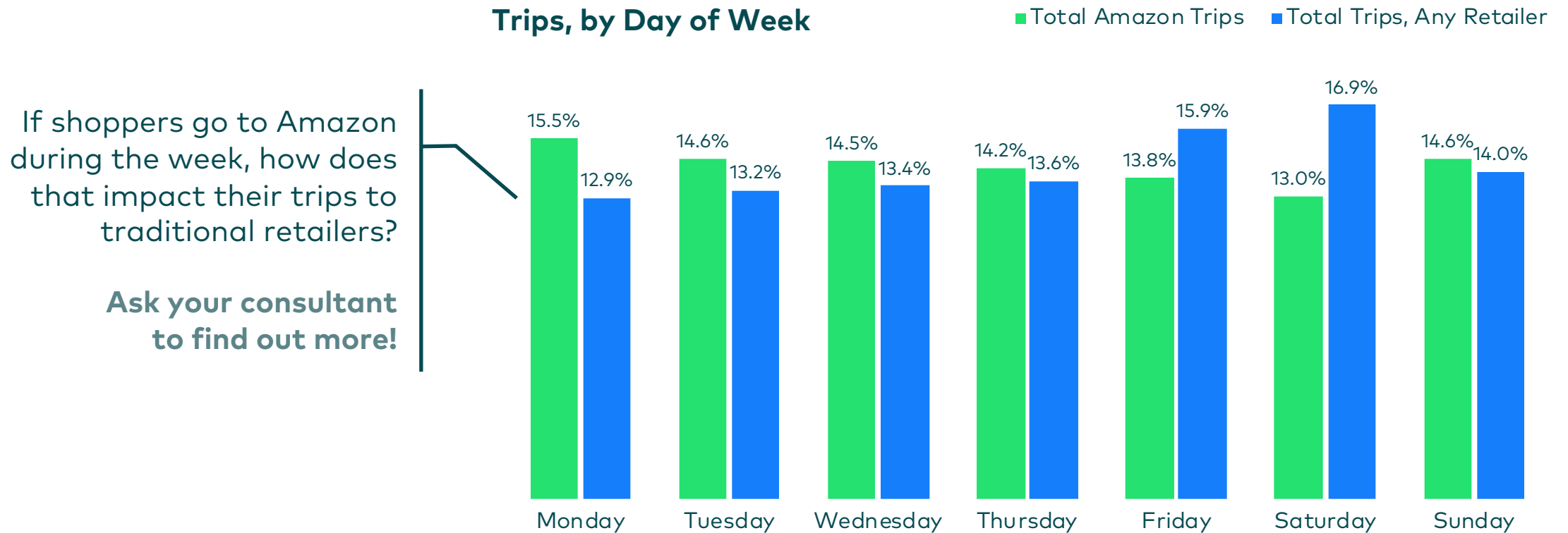


**AMAZON**  
a typical basket



# It changes **when** they shop...

- Shoppers stock up at traditional retailers at the end of the week when they are not working
- But they shop at Amazon consistently throughout the week

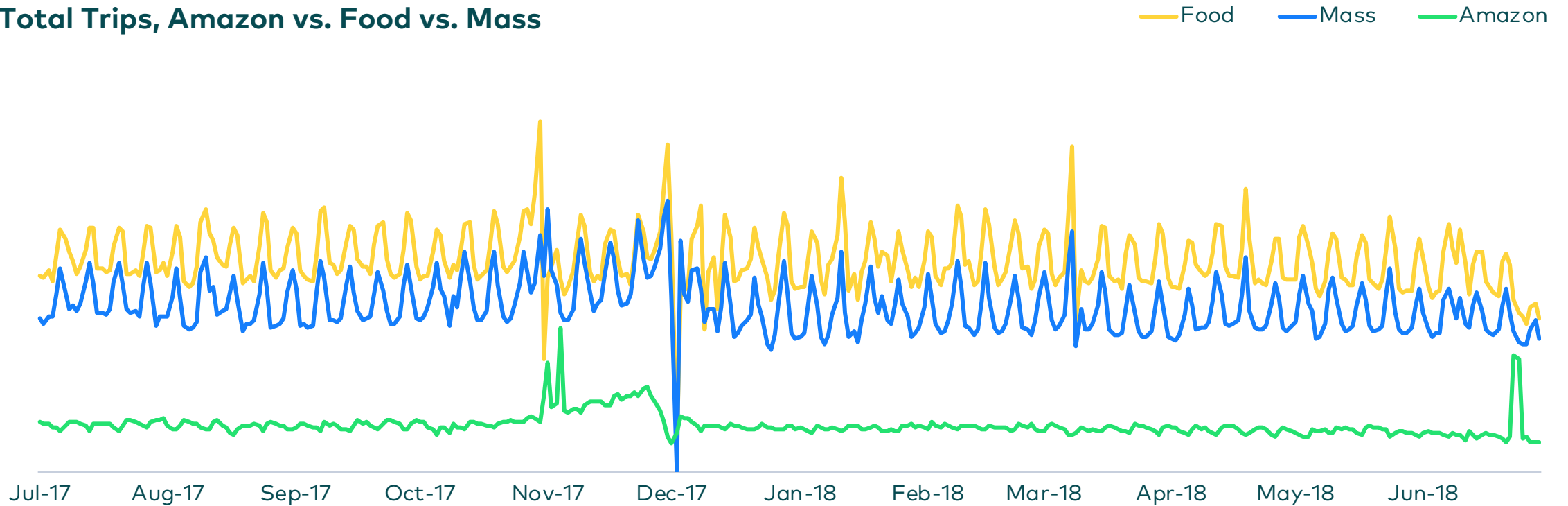




# And They Even Created New Retail Holidays

- 44% of 2018 Prime Day shoppers said this was the first time they shopped Prime Day
- Amazon saw their highest number of trips all year, aside from Black Friday

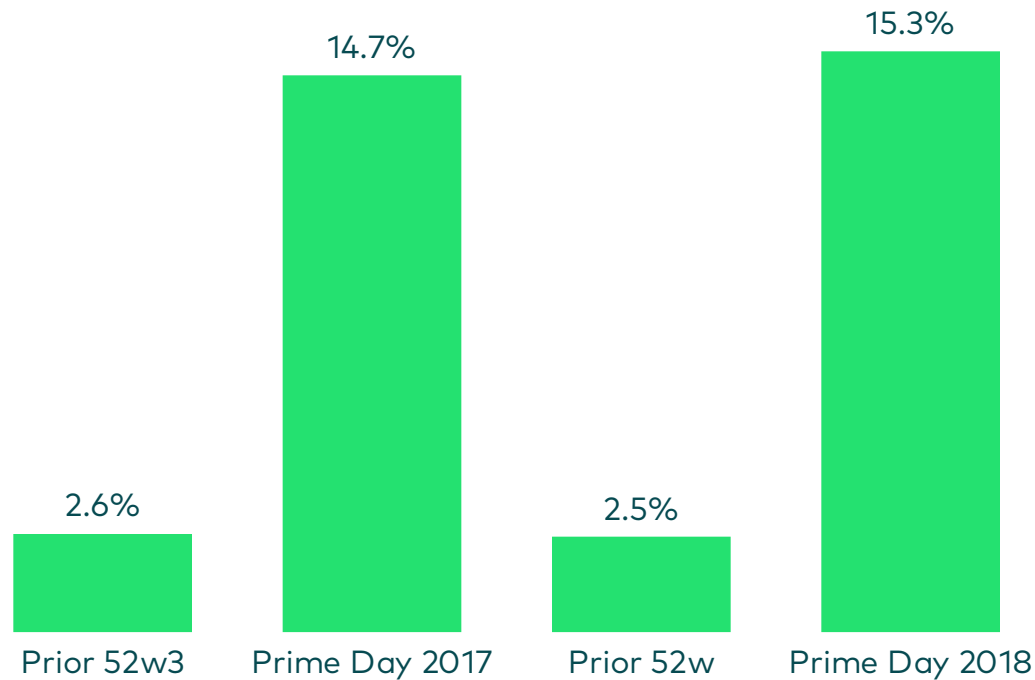
## Total Trips, Amazon vs. Food vs. Mass



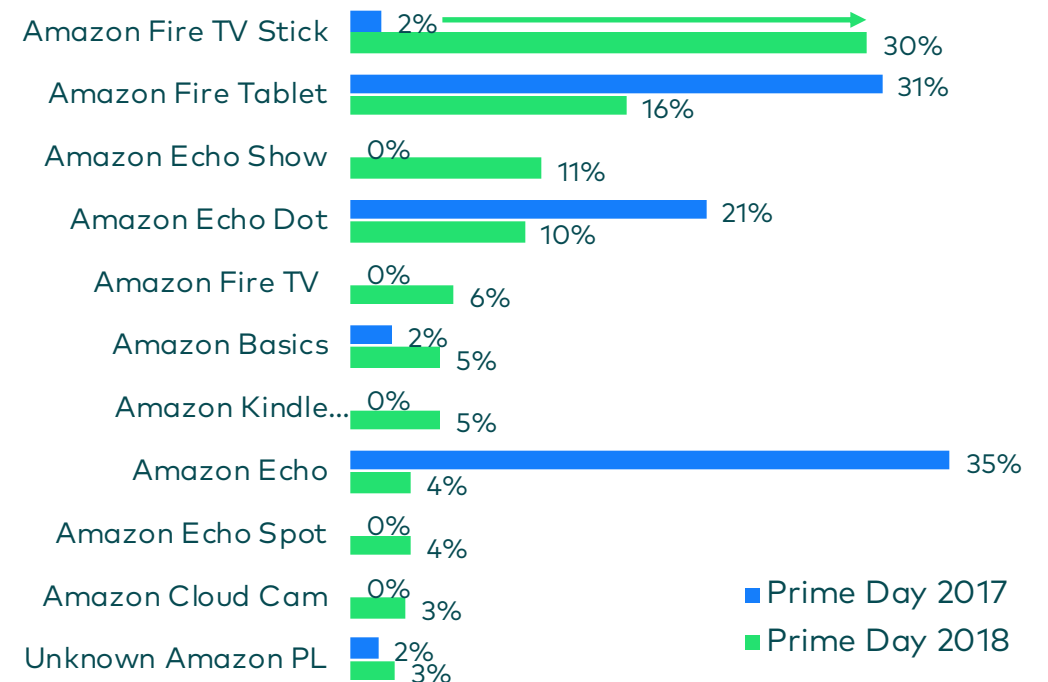
# And These Holidays Benefit Amazon Private Label

- This year the Fire Stick was the big winner on Prime Day

## Amazon Private Label as a % of All Spend on Amazon



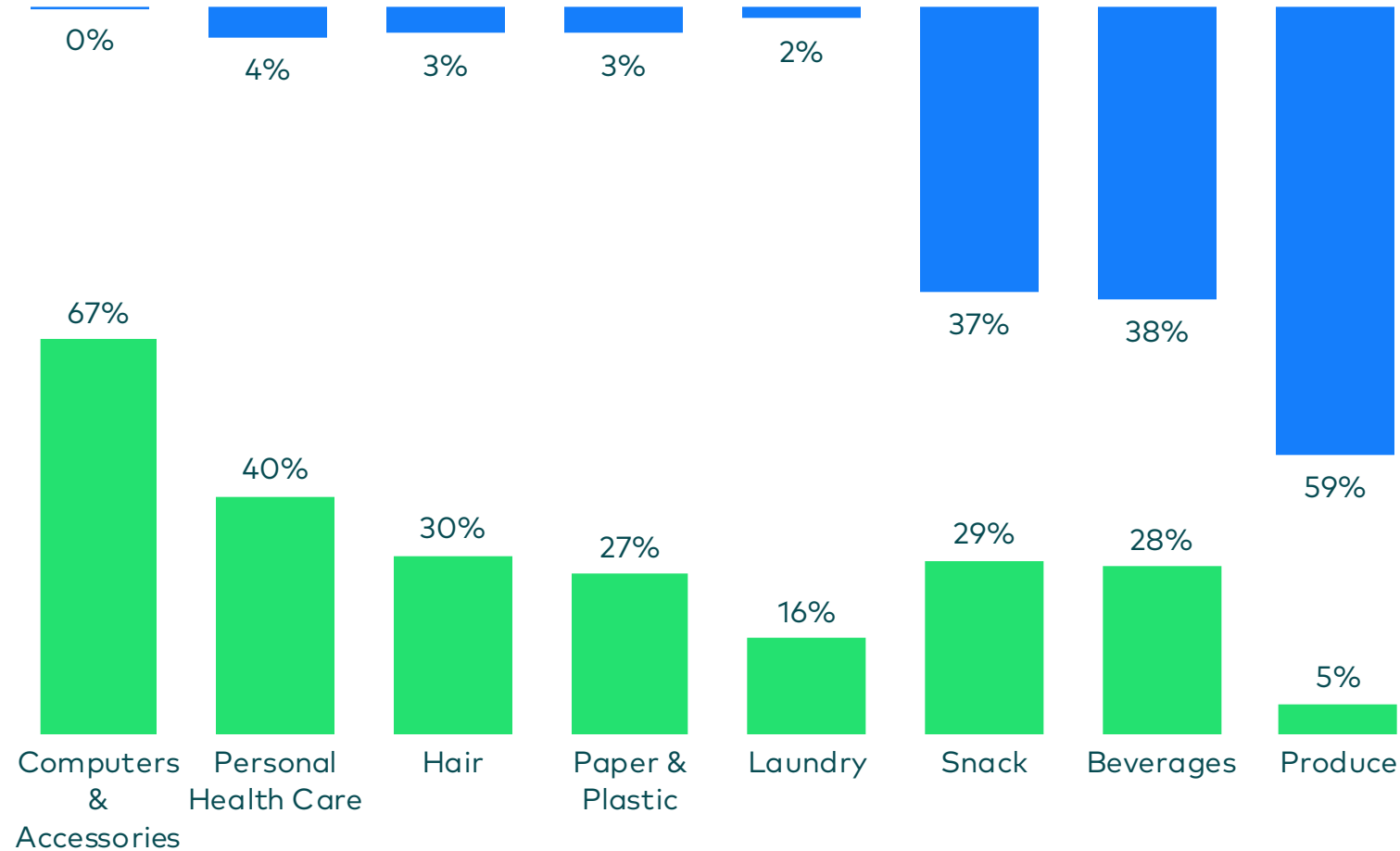
## Private Label Spend, on Amazon Prime Day 2018 vs. Year Ago



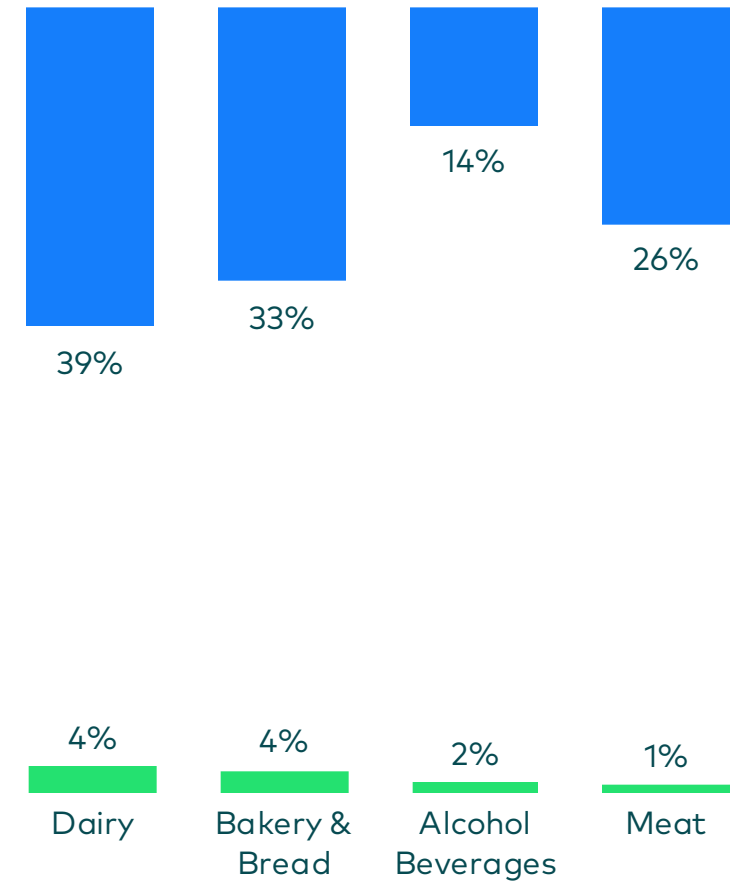
Amazon's also Changed In-Store Behavior

# Amazon Had a Grocery-Gap

## Amazon Prime Member Closure Rates



## Whole Foods Closure Rates



# So, they bought a grocery store



REUTERS

World Business Markets Politics TV

## Amazon to buy Whole Foods for \$13.7 billion, wielding online might in brick-and-mortar world

Lauren Hirsch, Jeffrey Dastin

6 MIN READ



(Reuters) - Amazon.com Inc said on Friday it would buy Whole Foods Market Inc for \$13.7 billion, in an embrace of brick-and-mortar stores that could turn the high-end grocer into a mass-market merchant and upend the already struggling U.S. retail industry.













CONWAY G. GITTENS

# This Impacts Multiple Channels, Especially Mass and Drug

## Prime Members New-to-Whole-Foods, Share of Wallet, by Channel and Store

% of Total Spend among Prime Members New-to-Whole-Foods, Post-Price Drop Period between 09-01-2017 and 06-30-2018

	FOOD	ONLINE	MASS	CLUB	DRUG	HOME IMPROVEMENT
% Change in Share of Wallet (by channel)	+0.7%	+1.0%	-1.2%	+0.4%	-0.3%	-%
% Change in Share of Wallet (by key retailer)	 -0.2%	 +1.8%	 -0.6%	 +0.5%	 -0.3%	 +0.2%
	 +0.6%		 -0.4%	 -%	 -0.1%	 -0.2%

# Amazon Brought Lower Prices to a Premium Retailer



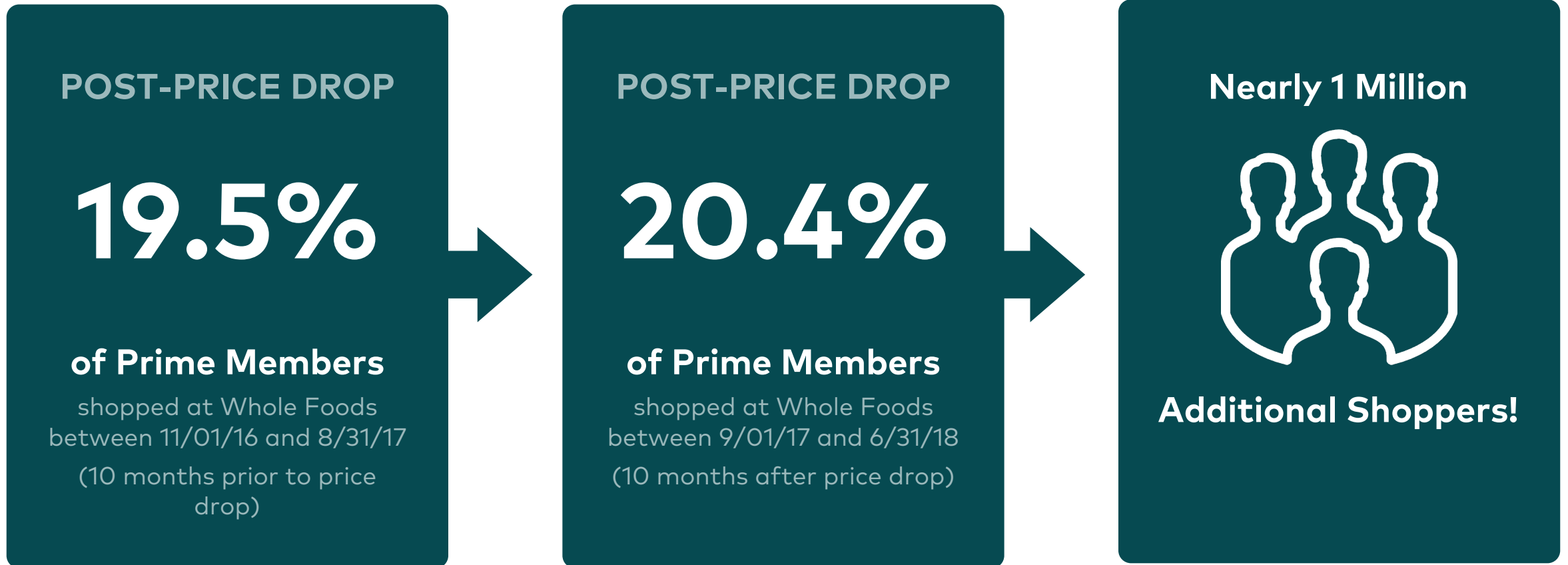
"Starting on Monday, August 27, Customers will enjoy lower prices on products..."

"Technology teams will begin to integrate Amazon Prime into the Whole Foods Market point-of-sale system... Prime members will receive special savings and in-store benefits."

PRODUCT	AUG. 24	AUG. 28
Banana	\$0.79	\$0.49
Avocados	\$2.79	\$1.99
Brown Eggs	\$4.29	\$3.99
Salmon	\$14.99	\$9.99
Tilapia	\$11.99	\$7.99

What impact did the price reduction have on shopper behavior?

# Well, the Strategy Attracted More Shoppers



Source Numerator Panel Analysis, July 2018; Prime Whole Foods Shoppers between 11-01-2016 and 08-31-2017 (pre-price drop) n=3,470; Prime Whole Foods Shoppers between 09-01-2017 and 06-30-2018 (post-price drop) n = 5,153

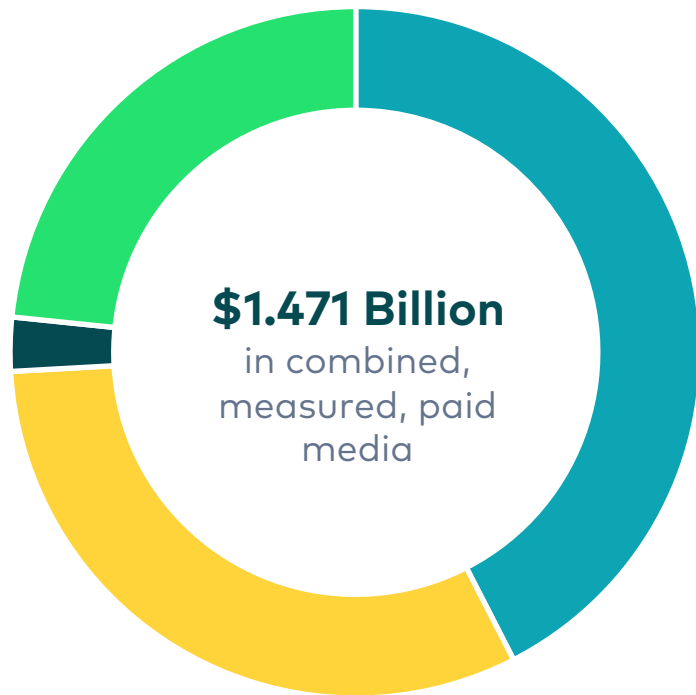


Winning online and growing in-store...  
How far can Amazon stretch their brand?

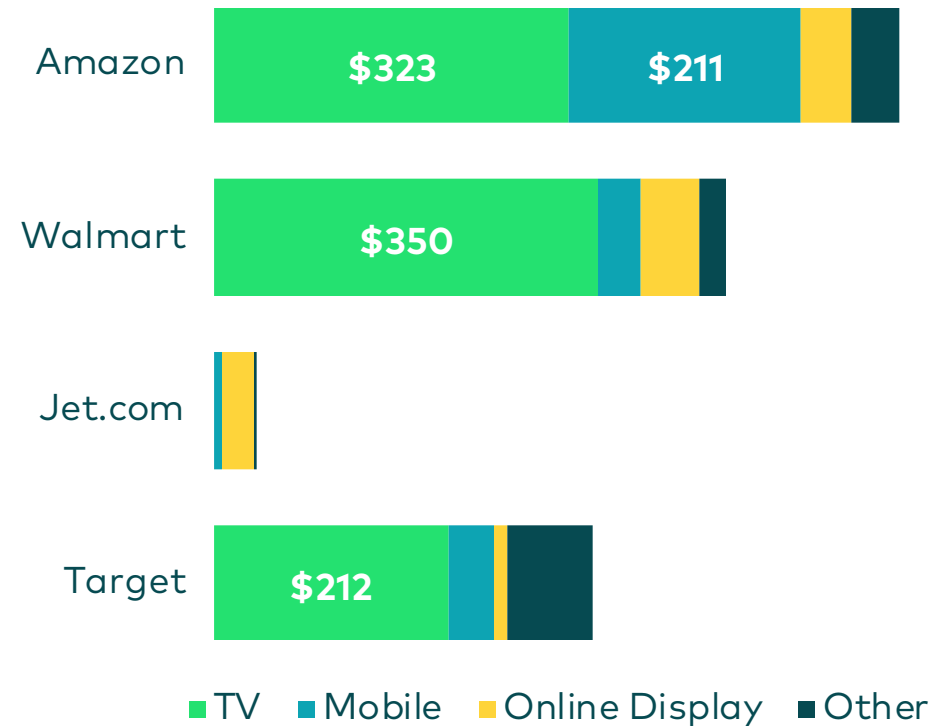
# Amazon's Ad Spend Outpaces Competitive Retailers

- Amazon spends more on mobile, while competitors are more dependent on television

### Total Paid Media

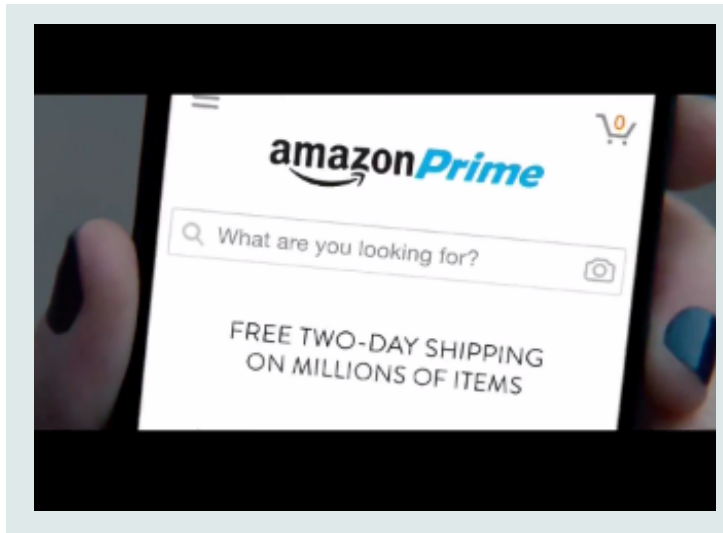


### Paid Media, by Spend Type



# Amazon Adverts Are Focused on the Amazon Ecosystem

- Other retailers advertise products, Amazon focuses on driving loyalty to Amazon
- Amazon doesn't limit itself with the products and services it sells today
- Amazon is building the brand



97

**Amazon-Centric  
Ad Campaigns**

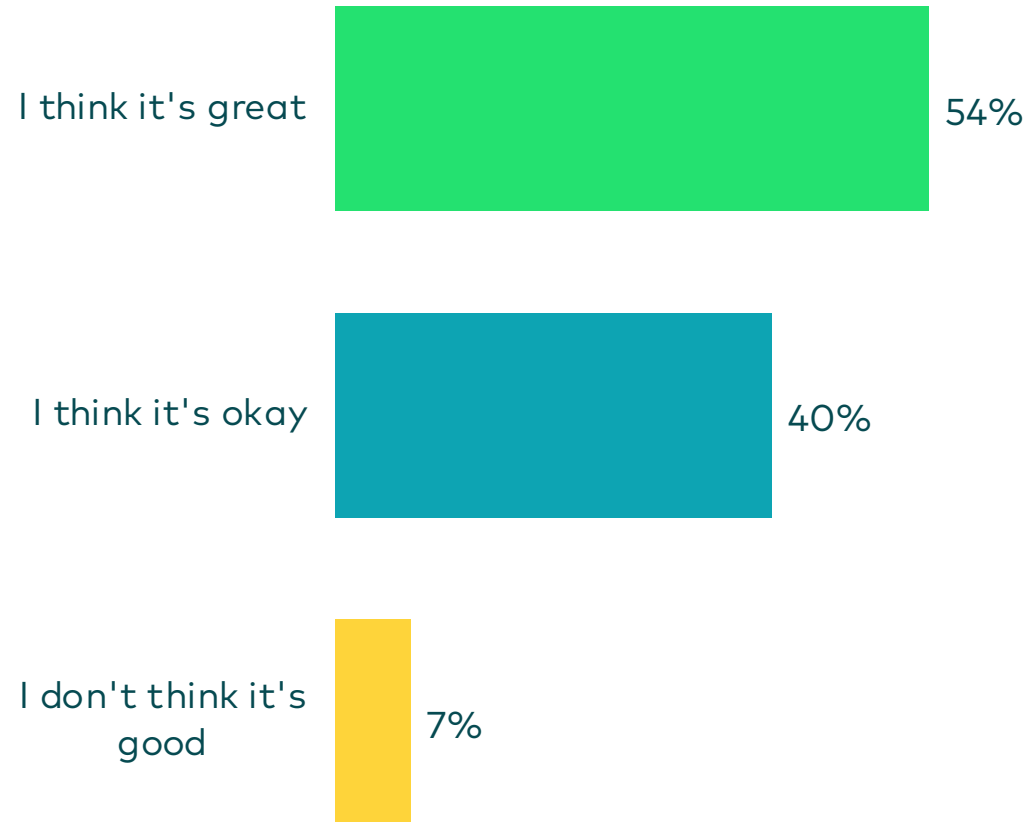
(+15 more for Whole  
Foods)

What do consumers want from Amazon?

# Shoppers Would Welcome Amazon in Many Areas of Life

## Like expanded Amazon offerings?

% of Amazon Shoppers



“ I Love Amazon!

Amazon is easy, reliable, I trust them

It's convenient, everything in one place

It would save me time

Amazon makes life easier

Amazon changes every industry it enters

Amazon has great customer service

“ I don't want a monopoly, competition is good

Amazon is taking over

I am worried Amazon will kill small businesses

I'd have to test it out

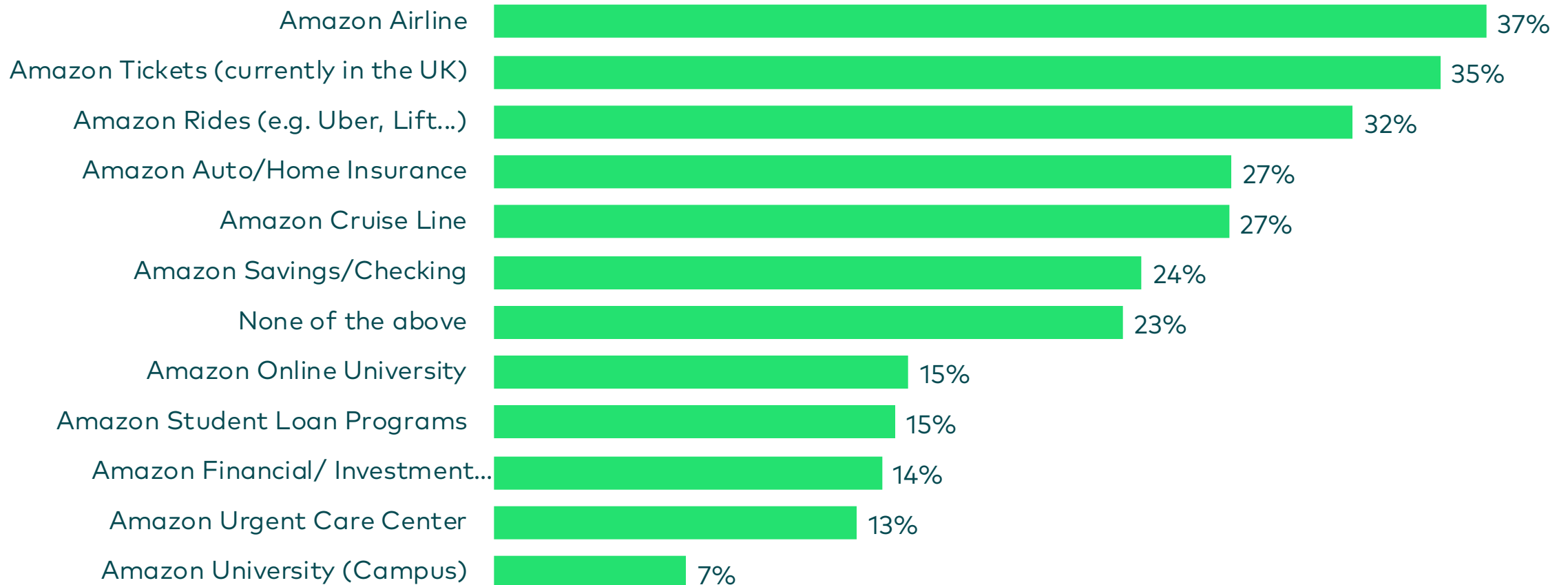
“ I do not like to depend on only one company

I like competitive markets

# Amazon's Brand: Services and Experiences

## Which Potential Amazon Services would interest you?

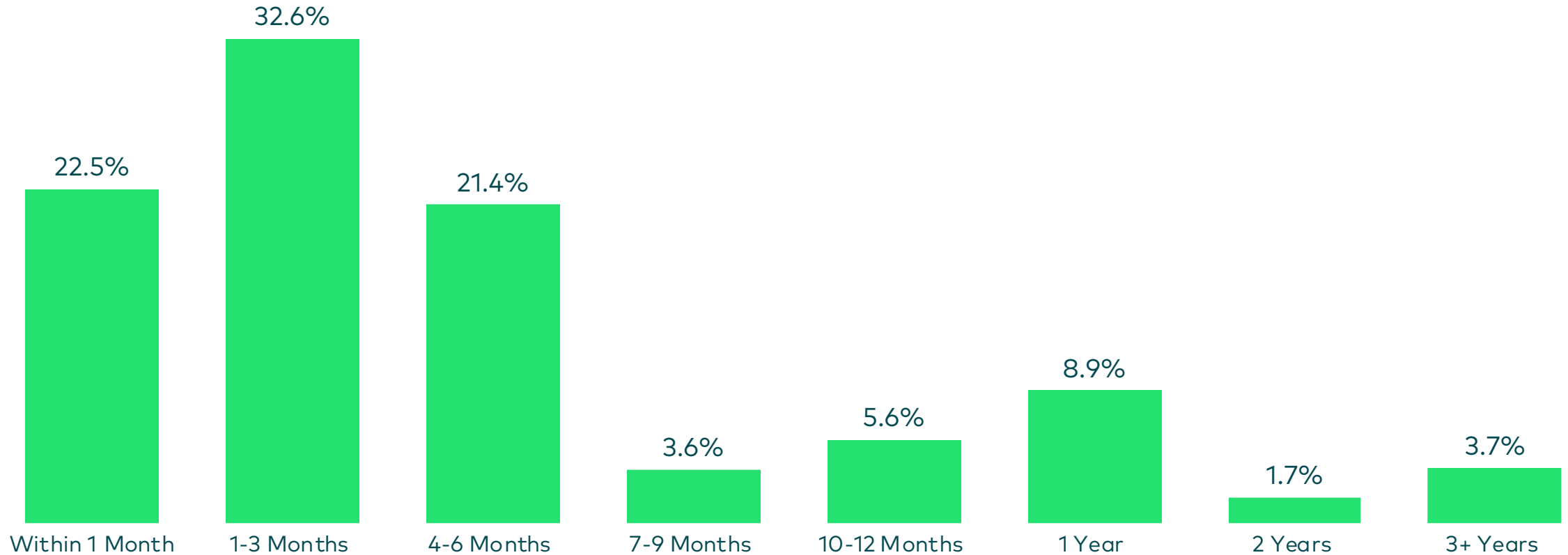
% of Amazon Shoppers



# Shoppers Would Switch Quickly to an 'All-Amazon' World

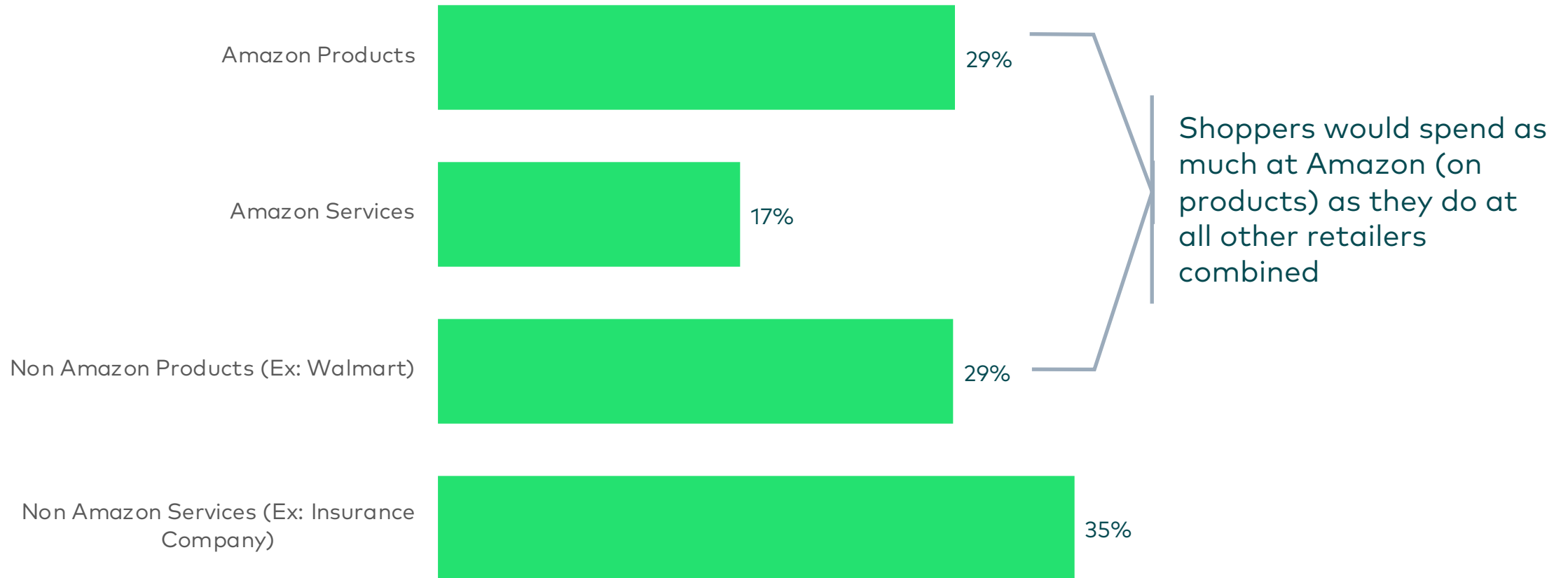
## How long would it take to switch your product/service purchases to a single supplier?

% of Amazon Shoppers



# Amazon Can Win 45% of Consumer Spending!

How much of your monthly budget (%) would you spend on the following?  
% Amazon Shoppers





# Answer the Questions Around Your Business Needs

## SHOPPER BEHAVIOR HAS CHANGED

- Am I where my shoppers are researching and shopping?
- Do I need to change what I do in store to win with the new needs of online shoppers?

## THE ECOSYSTEM GROWS

- How far can Amazon stretch its brand?
- Will Amazon brands take over national brands?
- How loyal will shoppers become?

## AMAZON IS CHANGING GROCERY

- Do I have the right strategy for Whole Foods?
- How are trips changing to other retailers that matter to me?

## IS THE FUTURE AMAZON?

- Can I play in an Amazon dominant world?
- What does this mean for my shoppers?
- How can I adapt?

Work with an Numerator Consultant to answer the questions around your business needs!

[hello@numerator.com](mailto:hello@numerator.com)



# Numerator

NEW FRONTIERS

Reach out for more eCommerce insights  
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