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CBX EXPERTS: AMAZON'S WHOLE FOODS ACQUISITION IS A BIG DEAL INDEED

—Massive transaction could have far-reaching effects—some with a dark side—on retailers, brands, suppliers and more, according to executives at New York-based branding consultancy.

NEW YORK, N.Y. (6/16/17)—Amazon's \$13.7 billion acquisition of Whole Foods Market is a bombshell with potentially massive reverberations for both food brands and the world of brick-and-mortar retailing, said branding and retail experts at [CBX](#).

“For starters, this acquisition promises to shake up pricing, the ecommerce space, the trajectory of retail automation in the United States, and the already considerable competitive pressures faced by existing food retailers,” said Todd Maute, a Partner at the New York-based brand agency and retail environments consultancy. “When it comes to making bold moves aimed at disruption, Amazon never disappoints.”

Amazon, Maute noted, has already dipped its toe into brick-and-mortar retailing with the likes of its Amazon Books bookstores and ongoing experiments with small-format grocery stores. Snapping up Whole Foods, however, marks its most serious commitment to date.

“The possible effects on Whole Foods alone are interesting to contemplate,” said Maute, a nationally known expert on private label products. “For example, the consumer perception of Whole Foods is that it is overpriced. But given its massive buying power, Amazon could actually leverage its economies of scale to bring down prices in the aggregate and change this perception in ways that would make Whole Foods a lot more competitive.”

In terms of inventory and infrastructure, Maute said, acquiring Whole Foods could give Amazon a solid foundation for ramping up online grocery sales and delivery via Amazon Fresh. “My guess is that Whole Foods will become a launching pad for Fresh. But at a minimum, this move could get Whole Foods into the online space much faster, in theory, than any other retail competitor. That would clearly have big ramifications for the likes of Walmart, Kroger and Publix, all of which are racing to develop their own capabilities for online ordering and click-and-collect.”

In addition, the holy grail of voice-assisted ordering through the likes of Amazon Echo or Google Home is to be in the customer's kitchen, Maute noted. “Now Amazon can give its Prime Customers a lot of new options,” he said. “They could get discounts on popular Whole Foods products just by saying ‘Alexa, order me some more Whole Foods 365 peanut butter, organic, creamy.’ It's a potentially big step forward in this fast-growing space.”

Whole Foods' brick-and-mortar real estate, moreover, could potentially be of use to Amazon as it seeks to grow its distribution capabilities, Maute added. “This is real estate that could be used for pickups, returns, warehousing, you name it. And think about this: the Amazon Go test store uses sensors, cameras and machine intelligence to eliminate cashiers and checkout lines. Now Amazon has a national brick-and-mortar footprint with which to rollout this game-changing technology. It's still speculation, of course, but this acquisition could be a big first step toward the automation of U.S. retailing.”

For his part, CBX Managing Partner Gregg S. Lipman pointed to the darker side of such moves, citing the ever-growing juggernaut of Alibaba Holding Group Limited, the Chinese-based conglomerate. “Over in China, the great Alibaba is doing the same thing as Amazon is here,” Lipman said. “They fly under the

banner of benefiting the consumer—and, to be sure, some of these changes could be good for consumers—but in the end, it is all about the bottom line.”

As Amazon flirts with disparate businesses ranging from prescription drugs to real estate brokerage, the fallout is hardly a win-win for everyone, Lipman explained. “The pressure they exert on suppliers is stifling,” he said. “Their buying power, which is growing by the day, can be seen as forcing unfair or unreasonable practices on suppliers. The net effect is that the rich get richer.”

Increasingly, Lipman added, Amazon’s private-label initiatives are giving it the ability to either participate in or actually dominate various retailing categories. “At what point do they own the entire food chain, whether in equity or buying power?” he said. “Remember, Amazon is willing to lose money to win market share and kill off competitors. This should be a concern, not only for food retailers, but also for food brands.”

Fortunately for its competitors, Amazon’s private brands have struggled in some categories, like clothing, Lipman said. “We’ll see what happens now that Amazon will have Whole Foods shelf space to experiment with, IRL.”

About CBX

CBX specializes in creative marketing services including: strategy, naming, branding, retail design, and packaging design. The company, with its current staff of more than 130 employees, was founded in 2003 and has a client base that includes: Saks Fifth Avenue, Lord & Taylor, Shinsegae, Walgreens, Wawa, Hain Celestial, McCormick, General Mills, Kimberly-Clark, Big Heart Pet Brands and AT&T. In addition to its New York City Headquarters, CBX has offices in Minneapolis and San Francisco.

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