



# Competitive Watch: amazon go

Retail and technology experts weigh in on the new small-format store from the online giant

By Renée M. Covino

**A**nother Amazon star is born, and it is being touted as the new, true “grab and go.” Amazon Go was recently unveiled as the online behemoth’s new small-format brick-and-mortar store, much like a traditional convenience store, but with one very attractive key feature — no waiting on a checkout line. In fact, there is no checkout at all. (“No, seriously,” as Amazon Go playfully puts it on its website).

How does the Amazon Go shopping experience work? Basically, it’s three steps: the shopper scans in using a smartphone, passing a turnstile to enter the shopping area; the shopper picks up their items, which Amazon technology adds to the shopper’s cart; and then the shopper leaves the store, charged for the items via their Amazon account.

“Our checkout-free shopping experience is made possible by the same types of technologies used in self-driving cars: computer vision, sensor fusion, and deep learning,” Amazon explains on its website. “Our

Just Walk Out Technology automatically detects when products are taken from or returned to the shelves and keeps track of them in a virtual cart. When you’re done shopping, you can just leave the store. Shortly after, we’ll charge your Amazon account and send you a receipt.”

As of press time, Amazon Go was currently a one-store “beta” format in Seattle, open only to Amazon employees. The store was reportedly scheduled to open to the public by the end of March, but is facing delays due to technology glitches.

As for additional locations, Maxwell Legocki, business analyst at Wilton, Conn.-based Cadent Consulting Group, believes it’s only a matter of time. “I wouldn’t be surprised if they open more stores by this fall,” he told *Convenience Store News*.

## **A IS FOR ADVANTAGE**

Clearly, Amazon has many things working in its favor as it steps over the “brick” line — and this has a lot of

## How Real Is the Threat to Convenience Stores?

Should the convenience store industry be threatened by Amazon Go? Depends on who you ask. Below is a sampling of viewpoints recently shared with *Convenience Store News* by retail industry and technology industry experts:

“With Amazon Go making its way into the world of brick-and-mortar, convenience stores should prepare for impacts and determine strategies that will get customers back in their doors. However, they have something Amazon doesn’t: existing customer data. By looking to this data, they can get a better sense of who their customers are and what they want. Advanced analytics platforms then allow businesses to extract valuable insights from the historical data, ultimately presenting decision makers at individual stores with the information they need to optimize their product offerings, store design, and overall processes to best serve customers.”

— **Guy Amisano, CEO, Salient Management Co.**

“Every retail channel should be worried. Amazon Go is simply a representation of what Amazon has committed itself to, which is innovation in service of a greater customer experience, rather than short-term profits or gains. Given the nature of the c-store trip, the channel has been at a disadvantage when trying to capitalize on the data-driven approach that is becoming more commonplace in the retail market, whereas Amazon will have the ability to translate their customer data-driven profiles into more personalized experiences at brick-and-mortar.”

— **Brian Cohen, Executive Vice President, Group Director & Head of Digital Integration, Catapult**

“Threatened? No. Motivated? Yes. Convenience stores, grocery stores and all retailers should always be interested in what Amazon is doing, and Amazon Go is no exception. It’s still in the early stages, but the concept of cashier-less retail and automated shopping is exciting, and it’s a revolutionary technology that we’ll see a lot more of in the future.”



companies in the retail marketplace (convenience store operators included) watching and, in some cases, worried.

“More than any other company, Amazon is committed to topline growth, expansion and customer experience, rather than bottom-line profits, though that is expected to change over the next three to five years,” said Brian Cohen, executive vice president, group director, and head of digital integration for marketing agency Catapult, based in Westport, Conn. “For now, this allows for a higher level of investment in innovation, market expansion, and vertical expansion. It makes them a very, very scary proposition for a large number of industries; retail being the most obvious.”

Other Amazon advantages include:

- **Brand Name** — Amazon is thought of as reliable, trustworthy and easy, noted Don Stuart, managing partner of Cadent Consulting Group. Amazon already dominates the digital space of “convenient shopping,” so its physical stores should carry the same perception by shoppers, added Legocki of Cadent. “This will help promote the Amazon name among shoppers who don’t use ecommerce as much.”
- **Fewer Ongoing Costs/Lower Prices** — Amazon Go store management will save money on salaries they don’t have to pay, as opposed to a traditional store, Stuart pointed out. “Those savings, coupled with the remarkable supply chain they have at their disposal, can create huge savings,” he said. “Being able to lower costs offers the opportunity for Amazon Go to lower prices, attracting even more shoppers while increasing margins.”
- **Customer Convenience** — Cosmas Wong, an advisor for technology startups and CEO of New York City-based Grey Jean Technologies, cites the ability to “Amazonize” the shopping experience by putting customer convenience above all else. “They’ve done this for decades in the ecommerce space, and a physical store is just an extension of that,” said Wong. “With Amazon Go, they’re offering shoppers the ability to walk into a physical store and walk out with the same immediacy of Amazon’s one-click checkout online, with no lines and no wait. It’s the same seamless customer experience.”
- **Loyalty** — Amazon has “maybe the most loyal customer base of any retail entity out there,” according to Mark Hardy, CEO of Chicago-

Because of that, instead of feeling threatened, c-stores should start planning for how the future will look for their industry. Embrace technology, such as mobile apps, AR [augmented reality] and VR [virtual reality], and begin to think about how stores of the future will look, as well as how shoppers will want to shop your store. We already know brick-and-mortar stores are starting to shrink their physical footprints and reduce in-store SKUs. Omnichannel shopping is quickly becoming the new norm, and the sooner c-stores adopt new technologies, the faster they can cater to the latest consumer trend.”

— **Mark Hardy, CEO, InContext Solutions**

“It depends on whether they have been burying their heads in the sand about where retail is going, or if they have been proactively developing their own transformational strategies. Labor will be a key pain point for retailers in the future, and those who optimize their stores from a labor perspective will come out ahead, compared to those who don’t. Amazon has a proven track record of disrupting entire categories of business, but the key to the c-store business is the ‘C.’ These physical points of distribution for items consumers need right now certainly won’t go away, but we can all hope they will deliver better shopping experiences — better inventory, better experience, better retail.”

— **Bridget Johns, Head of Marketing and Customer Experience, RetailNext**

“On the note of innovation, c-stores should be excited for the future of this development; Amazon Go is proving that the physical store has the potential to be redefined. This is going to force convenience stores to rethink their business model and align with this innovative thinking. There’s an opportunity for c-stores to shift their future strategies to be similar to that of Amazon Go, but build on improving that digitally integrated shopping experience in physical stores, possibly carving out a new area that they own.”

— **Maxwell Legocki, Business Analyst, Cadent Consulting Group**

“They should be both worried and excited. Worried because Amazon will be a trailblazer in redefining convenience shopping, with the Amazon brand name backing the push. In the short run, Amazon Go will obviously



Amazon Go boasts “Just Walk Out Technology” for customers’ ultimate convenience.

based InContext Solutions, a virtual reality solutions provider for retailers like 7-Eleven and Walgreens. “Consumers are already familiar with Amazon’s mobile apps; they know they can count on the customer service; and they trust the speed and accuracy of Amazon’s ecommerce and delivery services. They will expect no different from Amazon Go stores.”

- **Prime Member Data** — With so much data on hand, Amazon has “a real opportunity to provide personalized experiences for each shopper via targeted email and loyalty programs through Amazon Prime members’ accounts,” said Guy Amisano, CEO of Salient Management Co., a data analytics provider for convenience and grocery stores, based in Horseheads, N.Y. “These kinds of tactics are sure to bring customers in the door.”
- **Seemingly Unlimited Resources (technology and otherwise)** — There are no legacy environments hampering innovation at Amazon Go, according to Bridget Johns, head of marketing and customer experience for RetailNext, based in San Jose, Calif. “They can build the model from scratch to optimize the existing technologies that power Amazon Go, like video analytics, Wi-Fi, RFID and others. And they can invest heavily in what will be needed for future rollouts, namely deep learning, artificial intelligence, and more precise measurement of item-level RFID solutions,” she stated. “Amazon also has an unbelievable amount of data that will help it scale a concept like this faster than most would be able to, not to mention the cash to acquire an existing player if its model makes more sense.”

#### EXPECTED CHALLENGES

Of course, no one does retail perfectly, especially at the onset. Retail industry and technology industry experts expect there will be a number of challenges for Amazon Go to overcome.

For instance, Cohen of Catapult thinks Amazon may struggle most with assortment and merchandising strategies in the physical locations, and maintaining the balance with online integration. “I’m sure there will

steal business from c-stores. Also, Amazon Go puts c-stores in a position of having to play catch-up with regards to attracting shoppers, retaining their customer base and, most importantly, developing innovation.”

— **Don Stuart, Managing Partner, Cadent Consulting Group**

“The reality is we’re seeing a convergence of channels — quick-serve restaurants, c-stores, grocery, drug and Amazon Go are all competing for the same ‘grab-and-go’ share of stomach. Amazon’s focus on capturing this share of stomach with Amazon Go should urge c-stores to more quickly shift focus from what drives their trips and volume today to what better serves the changing desires of consumers. Improving the quality of their prepared foods and the ease of their shopping experience will help them cater to evolving consumer habits — especially those of millennials who are already predisposed to a grab-and-go lifestyle.”

— **Curtis Tingle, Chief Marketing Officer, Valassis**

“C-stores should view this as an opportunity because the services offered by Amazon Go are indicative of where customer demands are heading. Customers are looking for expedient, customized and, yes, convenient service. That’s what Amazon Go is promising. If the c-store industry can evolve with the times and think about how technology can support easier checkout or delivery for customers, the industry can only stand to benefit.”

— **Kathleen Ulrich, Director of Marketing, Brillio**

“Amazon is forcing grocers and convenience stores to rethink how their entire omnichannel experience, from brick-and-mortar stores to digital channels, works in tandem to bring in new customers, increase sales, and create a loyal band of customers. It’s not all about digital and it’s not all about physical stores. C-stores need to carefully consider how they can better leverage technology — whether it’s frictionless payment systems, beacon and location technology, AI [artificial intelligence] and machine learning, or predictive recommendation engines — to deliver the experience their customers want, regardless of where that experience is taking place.”

— **Cosmas Wong, CEO, Grey Jean Technologies**



Ready-to-eat breakfast, lunch, dinner, and snack options are made fresh every day for the store.

be a few operational hiccups along the way as they transition their business model from an online pure-play to an integrated brick-and-mortar offering,” Cohen predicts.

The potential for technology failure could prove to be a huge hiccup, observed Stuart of Cadent Consulting. “The ‘computer vision’ offered by Amazon Go could have a hard time recognizing loose fruit/vegetables of various sizes; deformable or unstructured items such as bags of rice; items that change color such as fruit; and shopper identification, i.e. a shopper removing their jacket in-store,” he said. “Also, a store that relies solely on technology to function can face system errors, resulting in the whole store crashing.”

RetailNext’s Johns agrees, and expands the scope of this challenge to also include “the precision of their analytics — an area Amazon needs to be 100 percent on,” she said. “As soon as customers are charged for items they didn’t buy or not charged for items they took with them, you have a significant problem. The nature of c-stores centers on low-margin products, and managing the POS [point-of-sale] is critically important.”

One question that comes to mind for Wong is: Where does personalization fit in with checkout-free stores? “Amazon is regarded as a leader in the ecommerce space for pioneering personalized experiences by showing different homepages for different customers based on their past clickstream paths or previous purchase behaviors,” he said. He wonders whether there will still be an opportunity for Amazon to leverage its digital presence to engage consumers with personalized experiences that supplement its brick-and-mortar offerings — or is Amazon Go simply about convenience?

The Grey Jean Technologies head believes that in order to maintain the same level of competitiveness it’s had in the digital arena, Amazon will need to consider how it can use technology to deliver personalized in-store offers to each individual shopper.

“Since today’s shopper has the expectation that retailers will know them personally, leveraging data about consumers’ unique behaviors and preferences will be the key to delivering tailored in-store mobile offers in the same way Amazon has done with its ecommerce platform,” Wong reasoned.

How fast consumers will adapt to the concept could present another challenge, cited InContext Solutions’ Hardy. “People are creatures of habit, and while some will be lining up to try it out, others will be slow to embrace this kind of technology fully.”

Kathleen Ulrich, director of marketing for global technology and business solutions consulting company, Brillio, based in Santa Clara, Calif., agrees that the biggest challenge is customer buy-in to a relatively new way to shop.

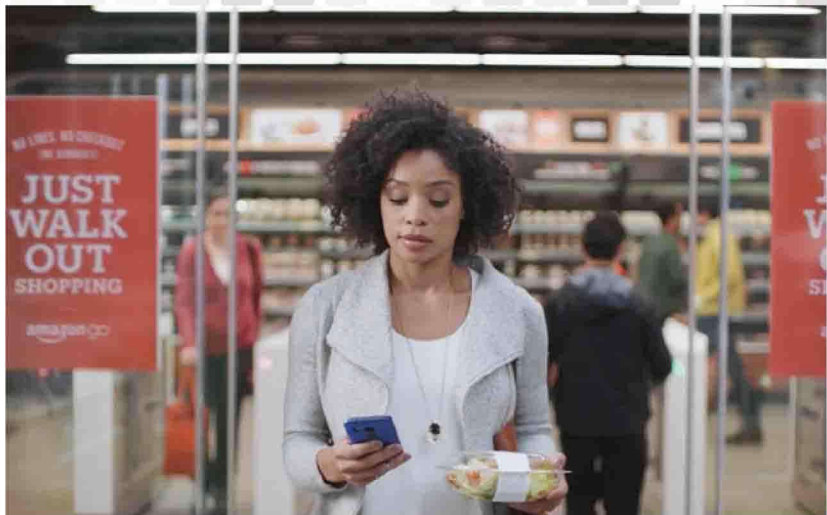
“There’s a reason why customers don’t all want to use the self-service checkout station at supermarkets,” Ulrich said. “There’s a customer learning curve that needs to be taken on, and I think Amazon won’t be able to completely lose the human element [of] the brick-and-mortar store.”

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Hardy also believes the matter of security is a potential challenge, including “people feeling a little like ‘Big Brother’ is watching them.” He also questions: How safe are credit cards and payment options? And what if you forget your phone one day — are you out of luck to purchase anything at Amazon Go?

Along these same lines, Stuart questions the limitations around who can shop at an Amazon Go store: customers need an Amazon account, the Amazon Go



To shop at Amazon Go, an individual needs an Amazon account, a supported smartphone, and the free Amazon Go app.

app, and a smartphone. “This also limits the ability to go shopping with family members and friends if they don’t have any of the above as well,” he pointed out.

And then there are other challenges that all brick-and-mortar retailers face. For instance, avoiding out-of-stocks. “The advantage Amazon has had up until now is its ability to avoid being out-of-stock — or appearing to be in stock — due to its ecommerce warehousing system,” said Salient Management’s Amisano. “The challenge as it moves into brick-and-mortar will be to continue avoiding this age-old challenge of retail, and optimize its stock better than everyone else.”

Another challenge shared by all brick-and-mortar retailers that will be new for Amazon Go is the importance of location, location, location. “Store location is always important, and it’s important to consider the proliferation of c-stores and discounters already at most of the best-trafficked locations,” noted Johns of RetailNext.

“Finding the right locations will be key,” she continued, “and determining what services will be offered will also be critical. If the stores are all storefront without fueling services, perhaps it becomes a different category to what we consider c-stores altogether.”

Lastly, Amazon Go may be serving a market that’s going away, cautions Wes Higbee, industry blogger and president of New York City-based Full City Tech Co. Most people don’t care how the groceries get into their cupboard, he explained.

“Services like Amazon Fresh are where the future is — ‘keep my cabinets full of what I want without needing to go to the store,’” Higbee said. **CSN**