1. **Case study. Amazon acquired upmarket grocer Whole Foods.**

In 2017 Amazon acquired upmarket grocer Whole Foods Market for US$13.7bn, as the ecommerce group seeks to exploit its online scale to challenge the likes of Walmart in food retailing.

Buying Whole Foods, the biggest premium grocer in the United States, radically accelerated Amazon’s ambitions in the $800bn US food and grocery sector, specifi- cally for grocery deliveries and payless shopping.

Whole Foods, had been nicknamed “whole paycheck” for its high prices and had same-store sales fall for 2 years prior to the acquisition.

Charlie O’Shea, analyst at Moody’s, said the deal was a “transformative transac- tion, not just for food retail, but for retail in general.”

The deal will give Amazon—a company that has built most of its businesses online—a much more significant bricks-and-mortar presence. The online retailer has run its own grocery delivery program, AmazonFresh, since 2007 and has experi- mented with grocery pick-up kiosks in Seattle.

At the time of the acquisition, German discounters Aldi and Lidl had opened in the United States, risking a price war with incumbents. Walmart looked to discount its prices to retain market share.

Mr O’Shea added: “Implications ripple far beyond the food segment, where dominant players like Walmart, Kroger, Costco, and Target now have to look over their shoulders at the Amazon train coming down the tracks.”

Amazon previously unveiled plans to offer a discount for Prime memberships to Americans on government assistance, in an attempt to convince food stamp recipi- ents to do their grocery shopping online. The move was viewed as a direct shot at Walmart, whose core customers come from low-income backgrounds.

Source: Adapted from: Nicolaou et al. (2017).