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Tip of the Month
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EVEN ONLINE COMMERCE NEEDS PHYSICAL STORES

By Jay Jacobowitz

Amazon opened its first Amazon Go Grocery store in Seattle at the end of February, ballooning the size of its “Go” footprint to about 10,000 square feet; more than five times larger than the 1,800-square-foot original Amazon Go store. Both “Go” and “Go Grocery” models use Amazon’s cashier-less checkout system. But the original Go stores carry about 2,000 SKUs serving breakfast, lunch and snacks to urban, daytime populations, while the new Go Grocery stores will cater to shoppers living closer by, looking to answer the question, What’s for dinner?, and able to choose from about 5,000 SKUs.

Go Grocery carries Whole Foods 365 Everyday Value private label line, along with Coca Cola. There are no service departments, which Amazon determined create “friction” in the convenience-first cashier-less Go model. Amazon has spent a bundle on computer vision, shelf sensors, and machine learning algorithms to track which of the loose fresh produce items, and donuts, shoppers pick up and put in their carts, or pick up and then put back in search of the perfectly ripe banana.

Amazon will not facilitate online ordering for delivery or in-store pickup from Go stores. Even the largest e-commerce grocer in the world apparently sees a need for physical stores for shoppers to shop.

ONLINE-ONLY BRANDS NEED BRICKS-AND-MORTAR, TOO

Several online startups like Harry’s Inc., which sells direct-to-consumer subscriptions for razor blades, have decided they need a physical presence to reach the next stage of growth. Harry’s launched in Target in 2016 and quickly grabbed about half of Target’s razor-handle sales. Kylie Jenner, creator of her namesake cosmetic brand, started online, but is now on the shelves at 1,100 Ulta Beauty stores.

One reason online brands may be moving to bricks-and-mortar is that, for commodities like shaving and makeup, it is more convenient to throw an item into your shopping cart as you walk the aisles of your local retailer than organizing an online order and waiting for it to arrive sometime later.

And the online subscription model isn’t as profitable or as “sticky” as you might think. When Unilever acquired online razor seller Dollar Shave Club, it realized it cost just about as much to acquire a new online customer as it did to acquire new bricks-and-mortar shoppers. Also, Dollar Shave Club hasn’t yet reached profitability, and results would be worse if a certain portion of subscribers didn’t forget to cancel their subscriptions even though they’ve stopped using the product.

FACE TO FACE

So, face to face, live human interaction does not appear to be vanishing from the planet just yet. There are many reasons people continue to travel to their local retailer: convenience, freshness, selection, social, sensory excitement, learning, discovery, pleasure, trust. Surely, you can think of a few of these needs you serve better than anyone else, can’t you? At the least, this is a discussion worth having with those you pay to serve the customers walking through your door every day. **JJ**