

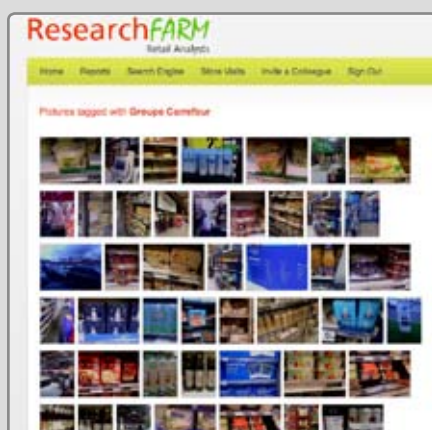


Amazon 2013: Online Grocery New solutions on the horizon

How to cooperate as a FMCG player & what to consider

Includes proprietary Amazon Grocery shopper survey results about purchasing intent of Amazon branded private label products

ResearchFARM



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Access to our online database
with 700+ retail pictures

May 2013

For Amazon, grocery is the big opportunity, it is after all the biggest category in retail in any market, shoppers will always need to eat and drink. Grocery is also where Amazon's future growth will come from, then again it is also the hardest sector to make work profitably online.

That said, grocery has been the fastest growing category on Amazon in the US for two years now. So far the biggest growth has come from the shelf stable products Amazon sells through 1P (Amazon Retail) and 3P (its marketplace).

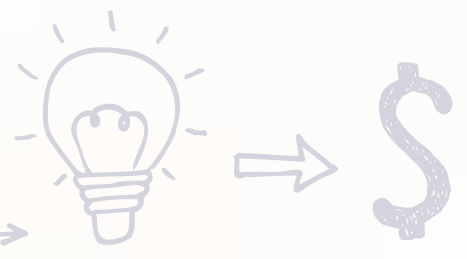
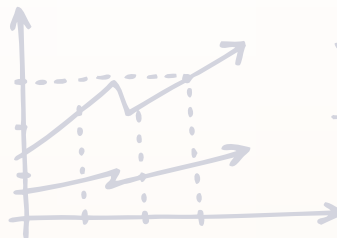
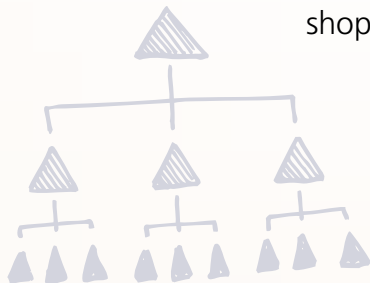
In both business models, Amazon and AmazonFresh, the retailer is over-indexing with younger families and higher income groups. This alone demonstrates why joining the ecosystem has become so attractive to FMCG brands. Amazon has found that once a consumables shopper has converted to an online buyer, they buy across all CPG categories.

Amazon is now ramping up its online grocery offer outside the US as well. We answer the questions whether there will be a shift from shelf stable to fresh on the cards, and what the online grocery strategy for the marketplace is and what the plans are for Europe and FBA.



KEY QUESTIONS ANSWERED

- How do you manage price disruption through the marketplace? Where is price disruption coming from?
- What can be done about Amazon's pricing algorithms?
- Are MAPs only viable in the US?
- How to safeguard existing on and offline supplier relationships on joining the Amazon ecosystem
- What does Amazon want from its partners? How does Amazon track its partners? Which KPIs are crucial?
- What would make shoppers opt for Amazon private label grocery products? How much more likely are prime shoppers to buy Amazon branded private label groceries? How strong is the potential shift for current Amazon grocery shoppers compared to the general population?
- How can Amazon cross sell and upsell and encourage shopping across categories? What is the perfect tool Amazon employs for this purpose?
- What is the on and offline lift achievable on joining Amazon's advertising ecosystem?
- How effective are recommendations in the online grocery category in percentage terms?
- How much is conversion going up on FMCG branded Amazon store fronts? What is the lift subscribe and save guarantees?
- What are the 5 key points FMCG companies should consider when cooperating with Amazon?
- How is the move to same day delivery paving the way for a compelling online grocery offer?
- How much more do Amazon Fresh shoppers shop on average per week than Amazon.com shoppers, how much more annually? How much more do they spend online than the average internet user?
- How much more do subscribe & save shoppers spend than the average Amazon customer and than the average consumables shopper?



FEATURES

- Heavy recommendation focus
- Exclusive data about Amazon's grocery business not available anywhere else, on US operation, Amazon fresh and Amazon.com
- Includes shopper insight, proprietary customer survey data
- Purchasing intent for an Amazon branded private label product in groceries in USA, UK and Germany
- Strategies for cooperation with Amazon if you're a FMCG player, how to deal with pricing discrepancies between Amazon retail and the marketplace
- What to look out for – from inbounding to margin development to media funding
- Sales uplifts achievable on joining Adzina programmes
- Find out about Consideration Rate, Purchase Rate Index, Product Research Rate, and other exclusive Amazon metrics

BENEFITS

- Includes an easy to use step by step guide of how to partner with Amazon, from setting up dedicated Amazon sales teams to identifying the right KPIs and metrics to track
- Spells out warnings about strategic issues to consider from price disruption to competition from the marketplace and gives recommendations how to deal with these
- Exclusive survey data highlights the potential of fastest growing online grocery categories, where Amazon might launch a white label product to potentially compete directly
- Shows which manufacturers have to fear a new competitor and identifies the opportunity for those who could produce this new white label line
- Benchmark your performance against the best in class
- Prepare for the retail future, where Amazon will sit at the heart of a massive ecosystem, creating a multitude of new winners and losers
- Find out how to be future proof your business

Methodology

The report is brought to you by Europe's premier experts on Amazon, featuring anonymised quotes of current and former Amazonians. Our sources for the study include unprecedented access to the company, a proprietary Amazon customer panel, expert opinion and consumer surveys.

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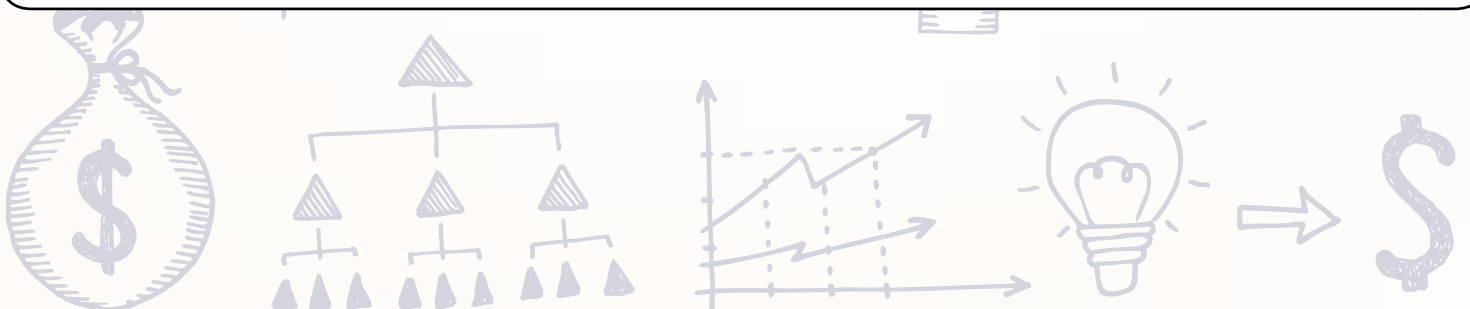


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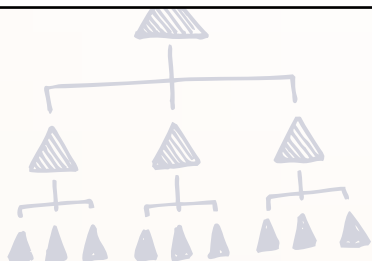


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SAMPLE PAGES

Amazon: The online grocery opportunity in the US, Amazon shopper data

Chart 2

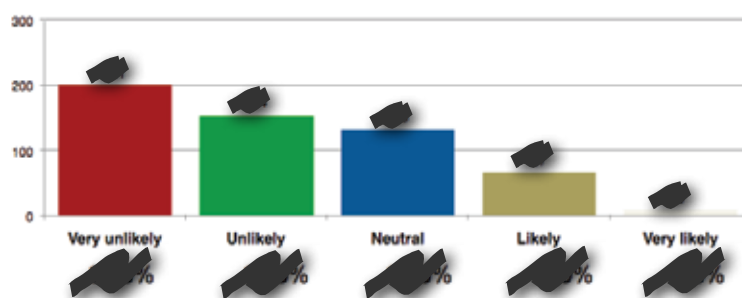


In the US the consumables category has seen the fastest growth of all business verticals in 2011, with the amount of shoppers active in the category doubling from $\%$ of all customers to $\%$ by year end and has since we believe broken through the $\%$ barrier, even in face of rapid total customer account growth. Over the last year, the number of Amazon shoppers in consumables has grown by $\%$, adding half a million customers every month. The consumables categories encompass health & beauty products, shelf stable groceries and the baby category. **The company has found that once a consumables shopper has converted to an online buyer, they buy across all CPG categories.**

On average Amazon adds about half a million shoppers to the grocery category every month and the number of new shoppers is over twice the number of repeat shoppers. Around $\%$ of their spend is in the health & personal care and beauty categories with baby and grocery making up the remainder.

In general, grocery has been the fastest growing category on Amazon in the US for two years now. So far the biggest growth has come from the shelf stable products Amazon sells through 1P and 3P. In these models (Amazon and AmazonFresh) the retailer is over-indexing with younger families due to the attractiveness to FMCG brands.

Amazon: survey results – purchasing intent for Amazon private label confectionery



Question: How likely is it that you would buy an Amazon labelled confectionery product (chocolate bar, biscuits) were it available?

This data shows that customers are still relatively unconvinced by Amazon's grocery offer – but again this can also be viewed as a great opportunity to shift the columns from the left to the right over time.

In any case FMCG confectionery manufacturers have nothing to worry from a potential Amazon branded chocolate bar yet, a threat can not be deducted from the survey results.

If Amazon should decide to launch such a product and sell it through 1P, then there would be an opportunity for FMCG manufacturers to get in on the act and produce the white label product for the world's leading online retailer.

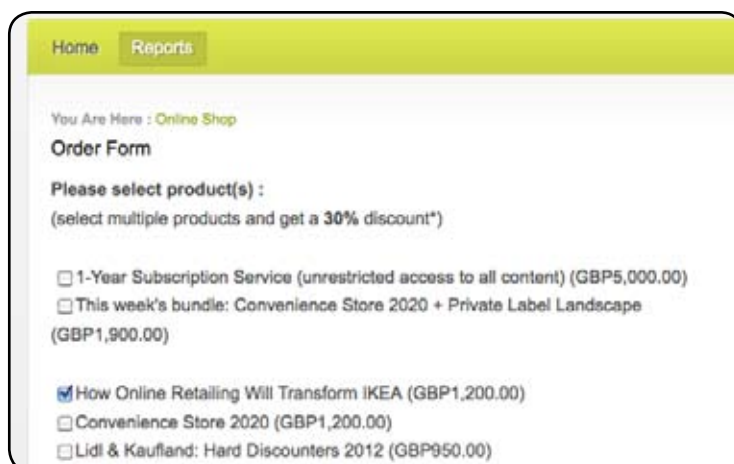
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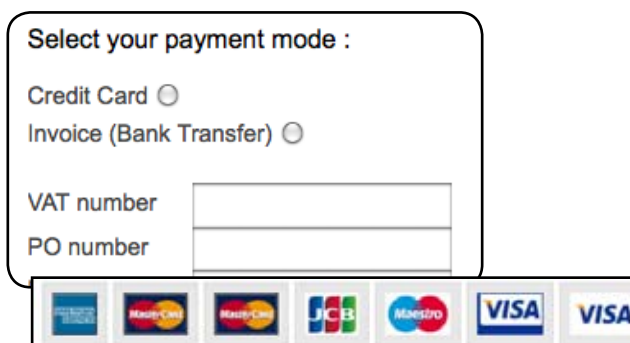
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Suite 12154 - 2nd Floor
145-157 St. John Street
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Email
Web

+44 (0)845 052 1168
sales@researchfarm.co.uk
www.researchfarm.co.uk