

# The Next Lesson from Amazon: Push Your Customer's Cart

*In their recently announced move into retail grocery stores, an expansion of their existing online grocery purchase and delivery services, Amazon once again demonstrates how its primary focuses when expanding its business are unique positioning for each brand and unique value for each brand. Can you say this about your product lines and their positioning and value? Does your pricing reflect this? If not, it may be time to shift focus and resources towards addressing these areas, as the author explains. Erin Cihak is Director, Consulting Services, at Holden Advisors. She can be reached at [ECihak@holdenadvisors.com](mailto:ECihak@holdenadvisors.com).*



by Erin Cihak

In what has become a common occurrence over the past 15 years or so, Amazon recently announced it was entering a new business – retail grocery stores. Well, yes, they technically are in this business already with their purchase of Whole Foods in 2017, but they see an opportunity to extend their reach beyond the more upscale customer.

Then there's Amazon Go – the cashier-less stores that are being rolled out in urban areas. They also have the food delivery business, which is a combination of Whole Foods products and others, although it has had mixed results so far. The grocery business isn't really a new business at all.

Why is this relevant to the pricing community, other than the potential for more perks from our Amazon Prime memberships? So many reasons.

## Positioning

I bet your business is a mirror image of Amazon's grocery business - multiple products and services (going forward, I'll use products to represent both) that serve similar customers, at least on the surface. But at Amazon, they are clear about which customers are targets for each format (note: this is my point of view).

- Whole Foods – upscale, 'natural' foods, enjoy the shopping experience
- Amazon Go – convenience store format with no lines, no checkout, grab and go; urban, ready to eat, grocery staples, and meal kits
- AmazonFresh – touches both of the above customer segments, includes groceries, everyday essentials, favor-

ities from local shops and restaurants

- Retail grocery, not Whole Foods – intended to appeal to a broader customer base with a different variety of products; wants to extend its reach in the food business and touch more aspects of customers' lives

Do you have a defined profile for the customer segments your various product lines are meant to appeal to? That's Step 1. Do those customer segments actually buy those products, do they value what you're wanting to sell them? That's Step 2. How do you get the answers you are wanting on Step 2? You ask them or have someone else ask them. You'd be surprised how likely customers are to talk to you about their needs when you're not trying to sell to them; it's refreshing for them.

## Value

We have already started talking about value, about understanding why or why

not customers are buying (or will buy) the products you want them to. For Amazon, they are constantly working to add value for their customers at a price that feels lower than it should be. Quick delivery, expansive selection, entertainment options, etc.

For the food delivery business that has underperformed to expectations, Amazon has said that they want to better understand how it can cater to grocery shoppers. They want to better understand what grocery shoppers value in a delivery service vs. what they value in a retail experience, as value should always be quantified vs. the competitive alternatives.

If you've followed this market through the years, back to the beginning of it all during the internet boom and bust, company after company has struggled to find the answer: how to deliver value to customers in grocery delivery while delivering profitably to their company. Today, Walmart, Kroger, and others are also looking for ways to offer grocery delivery and pickup in a more cost-effective way.

As Amazon continues to expand its reach, engaging in new industry after new (or tangential) industry, they focus on two things:

- Unique positioning for each brand
- Unique value for each brand

Can you say this about your product lines and their positioning and value? Does your pricing reflect this? If not, it may be time to shift focus and resources towards addressing these areas. ♦

