

**NEW
REPORT**

AMAZONFRESH 2016

ResearchFARM

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Retail Analysts

AMAZONFRESH 2016

*A delivery service and platform for innovation
Creating a radical new ecosystem*

October 2015

INSIDE:
Key questions
answered +
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INTRODUCTION

With AmazonFresh Jeff Bezos is once again disrupting his very own business, by combining all the latest thinking into a new venture - offered to its most valuable and loyal customers only.

The integration of 1 hour delivery, perhaps fulfilled through a Uber style system called flex, new fresh ranges, which will encompass Farmer's markets products as well as restaurant take away food and the bet on the Internet of Things, with the dash technology, promise to revolutionise online grocery and also online retailing yet again.

Amazon's innovations will drive shopper behaviour change - and change will happen very fast.

Amazon has tested its Fresh model in the US to destruction and has rolled out different innovations and features at same time, at speed, at a massive scale. Now the company has decided it is ready to roll out the service in the EU in 2016.

FMCG and other retailers should remember that Amazon will leverage its platform and marketplace model and that the threat will not only come from 1P, but from the multitude of artisanal players (butchers, bakers etc) Amazon will recruit to its ecosystem.

Amazon knows their shoppers already - from their past purchases and their digital footprint and they know shoppers much, much better than the competition. For Amazon it is now simply a matter of upselling.

What can the rest of the industry do now?



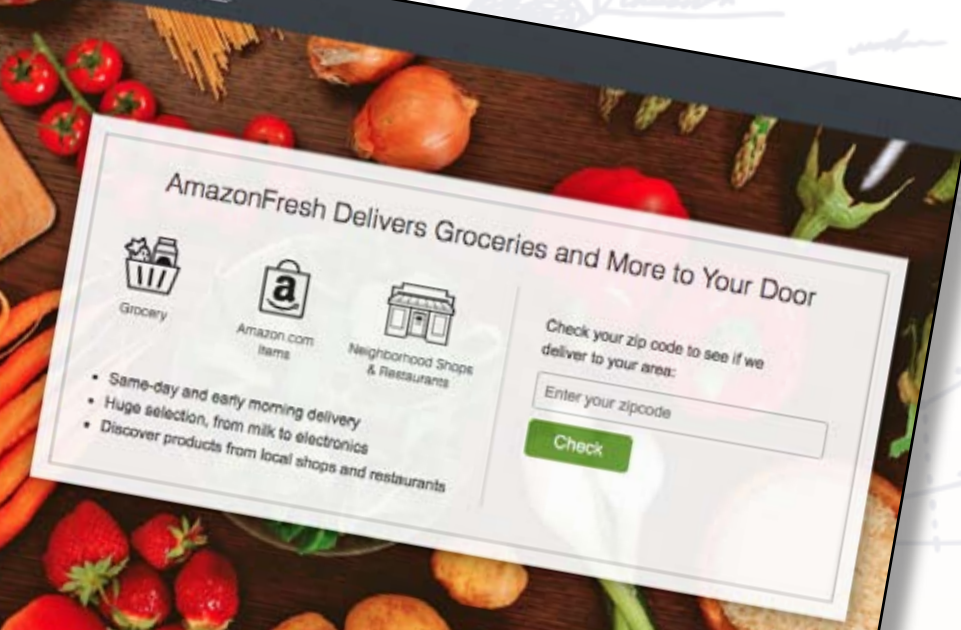
KEY QUESTIONS ANSWERED

- Every retailer and brand shares shoppers with Amazon, but who is most under threat, when Fresh launches in the EU? Who will benefit? How did AmazonFresh play out in the US?
- Will Fresh's entry into the UK be a success? After having launched Pantry in Germany, when will Fresh arrive in Amazon's largest foreign market? Will German shoppers sign up for the PrimeFresh fee?
- As Fresh will push more shoppers into Prime, reinforcing Amazon's flywheel the question arises whether others should fund prime and engage with Amazon's elite shoppers? Should universities, banks, utility companies and ISPs fund Amazon Prime?
- Will Fresh subsume the .com business? What will Pantry look like in 10 years time? Will Fresh mean the end for the quirky, small scale, health & wellness and organic niche brands on .com? Will Fresh become as sanitised as Pantry?
- Will the Dash buttons and technology become a success? How could they impact that grocery sector and consumer shopping habits? How can brands interact with the smart home or hack the relationship?
- Is Amazon too late for takeaways, considering the success of GrubHub and Just Eat? Will farmers markets become a success on the platform? What about recipe bag solutions? How could Fresh help Amazon connect with local food merchants?
- How will Amazon reorganise inbound, as chilled deliveries ask for new process optimisation? Will suppliers have to pay for Amazon becoming more efficient?
- How will the company reorganise out bounding in the EU? Has Amazon cracked the online grocery model? Has it given up on the US model with proprietary carriers? Is this the reason for the Flex launch? Could Amazon's Flex project be a nod towards an Uber-style grocery model?

KEY QUESTIONS ANSWERED

- And what future does Amazon's Private Label range have with Fresh? (By definition most fresh produce is private label of course...)
- Will AmazonFresh become the standard bearer for on-line grocery? After all, no one will be able to compete with the strength and depth in the rest of the range, no one can compete with Prime...
- How price competitive will AmazonFresh be?
- Currently, in many non food categories, Amazon is being used as a channel to introduce NPDs into bricks & mortar, will the same happen with FMCG products, once Fresh is more established?
- How much more do AmazonFresh 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?
- What are Amazon's 25 best selling items in the US Grocery and Pantry categories on an annual basis?
- Which will be the killer category for Amazon going forward? What will be the biggest growth driver for the marketplace platform? Will both be found in Fresh?

Are you an AmazonFresh customer? [Sign in.](#)



FEATURES

- Includes data points on Amazon Fresh basket sizes, spend, number of items ordered, which are not accessible anywhere else
- Exclusive data about Amazon's grocery business, on US operation, AmazonFresh and Amazon.com, includes data insights mined from our Amazon best seller tracker series
- Online grocery sizes and forecasts for US and EU28
- Evaluation of business principles around international expansion, logistics roll out, inventory turn and tighter integration of key strategic principles into every business unit
- Strategy insights and recommendations to the FMCG industry, retailers and suppliers over a ten year horizon, based on face to face conversations



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, our Amazon Best seller tracker tool, expert opinion and consumer surveys.

KEY BENEFITS

- Broad and deep, deep understanding of AmazonFresh and the future of online grocery, and Amazon's grocery operations in the US, UK and Germany
- Learn about unique challenges and opportunities that AmazonFresh will face, understand how AmazonFresh will perform, what will change and why Fresh is so vital for Amazon
- Discover the opportunities that Fresh affords Amazon beyond just delivering groceries
- Actionable insights and recommendations for FMCG, retailers and suppliers, understand where you should play
- Prepare for the future of retail, where Amazon will sit at the heart of a massive ecosystem, creating a multitude of new winners and losers
- Grasp which manufacturers and retailers have to fear a new competitor and identify the opportunity for those who want to join the ecosystem
- Find out about growth opportunities for and with Amazon and identify key threats to Amazon, Amazon white spaces and weaknesses and the risks associated with working with the pureplay



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SAMPLE PAGES

Amazon Dash: Prime conversions on grocery at 60%

Kimberly-Clark simply sees Dash as a better, increasingly popular home-delivery subscription model. One of the key barriers for manufacturers to participate in subscription models is the usage. By participating in Dash the manufacturers gain consumers greater control on when to deliver.

Prime has a massive impact on conversion rates. Prime members' conversion rates are higher than non-Prime members' conversion rates. Prime is also a massive inroad into such retailers.

Amazon Flex: Amazon's very own Uber, Instacart and Postmates

Flex could help making Fresh profitable in countries where Amazon hasn't set up its own delivery fleet yet. The cars could be fitted with temporary freezer or chilled boxes or more professional refrigeration units this would make the service fast flexible and agile.

Currently Flex is operational in Seattle and pays a wage between US\$18 to US\$25 per hour. Couriers can choose two hour time slots. In order for the cars to dock on the Amazon fulfillment centres they have undergone some construction. Flex will be brought to Manhattan, Baltimore, Miami, Dallas and five other cities.

In a similar vein to its latest service offering on the marketplace where Amazon acts as a platform for installation services,

repairs and handymen work standards and professionalism may suffer, which would have an adverse effect on net promoter scores.

What is clear is that Amazon needs to avoid bottlenecks at its distribution centres and the retailer has also looked at Instacart/Postmates and how such a service could be made to work for Amazon.

In the context of this report, we see a real opportunity for Amazon to fulfill some of its grocery orders using an Uber-style model, where grocery is delivered by independent drivers.

October 2015: preparing the Fresh roll out in Munich

In October 2015 Amazon started pushing plans for its roll out in Germany by building relationships with fresh food suppliers. This means that preparations for the roll out of Fresh in Germany are becoming more concrete. Amazon's management has also shown a great interest in logistics processes around the cool chain. That said the entry into the sector will probably only come some time in 2016.

Logistics for fresh produce such as fruit and vegetables is new territory for Amazon in Germany. Initial plans are concentrated around Munich, and in Bavaria the service will see its Germany debut and logistics will be established in the city.

This means that the company is building out its fulfillment centre in Graben near Munich for the storage of dry grocery

ranges, which so far were mainly served from two DCs in the country from Leipzig and Koblenz.

In tandem with the roll out plans for Fresh, Prime Now is being launched in Munich as well. In Olching, west of Munich, Amazon Transport Deutschland GmbH has rented a 10.000 sq m logistics centre, which will form the base of the Prime Now service. Olching is set for a completion date of autumn with more locations to follow with Amazon on the look out for similar sized logistics locations close to the city in Berlin, Hamburg, Stuttgart, Hannover, Frankfurt and the regions of Köln-Düsseldorf and Leipzig-Dresden.

However Amazon will tread carefully and expand as it has in the US, city and region by city and region.

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Amazon Annual Best Seller USA Pantry, September 2014-2015, 1 - 25

REFERENCE	PRODUCT	Brand	SELLERS	AVERAGE \$
B0062Q5W54	Oreo Double Stuff Sandwich Cookie, 15.35 Oz	Oreo	1	2.97
B00IJGCGG8	Cascade ActionPacs Dishwasher Detergent, Fresh Scent, 60	Cascade	1	10.46
B0016A69TM	Q-tips Cotton Swabs, 500 Count	Unilever	1	2.98
B000WHXN3C	Heinz Ketchup, Easy Squeeze, 32 Oz	Heinz	1	2.79
B0018G7268	Jif Creamy Peanut Butter, 40 Oz	Crisco	1	5.36
B00J36JOPY	Honey Nut Cheerios Cereal, 17 Oz	General Mills Cereals	1	3.30
B0014E84TK	Nutella Hazelnut Spread, 13 Oz	Ferrero	1	3.37
B0018GKHL0	Planters Lightly Salted Cashew Halves & Pieces, 8 Oz	Planters	1	3.48
B0018QXP4Q	Pop-Tarts, Frosted Strawberry, 16 Count	Pop-Tarts	1	3.51
B001AE6S1I	Pepperidge Farm Goldfish, Cheddar, 30 Oz	Pepperidge Farm	1	6.96
B00HZYDYYI	Diet Coke Can (12 Count, 12 Fl Oz Each)	Coke Tires	1	4.22
B0013MUN90	Bounce Fabric Softener Sheets, Outdoor Fresh, 40 Count	Bounce	1	2.32
B001AE6PWA	Pepperidge Farm Milano Cookies, Double Chocolate, 7.5 Oz	Pepperidge Farm	1	2.71
B0019VCLOU	Ro-Tel Diced Tomatoes & Green Chilies, 10 Oz	Ro-tel	1	1.00
B0014F1W78	Bounty Big Roll Paper Towels, Prints, 6 Count	Bounty	1	9.57
B00HZYDW5E	Coca-Cola Can (12 Count, 12 Fl Oz Each)	Coca-Cola	1	4.32
B00HZYFK72	Glaceau smartwater (6 Count, 16.9 Fl Oz Each)	Glaceau	1	4.66
B000Q5LWE2	Progresso Rich & Hearty Soup, Chicken & Homestyle Noodles, 19	General Mills	1	1.71
B0018DS710	Sparkle Pick-A-Size Big Roll Paper Towels, White, 6 Count	Sparkle	1	6.02
B001B1D764	Barilla Penne Pasta, 16 Oz	Barilla	1	1.27
B001B1D0IO	Barilla Rotini Pasta, 16 Oz	Barilla	1	1.27
B000QJ8SY0	Velveeta Shells Dinner, 12 oz	Kraft Foods	1	2.31
B000RLT4AE	Wheat Thins Crackers, Original, 16 Oz	Kraft Foods	1	3.80
B0018GKZ1M	Planters Honey Roasted Peanuts, 12 Oz	Planters	1	2.50
B0019VBI9E	McCormick Taco Seasoning, 1.25 Ounces	McCormick	1	0.68
B000WHTWD2	Mott's Natural Applesauce (6 Count, 3.9 Oz Each)	Mott's	1	1.95

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«The discounters reports were and still are very helpful as we got lots of detailed information and figures we haven't found anywhere else. This has helped us to progress with our plans of expansion in the US and convince people internally of the market potential.»

Marketing Manager - Bonifaz-Kohler

«On DLF's (Danish Association of Fast Moving Consumer Goods Manufacturers) New Years Conference we had the great pleasure to hear ResearchFarm speak about future trends in on-line grocery retailing. The feed back from the conference participants was very positive as they gave ResearchFarm's presentation the highest score of all speakers, finding the analysis about the key success factors of chosen EU and US online retailers both very interesting and inspiring. We can therefore give ResearchFarm our best recommendation.»

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