

Amazon plans new grocery store in L.A. as it thinks about how to conquer the industry

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Amazon.com Inc. said Monday that it planned to open a new type of

grocery store in Los Angeles next year, another step in the e-commerce giant's multi-pronged effort to capture a larger piece of the massive U.S. grocery business.

The company said the [store](#) in the Woodland Hills neighborhood would be distinct from Whole Foods Market Inc., the higher-end chain Amazon bought in 2017 that specializes in natural and organic groceries.

But Amazon declined to say how the new store would be different or what it would be called. It did say the store would have a traditional checkout system rather than the high-tech, cashier-less system used at Amazon Go, its 16-location chain of smaller convenience stores.

Amazon already has listed four job openings in Woodland Hills for food and grocery associates and a "zone leader," a type of manager. Amazon declined to comment on whether it planned to expand the new concept beyond the Woodland Hills store.

The planned store is the latest example of the measured, patient, steady march into the grocery world that the Seattle company has taken since its \$13.7-billion purchase of Whole Foods, which now has 506 stores, including 35 in the Greater Los Angeles area.

When Amazon made that deal, it sent shock waves through the industry. After all, Amazon had revolutionized the sale of books, electronics and countless other consumer goods with low prices, easy ordering and fast delivery, and now it was taking aim at the grocery business. Amazon, the thinking went, was about to bring radical change to Americans' food-buying habits using Whole Foods as a springboard.

That hasn't happened. Whole Foods remains a relatively small player in the Southern California grocery market against such leaders as Albertsons Cos., which owns Vons and Pavilions, and Kroger Co.'s

Ralphs chain.

But that doesn't mean Amazon isn't working on eventually becoming a major influence in the industry.

Although the Whole Foods stores appear little different than they did two years ago, there have been three rounds of price cuts on selected items. Whole Foods deals particularly target Amazon Prime members—who for \$119 a year get fast shipping of products they buy on Amazon's main website, as well as access to streaming video and other benefits.

Meanwhile, Amazon is "mining data, experience and knowledge about the grocery business" through Whole Foods and its other projects, said Juozas Kaziukenas, founder of the research firm Marketplace Pulse. "They're trying to understand what you need to run a grocery supply chain and how to take that supply chain and, in particular, apply it to online grocery delivery."

Amazon also has expanded online grocery ordering and delivery. Last month, it began offering Prime members two-hour grocery delivery for free in 2,000 U.S. cities. Whole Foods stores also serve as part of Amazon's "locker" system where items ordered on Amazon.com can be picked up.

Amazon Go—with stores in San Francisco, New York, Chicago and Amazon's hometown of Seattle—is another part of the effort. In those stores, the company uses cameras, sensors and other technology tied to Amazon's phone app, enabling customers to pick up ready-to-eat food and beverages and leave without waiting in line to pay a cashier.

Now comes the new type of store in Woodland Hills. Analysts said that although Amazon, as usual, was keeping its strategic aims close to the

vest, the company undoubtedly is learning how it can bring innovation to grocery shopping just as it did with other consumer goods.

"Grocery spending is one of the major parts of consumer spending," Kaziukenas said, "and as it moves online, Amazon doesn't want to be left out the transformation."

This new store could be a game changer, or it could be just a small experiment. Amazon has shown a willingness to tinker with formats and innovations that don't always keep growing.

Early this year, for instance, Whole Foods quietly decided to no longer expand its chain of Whole Foods 365 stores, which are smaller, more affordable versions of the chain's conventional outlets. There are a dozen 365 stores, including four in Southern California.

Amazon has a few other brick-and-mortar efforts, including Amazon Books bookstores; Amazon 4-Star stores, which carry highly rated or new products; and Presented by Amazon stores, which offer a themed selection of top brands. Each of those has fewer than 20 locations.

Amazon's sales last year were \$232.9 billion. Its physical stores, mostly Whole Foods, accounted for \$17.2 billion, or 7.4%, of the total.

Although it's not entirely clear to the public how Amazon sees its future role in groceries, the company long has said that it has no intention of simply imitating the way retail is run by others and that it's willing to spend years finding an innovative new format that works.

Amazon Chief Executive Jeff Bezos said as much several years ago in a television interview with Charlie Rose. "We like to pioneer, we like to explore," he said. "Every new business that we have ever invested in has taken years."

Bezos also said that "if you're going to invent new things ... you've got to be willing to endure a lot of criticism."

That was evident again Monday, when the United Food and Commercial Workers International Union, which represents workers at major supermarkets, blasted Amazon's plan for a new type of store.

"Launching this grocery chain is an aggressive expansion of Amazon's market power as it seeks to fundamentally change our country's food retail and service economy while eliminating as many retail workers as possible," UFCW President Marc Perrone said in a statement. Amazon workers are largely not unionized.

Amazon listed four job openings in Woodland Hills: two grocery associates and a [food](#) service associate with pay starting at \$15.35 an hour, and the zone leader starting at \$16.90 an hour.

John Rossman, a former Amazon executive and author of the book "Think Like Amazon," said he expects the company to combine what it's learning from its various grocery formats—including the [high-tech](#) Amazon Go stores—into a significantly different grocery store of the future.

"Once they get the technology and operations really pressure-tested and proven, then they'll figure out how to roll it over" into Whole Foods or a chain of another name, said Rossman, who managed the Amazon Marketplace where third parties sell on Amazon.com.

"It will take a long time and it will feel like Amazon is crawling," Rossman said. "It won't be like a light switch flipped on and off."

Burt P. Flickinger III, managing director of Strategic Resource Group, a retail consulting firm, said several major questions remain about how big

a player Amazon can be in groceries.

He noted that Whole Foods still does not carry the wide variety of household goods found at major supermarkets, so it isn't the one-stop location many consumers desire. His firm's studies of industry pricing also have found that a family of five would save thousands of dollars a year by shopping at lower-cost rivals such as Ralphs or Costco Wholesale Corp. instead.

Amazon and Whole Foods also continue facing stiff competition. Walmart Inc., the nation's largest retailer, is among the rivals that have stepped up its grocery delivery business. Other chains have added more natural and organic foods to their shelves.

Ralphs, for instance, is overhauling its Ralphs Fresh Fare format stores this year, adding thousands of natural, organic, vegan and gluten-free produce items, meats and other foods. There are 63 such stores among Ralphs' 189 Southern California locations.

"It is validating that a tech company like Amazon sees the value in brick-and-mortar grocery sales," Ralphs spokesman John Votava said in an email.

There's also the question of how successful Amazon will be with delivering a growing number of fresh fruits, vegetables, meats and other perishables, not only because many shoppers want to pick those items themselves but also because gauging customer demand to have those items properly stocked and delivered before the items spoil—and turn into a financial loss—is tricky, Flickinger said.

"Amazon has to unwind this whole supply chain of warehousing and transportation and then build it out again," Flickinger said.

Despite the questions and challenges hanging over Amazon's effort, the company's remarkable history shows it should not be discounted in the [grocery](#) business, Rossman said. Even now, he said, Amazon is deftly using Whole Foods to leverage more customers for its Amazon Prime membership and vice versa.

"They're still figuring it out," Rossman said. "But Amazon's superpower is how patient it can be to let markets develop and to let customer adoption of them happen."

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