Whole Foods steals customers from Walmart, Trader Joe's, others

But private brands could prove a differentiation point for retailers that lost traffic

By Lawrence Aylward

Amazon acquired Whole Foods Market and immediately lowered prices on the organic and natural foods retailer's products to steal away customers from its grocery competitors and to gain a proverbial slice of the pie in the massive and ever-competitive grocery market. Austin, Texas-based Whole Foods did just that —at least for the first week it was officially owned by Amazon, according to a report from the Thasos Group, an alternative data intelligence firm that tracks shoppers' mobile phone locations.

The firm recently published a research report, "Competitive Impact of Lower Prices at Whole Foods," which analyzes numbers, composition and behavior of new customers at Whole Foods' stores following the price reductions that Amazon immediately implemented after the merger officially closed on Aug. 28.

From Aug. 28 through Sept. 3, Walmart's regular customers accounted for the largest percentage (24 percent) of Whole Foods' new customers, the report stated. Other retailers accounting for new Whole Foods's customers were Kroger (16 percent), Costco (15 percent), Target (11 percent) and Sam's Club (5 percent).

Trader Joe's had the highest rate of customer defections. On average, almost 10 percent of its daily customers went to Whole Foods during the week of the price cuts compared with the week prior. Eight percent more of Sprouts customers defected to Whole Foods. The Thasos Group said the defection rate is defined as the percentage of regular customers for a given competitor who shopped at Whole Foods during a specific time period after the price reduction minus the same percentage for a comparable period before the price reduction.

It was already reported that foot traffic at Whole Foods climbed significantly year-over-year in the first week the retailer was owned by Amazon. Thasos Group estimated foot traffic surged 17 percent from Aug. 28 through Sept. 3 before decelerating to an increase of 4 percent year-over-year in the three weeks after.

"Knowing which stores new customers have defected from, what income levels they represent, how far they traveled to get to Whole Foods, and ultimately, whether they will continue to shop there after trying it out, are invaluable pieces of information for both investors and the stores themselves," Greg Skibiski, Thasos Group CEO and founder, said in a press release. "We all know that Amazon's acquisition of Whole Foods has the potential to be a game changer in the grocery space. It will be extremely interesting to watch the winners and losers emerge from the data over the coming months."

The report's findings were published by several mainstream media giants including Reuters, Forbes, The New York Post and The Daily Meal. Thasos group said its analysis covers a broad range of metrics, including new customer growth, attrition, loyal customer defection from competitors and customer demographics.

No doubt that all the fanfare surrounding Amazon's takeover of Whole Foods and Amazon's lowering of Whole Foods' prices had an impact on customer traffic during the first week.

Clearly, consumers wanted to check out the "new" Whole Foods and its lower prices. The big question surrounds the number of consumers who went to Whole Foods during the first week and if many of them will continue to shop there.

Also, all of the retailers mentioned in the report have solid private brands programs and many of them are investing in their private brands. Consider Sam's Club's recent investment to upgrade its Member's Mark brand and Kroger's recent expansion of its Our Brands. Clearly, these retailers are investing in their private brands to differentiate and remain competitive. SB