Amazon's pounce on Whole Foods ripples across Europe

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Amazon.com Inc's $14 billion takeover of Whole Foods Market sent shockwaves across the Atlantic on Friday as investors weighed the implications for Europe's supermarkets from an accelerated push by the e-commerce juggernaut into traditional food retail.

Amazon has already been expanding its Fresh grocery delivery business in European cities such as London and Berlin, but its purchase of a bricks-and-mortar supermarket chain, even one as small in Europe and high-end as Whole Foods, raises the prospect of tougher competition and more acquisitions.

"To hear that it's actually buying an existing retailer confirms its intentions in the area and that obviously leads to further competition in what is already a fiercely competitive market," said Laith Khalaf, an analyst at Hargreaves Lansdown.

Large European retailers' shares were down in afternoon trading. Ahold Delhaize closed down 9 percent in Amsterdam due in part to its large U.S. exposure, but Tesco was down 5 percent in London and Carrefour was down 3 percent in Paris.

The news shook a grocery sector that is already grappling with consumer unease, currency volatility, geopolitical uncertainty and increased competition from the German hard discounters Aldi and Lidl.

Shares were already wobbly on Friday following a big profit warning from Kroger, the largest U.S. operator.

"People are very nervous. And then they see this and they think – 'if online is going to kill offline, what am I doing in the sector? Sell'," said Fernand de Boer, analyst at Petercam in Amsterdam.

The news also has implications longer term, as some saw the acquisition of Whole Foods, whose only European stores are nine in Britain, as merely a first step.

"Clearly whoever and whatever Amazon looks at, the fallout from that is who they don't take over," said Shore Capital analyst Clive Black in London. "Amazon has the ability to put the fear of God in any of its competitors."

Black estimated it would still be a couple years before Amazon might buy another large British grocer, as it will need time to integrate Whole Foods with its existing food business.
"I would have thought it'd be somewhere down the line but who knows. Amazon's got the resource capability to buy whatever it wants."

He said the move also suggests that the future of grocery retail is not just online, where profits are gobbled up by the complex and costly need to deliver food.

Still, internet sales of food and drink exceeded $74 billion last year worldwide, up from $29 billion in 2011, according to Euromonitor International, which predicts it to reach $116 billion by 2021.

Though large, e-commerce still only represents a small fraction of overall grocery shopping. South Koreans do the most shopping online, according to a report last year by Kantar Worldpanel, which said online accounted for 17 percent of overall grocery sales there. Japan and Britain are No. 2 and 3, both clocking in at around 7 percent.