

Marketing Plan Analysis: Amazon Fresh

Joaquin Ramirez

Pricing Strategy

Incentives and Integration for Amazon Prime subscribers

- Amazon Prime's 148.6 million U.S. Prime subscribers receive 10% off discounts off thousands of Amazon Fresh products daily. Their two credit cards offer 5% cash back when used in store, and there is free pickup, same day delivery and discounted delivery fees of up to \$4.
- The purpose of these perks is to incentivise subscribers to integrate Fresh into their grocery experience, making Amazon their one stop shop for all their necessary purchases.

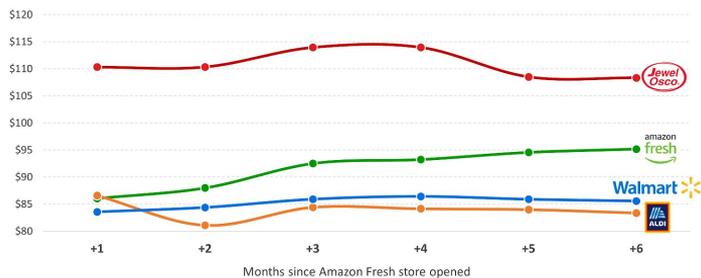
Hybrid Everyday Low Pricing Strategy

- Fresh advertised bananas sold at 15 cents each, employing a strategy similar to Aldi by getting customers through the door with a few heavily discounted items in lieu of many low discounted products.

Main Competitors

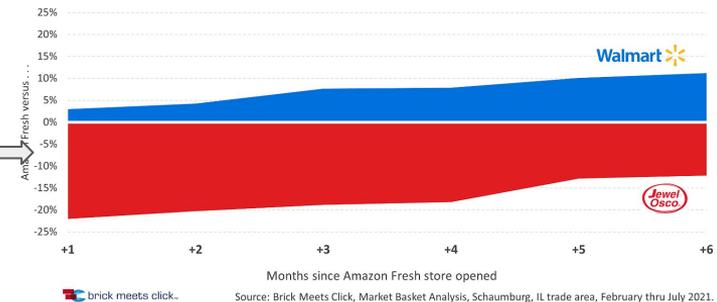
- Amazon Fresh has no desire to be the low-cost leader. When Amazon Fresh originally opened its prices were similar to those of Aldi.
- It implemented a common store-opening strategy in its first three months of operation: penetration-pricing to increase market share, bolstered by deal-back offers to encourage repeat visits and create new shopping habits, and then rolling back many of the initial offers in the following months.

Fig A. Customer Basket Cost at Select Grocers Over Six-Month Period Since Amazon Fresh Opened



Amazon Fresh's price gap with Walmart increased from 3% to 11%, while its price advantage versus Jewel decreased from 20% to 11%

Fig B. Changes in Price Gap between Amazon Fresh and Select Grocers



Understanding Amazon Fresh's Positioning

Placing Strategy

- Amazon Fresh stores have set up a number of digital spaces, such as the LCD screens that hang from the ceiling and its well renowned Dash Cart, creating valuable search placement for brands outside of slotting fees and displays.
- The company is also revamping the layout of its Fresh stores to better reflect and influence customer behaviour. This represents their efforts to make the space more inviting with bright colors in response to complaints from grocery analysts and shoppers about the chain's sterile, utilitarian design.

Consumer Market

- Amazon Fresh is a hub for Amazon professional shoppers: workers who deliver Amazon Fresh products in-store to customers. The stores lack personal touch and customization, even though workers are capable and willing to assist. Amazon Fresh stores are not designed to offer the same level of service in key areas like bakery, deli, meat and seafood that regional stores like Jewel do (lacking saws to even cut steak), instead competing with price and convenience.
- "Amazon is not luring customers in off the street", according to retail consulting executive Lou Scudere, instead focusing on curbside pickup and delivery.
- Their stores are being placed in generally wealthy neighborhoods with a customer base able to buy higher priced quality goods. However, Fresh has been unsuccessful in establishing personal relationships in comparison to Amazon-owned Whole Foods.
- Amazon Fresh is positioning itself to steal customers and sales mainly from conventional high/low grocers, including regional retail chains like Jewel, Stop and Shop and Stew Leonard's that operate in close physical proximity to the Amazon Fresh store locations.
- It is not positioned for mass discounters as Aldi and Walmart may attract.



Previous Amazon Fresh layout



Current Amazon Fresh layout

Promotion Strategy

Goals of the Amazon Fresh Promotion Strategy

Through its promotion strategy, Amazon Fresh attempts to increase consumer awareness about its product to existing Prime subscribers and prospective customers alike, while differentiating itself from similar services.

Omnichannel Marketing

Amazon Fresh uses an omnichannel marketing approach to target a wide array of consumers across different markets. These include online promotions through websites like YouTube, Instagram, Pinterest etc., print advertising through mail-in promotions and billboards in high-traffic areas, sales promotions via email for popular products, product placement in user-generated content, and pay-per-click campaigns.

Free Trials and Discounts

Amazon Fresh offers free trials and discounts on the subscription. These are often available seasonally or to select groups like students. During the holiday season, Amazon Fresh will typically offer several months of the subscription for free, encouraging customers to try the program without the initial barrier to entry of a membership fee. Students are also eligible to receive a deeply discounted Prime subscription, which includes Amazon Fresh.

User Reviews and Testimonials

Amazon Fresh relies upon user reviews and testimonials for many of the products it offers and the subscription service itself. These reviews and testimonials are often used in marketing materials to build trust and credibility.

Seasonal Sales

Amazon Fresh runs several seasonal sales and discounts, Thanksgiving, Christmas, 4th of July ect. These sales focus on specific items that are in high demand for that given holiday, ex) turkey for Thanksgiving, and hot dogs for the 4th of July.



Target Market

Target Market

Amazon Fresh shoppers are associated with middle and high class families seeking convenience and speed. Their target market can be segmented based on various factors:

Location + Area

Amazon Fresh has 44 stores located in 8 states: California, Illinois, Washington, Virginia, Maryland, Pennsylvania, and one store in Washington D.C. The locations are in heavily concentrated dense, urban and suburban areas, ideal for busy office workers during lunchtime rush. All the Amazon Fresh stores are located in **trade areas** above the average median income, affluent locations with median income households typically over 100k. Prime examples are Warrington, Pennsylvania where the median income is 112k, Crystal City located in Virginia with 115k median income, and Chevy Chase—the richest city in Maryland—with a median household income of 100k.

Amazon Fresh's secondary target market consists of the near 150 million Prime subscribers, who are offered additional perks and discounts on eligible orders. Los Angeles came in a number one for most Prime-friendly city in the US, according to an analysis by Shorr Packaging Corp. California currently has the most Amazon Fresh locations, with 17 of the locations surrounding the areas of LA.

Target Market

Demographics

Amazon Fresh's suburban locations have a highly dense employee population mostly composed of white collar workers, with 98% of Chevy Chase and 90% of Woodland Hills identifying so.

Residents have busy schedules that appeal to Amazon Fresh's brand as time saving shopping.. They make up the perfect target market for Amazon Fresh customers, considering their positioning strategy is being seen as a "quick trip" grocery store. These individuals are mostly college educated, comfortable with digital platforms and open to technological innovation in store such as their Just Walk Out technology.

Amazon is also trying to transition its Prime subscribers to use their Fresh service, as this market segment is already making purchases online. Fresh is an opportunity for online customers to fit groceries into their online purchases, saving time from physical store trips.

Consulting executive Lou Scudere noted that 'Amazon Fresh operates as a reference to customers, as an important element of a grocer's marketing proposition. The store is a reminder that Amazon is in the grocery business. And it's a place where if you're unsure about what their products look like, you can go and visit'. Fresh stores converge Prime users and affluent customers valuing ease and speed.

Psychographics

More affluent shoppers significantly value their time. They're willing to spend more per week on groceries if they can do it all in one trip.

Amazon's order history technology means it is easy for customers to reorder the same basket, appealing to shoppers valuing consistency.

The shopper demographic targeted has above average earnings but slow consumer spending habits according to a Harvard business review.

Operating in between heavy discounter stores and specialty grocers, Amazon Fresh prices appeal to an audience conscious of quality and health, yet still frugal. This income bracket won't complete weekly shopping at Whole Foods, however can be incentivised by the benefits of a Prime subscription and can spend on specialty foods on occasion.

Based on these segments, a typical Amazon Fresh customer could be a high income white-collar worker, college educated, and in their 20-40s. In addition, it is geared towards families living in these affluent neighborhoods with a consistent grocery basket that wants their groceries delivered.

Future for target market

Amazon Fresh's physical stores are still relatively new in the grocery industry and there is plenty of opportunity to establish secondary target markets. Expansion plans have already been set in place towards the suburbs of Boston, and Austin. Texas has the second most Amazon users by state according to Transimpact's Amazon analysis.

Another potential option would be building stores in North Carolina considering it has the most Amazon users per state and has a fast growing, college educated population becoming increasingly wealthy. Possible locations in North Carolina could include Davidson, Cary and Huntersville, all neighbourhoods with median incomes above \$100,000.

Product Strategy

Product Strategy

Convenience and a seamless experience for consumers, freshness and quality of products, vast selection of items, and innovative technology.

- **Online:** quick delivery options such as same-day or next-day delivery, enabling customers to order fresh produce, groceries, and household essentials from the comfort of their homes.
- **In Person:** The Just Walk Out technology and the Amazon Dash Cart which enable customers to skip the checkout line. And consumers use Alexa via the Dash Cart or at an in-store station to manage their shopping lists and better navigate the aisles to save time and during their shopping experience.
- Being a part of the Amazon Ecosystem attracts consumers to create or use their existing prime accounts and Amazon credit card to benefit from free deliveries on groceries and saving money with the 5% rewards .

Competitors

- Local grocery stores that are easily accessible with wholesale pricing.
- Instacart – online shopping app where you can have products from almost any store delivered. Instacart charges based on whether you have a membership or not (Instacart Express its \$99/year, \$9.99/month, free delivery for orders over \$35 and nonmembers pay a \$3.99–minimum for orders over \$35).
- In order to compete with competitors and improve their experience they're now offering non–prime users grocery deliveries with an added fee (\$4.95 – 13.95). And made made changes to two of their Illinois locations in Schaumburg and Oak Lawn to feature more than 1,500 new products a Krispy Kreme donut shop and merchandising features to add excitement to locations.
- They target towards Amazon Fresh target market is for consumers with above average income, who value more time and money on their weekly grocery, looking for a quick grocery/shopping experience instead of shoppers who go to local grocery stores, who are looking for lower prices and longer grocery sessions.



Recommendations

Fresh should incorporate personal touch such as staff recommendations and expanded customization options when shopping in person. Customer service is key as Fresh must present itself as more than a delivery hub, but a physical store with high quality brands and personalization supplying diverse products and specific grocery needs.

Amazon Fresh needs to expand their areas of operation for both online and in-store shopping. There is a larger, untapped customer base of Prime users such as in Texas and North Carolina willing to use Fresh with the perks provided through subscription. Expanding outside of the Northeast region may expose Fresh to the growing affluent neighbourhoods in the Southeast.

Amazon Fresh stores need to continue to update their look and feel, so that customers feel more welcome in their stores. If they want to be serving the higher priced markets, their store needs to be a reflection of the consumers they are trying to attract.

Fresh should appeal to their notion of quality and freshness by leaning into their Whole Foods product selection, as well as further developing own label products to compete with similar grocers such as Jewel and Trade Joes. Relying on brand recognition through Starbucks partnerships will bring people in the door, however quality store brand products will retain them.

Bibliography

<https://www.brickmeetsclick.com/amazon-fresh-grocery-stores--don-t-discount-them-as-too-conventional--here-s-why>

<https://foodinstitute.com/consumerinsights/the-route-to-market-me-amazon-fresh-the-evolving-consumer/>

<https://rwonline.com/perspective/4-customer-experience-innovation-lessons-from-amazon-fresh/>

<https://www.imd.org/research-knowledge/supply-chain/articles/amazon-fresh-and-the-disruption-of-the-supply-chain/>

<https://www.thekitchn.com/amazon-fresh-review-22981293>

<https://www.investopedia.com/articles/personal-finance/052015/how-amazon-fresh-works.asp>

<https://www.amazon.com/fmc/m/30003175?almBrandId=OW1hem9uIEZyZXNo>

<https://time.com/3517116/amazon-amazonfresh-new-york/>

<https://www.foodandwine.com/news/amazon-smart-shopping-carts-whole-foods>

<https://techcrunch.com/2023/11/09/amazon-makes-online-grocery-available-for-non-prime-members-starting-with-amazon-fresh/>

<https://www.ecomcrew.com/amazon-fresh/>

<https://www.supermarketnews.com/retail-financial/what-grocers-can-learn-market-basket-analysis-amazon-fresh>

<https://www.retaildive.com/news/amazon-reduce-private-label/690659/#:~:text=According%20to%20information%20disclosed%20in.company's%20e%2Dcommerce%20grocery%20store.>

<https://www.cnet.com/tech/services-and-software/amazon-fresh-grocery-delivery-is-available-to-non-prime-members-what-to-know/>

<https://www.bloomberg.com/news/newsletters/2023-08-02/whole-foods-amazon-fresh-amazon-com-prepare-for-one-grocery-cart>

<https://www.supermarketnews.com/retail-financial/amazon-fresh-adds-incentive-prime-shoppers>

<https://www.supermarketnews.com/retail-financial/grocery-retail-experts-take-closer-look-amazon-fresh>