Amazon’s acquisition of Whole Foods Markets closed Aug. 28, and Amazon immediately reduced prices on certain items. However, research firm Barclays found the initial price reductions to ultimately be a public relations move, as fewer than 1% of the chain’s SKUs were affected at stores in New York City and Chicago. Prices on the affected items were reduced by an average of 25.4% in New York and 21% in Chicago.

The items initially advertised for price cuts were Whole Trade bananas, organic avocados, organic large brown eggs, organic responsibly-farmed salmon and tilapia, organic baby kale and baby lettuce, animal-welfare-rated 85% lean ground beef, creamy and crunchy almond butter, organic Gala and Fuji apples, organic rotisserie chicken and 365 Everyday Value organic butter. Other items received discounts as well, including tomatoes on the vine priced 43% lower in New York City.

Despite the cuts, many of the customers lost during Whole Foods’ recent decline may be gone forever, and Barclays believes the industry is “entering a new era of survival of the fittest.” The firm doesn’t expect “mediocre” food retailers or high-priced specialty retailers to survive the changes hitting the retail food landscape.

At the same time, the cuts brought prices in Whole Foods’ 12 regions more in line with each other after previously differing significantly, reported The Wall Street Journal (Aug. 28). Whole Foods’ overall prices would need to drop 15% to strike even with most competitors, according to analysts. Further cuts are expected as the merger progresses, according to a Whole Foods spokesperson.

Prior to the deal’s completion, 38% of current Whole Foods shoppers and 31% of Amazon shoppers were feeling positive about the acquisition, according to a survey by GfK. The number of consumers optimistic about the deal rose to 43% among those who regularly buy from both companies.
In comparison, only 12% of Amazon customers and 10% of Whole Foods customers had a negative opinion about the deal, while the remainder either felt neutral or weren’t aware of the development. Additionally, the merger could expand the companies’ customer base, as only 23% of those who feel optimistic about the transaction currently shop at Whole Foods.

Another survey noted that 78.5% of those who occasionally shop at Whole Foods don’t do so more often because the prices are too high, while only 14.3% cited a lack of online ordering. A similar survey by ChargeItSpot found 30% of respondents hoped the deal would result in lower prices at Whole Foods, reported Business Insider (July 21). Additionally, the ChargeItSpot survey found 62% of respondents were more likely to shop at Whole Foods after the acquisition, and 84% had positive feelings about the merger.

In terms of individual chains, the retailer most likely to be impacted by the deal is Trader Joe’s, according to BMO Capital Markets. As many as 30% of the chain’s stores have crossover with a Whole Foods location within one mile, compared to 10% for most other grocers. Additionally, Trader Joe’s lacks an online/delivery strategy to combat the expertise Amazon will give Whole Foods.

Amazon could have an impact on the restaurant distribution industry as well, selling more goods to restaurants, according to Nation’s Restaurant News senior financial editor Jonathan Maze. The company’s Amazon Business service already sells products directly to restaurants, and the company could compete with Costco and Restaurant Depot in the alternative distribution market.

The deal could have a significant effect on food e-commerce, utilizing Whole Foods to boost Amazon’s delivery services. All of Whole Foods’ private label products are being made available through Amazon.com, AmazonFresh, Prime Pantry and Prime Now.

However, Barclays analyst Karen Short noted the deal’s effect on the foodservice industry may be limited. Established foodservice distributors offer convenience, price and efficiency, which makes them well positioned to compete against Amazon. They already offer same-day or next-day delivery, and the larger companies have the scale and supply chains needed to not only compete on price, but to deliver fresh food far more quickly and efficiently than Amazon can, even with the help of Whole Foods. Additionally, foodservice demands very sophisticated private label offerings, and most brands are not substitutable.

The deal however, could have a significant effect on food e-commerce, utilizing Whole Foods to boost Amazon’s delivery services. All of Whole Foods’ private label products are being made available through Amazon.com, AmazonFresh, Prime Pantry and Prime Now. At the same time, Amazon noted that the companies will integrate their technological capabilities, and Amazon Prime will become Whole Foods Market’s customer rewards program.

“Amazon has been putting in place a number of pieces from automation and distribution centers to delivery capabilities,” founder and CEO of the Center for Advancing Retail & Technology Gary Hawkins said.

“They’ve got all the pieces in place to plug pretty quickly into the Whole Foods experience, activity and operations ... to really leverage that acquisition.”

Deutsche Bank analyzed the way Amazon handles its fulfillment relationship with Sprouts Farmers Market to better understand how the merger may affect both businesses. Produce accounts for about 25% of Sprouts’ sales, but its popularity was even higher through Prime Now, where produce accounted for 48% of the top 25 most ordered items and 66% of the top 100. Deutsch Bank took this as a sign that customers “value the freshness that Sprouts brings to Amazon’s grocery inventory and believe it telling of how Amazon will likely leverage Whole Foods over the medium term.”

Adding a larger variety of fresh items to the Prime Now service would increase adoption rates considerably, according to Buy Box Experts partner James Thomson. Amazon’s access with data could help the company localize the selections it offers.

At the same time, fresh foods are expected to have lower penetration online, with BMO predicting 5% to 15% over time. Fresh penetration online could reach 20% if retailers have very good delivery services, but the importance of being able to see and touch produce means grocery stores aren’t going away, according to BMO.

Aside from fresh food, food buying habits are moving online, according to BMO. Approximately 40% of center-store categories are expected to shift online by 2025, based on work by Nielsen and the Food Marketing Institute. By that time, 75% of households are expected to buy food online in some form. As a result, BMO sees Amazon’s acquisition as a stage in a broader restructuring of retail, not part of a consolidation phase.
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Sellersville, PA

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Waukesha, WI

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EVENT CALENDAR

OCTOBER

3-7: World Dairy Expo
Madison, Wisconsin – USA
Alliant Energy Center
worlddairyexpo.com

7-11: ANUGA
Cologne, Germany
Koelnmesse
anuga.com

17-20: NACS (National Association of Convenience Stores) Show
Chicago, Illinois – USA
McCormick Place
nacsonline.com

25-28: Food Week Korea
Seoul, Korea
Coex Halls
koreafoodweek.com

30-Nov: Gulfood Manufacturing
Dubai, United Arab Emirates
Dubai World Trade Centre
gulfoodmanufacturing.com

NOVEMBER

5-7: China Fisheries Seafood Expo
Qingdao, China
Qingdao International Expo Center
chineseaseafoodexpo.com

8-11: Busan International Seafood Show
Busan, South Korea
BEXCO Exhibition Center
biste.com

9-11: Hong Kong International Wine & Spirits Fair
Wanchai, Hong Kong
Hong Kong Convention & Exhibition Centre
m.hktdc.com/fair/hkwinefair-en

9-11: Fisheries & Seafood Show
Qiaozhen District, Kaohsiung, Taiwan
Kaohsiung Exhibition Center
taiwanfishery.com/en

12-14: PLMA's Private Label Trade Show
Rosemont, Illinois – USA
Rosemont Convention Center
plma.com

14-16: Food & Hotel China
Shanghai, China
Shanghai New International Expo Centre – SNIEC
fhccchina.com

2018

FEBRUARY

14-16: SMTS (Supermarket Trade Show) 2018
Tokyo, Japan
Makuhari Messe (Japan)
smts.jp/en

18-22: Gulfood Show
Dubai, United Arab Emirates
Dubai World Trade Centre
gulfood.com

24-25: CHFA (Canadian Health Food Association) West 2018
Vancouver, Canada
Vancouver Convention Centre
chfa.ca/en/chfa-west

Albanese Confectionery Group, Inc
Merrillville, IN

Over 30 years ago at the Crossroads of America
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These gummies are offered in bulk and our World’s Best branded bags
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Dietary Pros Inc.
Wausau, WI

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influence product quality. Their expertise in formulation and specialty technologies to
optimize delivery has created industry leading products. This Wisconsin company offers
Probium® branded products for resellers and distributors, and specializes in private
labeling of stock formulas. They also accommodate custom formulations. All Probium
probiotic products are manufactured with only the highest quality ingredients to benefit
and enhance digestive health.*

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was developed to provide a glucosamine, msm, and chondroitin free, all natural
product. In addition, it had to deliver true efficacy for joint health, be drug free, and
reduce WOMAC pain levels.

Professional Strength Flexatine delivers a significantly better result than traditional joint
formulas, without chemicals or allergens! It is designed for efficacy, but value priced,
making it a far better choice, both clinically and economically. dietaryprosinc.com

*These statements have not been evaluated by the Food and Drug Administration. This product is not intended
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October/November 2017
Lidl’s First North Carolina stores are significantly cheaper than mainstream counterparts, with prices lower than nearby Walmart Neighborhood Market, Walmart Supercenter and Kroger locations, according to Deutsche Bank Markets Research analysis of three locations. However, Aldi’s prices were 0.7% lower on average.

Lidl beat Walmart Neighborhood Market prices by 10.9% in center store and 8.5% in the meat, dairy and produce sections combined. Walmart was the price leader on three items out of 46, while Lidl took the lead on 41 and the others were tied in terms of price.

At the Walmart Supercenter, Lidl’s advantage was significantly smaller. The discounter had a lower price on 29 of the 37 center store items examined, resulting in a 10.1% price advantage. However, Lidl only led on price in three of the seven dairy items, and Walmart tied on the remaining four, resulting in a 1% advantage for Lidl. Walmart was the price leader in four of nine national brands, while Lidl only had an advantage on two, resulting in a 0.2% advantage over Lidl. The discounter was 5.7% cheaper when taking the full basket into consideration, and 8.1% cheaper when national brands were excluded.

Lidl was 20.1% cheaper than Kroger in the center store, with 22 out of 31 products priced lower. Lidl’s advantage was significantly lower in the meat, dairy and produce sections, with Lidl only ahead on five out of nine items, resulting in a 1.1% price advantage. Lidl was 14.6% cheaper than Kroger on the total basket.

Aldi was 1.5% cheaper than Lidl in the center store, but 0.8% more expensive in meat, dairy and produce. While Aldi was the overall price leader in Deutsch Bank’s study, the analysts found that Aldi marked three center store items down the day Lidl opened. Without those discounts, Lidl would have beaten Aldi’s overall prices by 0.5%.

Walmart may take similar measures in the future, according to what employees told Deutsch Bank researchers. The analysts were told Walmart would focus on providing the lowest-cost basket to customers. However, a Lidl district manager said the chain’s strategy is to price below Walmart across the store, starting from the first day a location opens.

Deutsch Bank believes other factors may need to be taken into consideration when looking at the effect Lidl will have on the grocery landscape. The researchers found the stores to feel “premium,” and its “overall presentation surpasses that of Aldi,” according to the firm. Additionally, Lidl enhanced its grocery assortment with a variety of non-grocery items featuring “Surprises” in the middle aisles including cookware, electronics, exercise gear, men’s and women’s clothing and children’s items such as game and coloring books.

Though Lidl’s expansion, with 100 stores planned by 2018, will be a challenge for competing chains, its advance may not be as disruptive as some feared, according to Deutsch Bank. In particular, U.S. retailers have been dealing with Aldi since 1977, and discounter have not resonated with U.S. shoppers the same way they have in Europe.

Lidl’s latest expansion plans are for Ohio, as the chain submitted applications for locations in Broadview Heights, Howland and Austintown, reported Cleveland.com (Aug. 29). The Broadview Heights store is slated to open in 2020, which would make it the first in the state, and the company is considering additional locations for the state as well.
People are grilling organic at barbecues despite the cost. Using organic and other health-conscious foods could cost almost twice as much as a traditional barbecue, at $45.48 compared to $28.55. “Organics are perceived as being healthier. But nutritionally, they’re shown by studies to be nutritionally the same as traditional foods. For families looking to do organic, prices can become an issue,” Food Institute president and CEO Brian Todd said, reported CNBC.

Sales of certain beverages fell at convenience stores during the spring. Carbonated soft drink unit sales decreased 4.7% during the 12 weeks ending June 17, while sports drink sales were down 9% and energy drink sales were down 0.5% according to Nielsen. However, sparkling flavored water unit sales rose 15.6% and bottled water sales were up 1.7%, reported Convenience Store News.

Most people know someone who buys groceries online. Almost all Americans say someone in their family shops for groceries in person at least once a month, with 83% going at least once a week, according to Gallup’s Consumption Habits survey. However, only 9% of U.S. adults order groceries online at least once a month, including 4% who do it at least weekly.

Consumers are buying more dry goods online. About 97% of all consumer packaged goods (CPG) dollars are spent in brick-and-mortar retail stores, but 28% of consumers prefer to purchase groceries online regularly, according to Acosta. Twenty-three percent of older Millennials and 14% of younger GenX’ers are frequent CPG e-commerce shoppers, purchasing groceries online an average of 50% or more of the time.

Private labels are still on the rise! The amount of shelf space given to private label products increased 3.5% annually since 2012, according to Credit Suisse. Additionally, national brands are facing escalating pressure from retailers demanding lower prices. The 25 largest food and beverage companies hold a 63% share of the market, down from 66% in 2012, according to A.T. Kearney, reported The Wall Street Journal.

Healthy ice cream is trending. Dollar sales of ice cream with “good source of protein” claims jumped 207% in the 52 weeks ending May 27, according to Nielsen. Sales of ice cream with “considered healthy” by U.S. government policies claims grew 85%, and sales of ice cream with vegan claims grew 53%. In comparison, dollar sales of ice cream with natural claims grew 7% during the same period.

Even so, some consumers are cutting back. One in ten U.S. consumers cut back on ice cream consumption due to health concerns, according to Mintel. An almost equal share actively avoid healthy versions because ice cream is “meant to be a treat.” More than one quarter of ice cream buyers agree that, even though they find the treats unhealthy, they buy them anyway.

Prepared sushi is growing in popularity. Sales are up 13% at grocery stores and 20% at drug stores in the past year, and down 57% at convenience stores, according to Nielsen. The uptick in sushi sales in other channels shows the category is growing, and Nielsen analysts believe convenience stores can reverse the trend by improving consumer perception and innovating deli offerings.

Price is the main cause for lack of produce consumption. Less than half of consumers eat produce daily, according to a report from Category Partners and Beacon Research Solutions. Fear of spoilage and poor appearance in terms of quality and color were significant deterrents as well, reported Supermarket News.

Lunchbox treats vary by region. Granola and protein bars are the most popular lunchbox snacks in the Northeast, according to a survey by General Mills. Consumers in the South like to snack on chips, popcorn, crackers and pretzels, while Midwest and West Coast snackers opt for vegetables and fruit.

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