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The presentation will begin shortly.

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The Impact of Amazon's Acquisition on Food Retailing

amazon

**WHOLE
FOODS
MARKET**

 **inmar**
willard bishop
analytics



David Mounts

Chairman and CEO



John Ross

President, Inmar
Promotion Network



Jim Hertel

SVP, Inmar Analytics

Disruptive Deal

Noise and News

Deal Specifics

Supporting Logic

Implications and Opportunities

Developing Your Response

Barriers to Adoption

Questions and Answers

Oct 27, 2016

AMAZON

Amazon Wants to Open 2,000 Grocery Stores Across the U.S.

Michal Addady
Oct 27, 2016

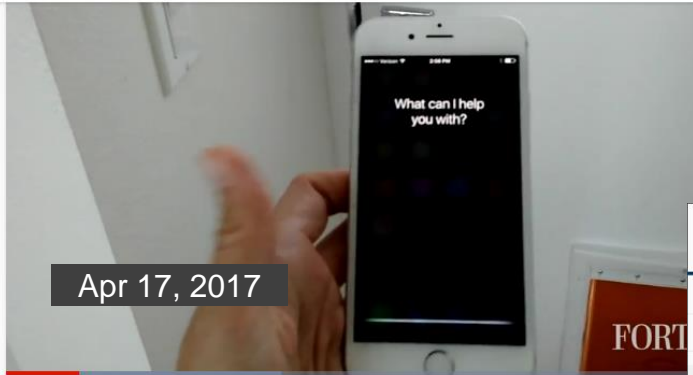


Amazon (AMZN, +1.45%) has big plans for its brick-and-mortar

Dec 6, 2016



Apr 17, 2017



BEST COMPANIES

Amazon May Have Expressed Interest in Buying BJ's Wholesale Club

Leena Rao
Apr 17, 2017

Rumors are swirling about Amazon's interest in buying BJ's Wholesale Club. Following [last week's report](#), it's

Apr 30, 2017

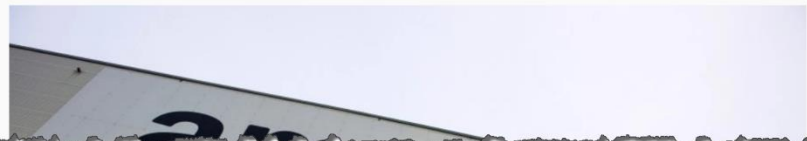
Trending: Free and cheap May 12-18 Colorado's economic slump Trump's commencement address Denver weekend

SCOTTSBLUFF PUBLIC SCHOOLS
EVERY CHILD... EVERY DAY

MATH FACILITATOR
Scottsbluff Public Schools in Scottsbluff, Nebraska is seeking a K-12 Math Facilitator. This position supports the implementation of district math programs.
Qualifications: Master's degree preferred but not required. 5 Years of teaching experience. Complete Application online @ www.sbps.net.

BUSINESS > RETAIL

5 reasons Amazon is experimenting with physical stores



The New York Times

Amazon to Buy Whole Foods for \$13.4 Billion

By NICK WINGFIELD and MICHAEL J. de la MERCED JUNE 16, 2017



Customers at a Whole Foods Market in Midtown Manhattan.

John Taggart for The New York Times

[Amazon](#) agreed to [buy the upscale grocery chain Whole Foods](#) for \$13.4 billion, in a deal that will instantly transform the company that pioneered online shopping into a merchant with physical outlets in hundreds of

RELATED COVERAGE



Amazon Deal for Whole Foods Starts a Supermarket War

JUNE 16, 2017



How Whole Foods Became the Organic Giant

JUNE 16, 2017



An Online Retailer Walked Into a Salad Bar

JUNE 16, 2017



Walmart to Buy Bonobos, Men's Wear Company, for \$310 Million

JUNE 16, 2017

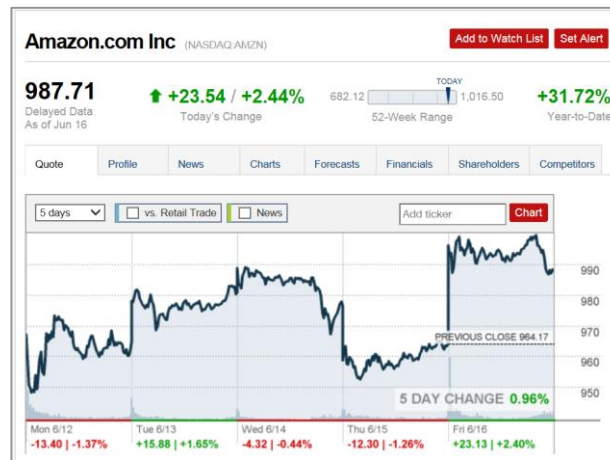


ECONOMIC TRENDS

The Amazon-Walmart Showdown That Explains the Modern Economy

JUNE 16, 2017

Market Reactions



Five-Day Change: -27.58%
Y-T-D Change: -35.41%

+0.96%
+31.72%

-4.72%
+9.23%

Source: CNN Money


The Deal, By the Numbers

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended September 25, 2016; or
 Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File Number: 0-19797



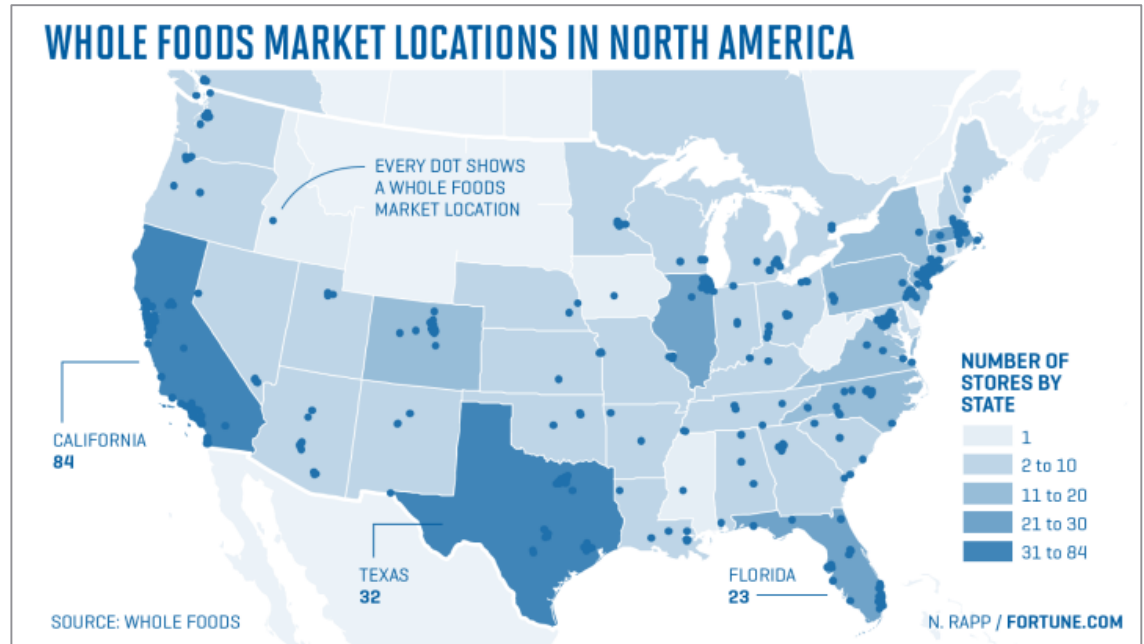
WHOLE FOODS MARKET, INC.
(Exact name of registrant as specified in its charter)

Texas 74-1989266
(State of incorporation) (I.R.S. Employer Identification No.)
550 Bowie Street, Austin, Texas 78703
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: 512-477-4455

Securities registered pursuant to section 12(b) of the Act:
Name of each exchange on which registered: NASDAQ Global Select Market
Title of each class: Common Stock, no par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-K (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.



Purchase Price: **\$13.7BB** | WFM 2016 Revenue: **\$15.7BB** | Store Count: **462** | Regional Distribution Centers: **11** | Employees: **8,700**

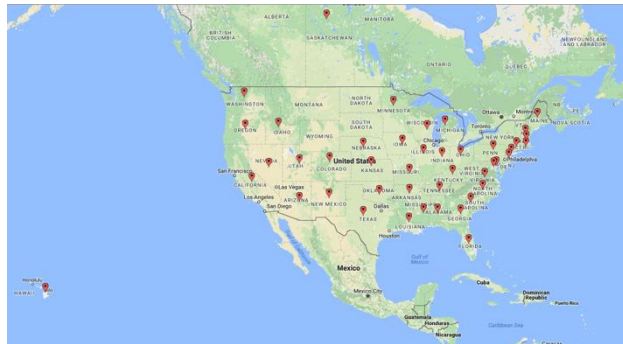
Amazon and WFM are popular among high-income households

Seventy percent of upper-income American households—those earning more than \$112K annually—are now Amazon Prime members.¹ WFM also attracts high-income shoppers. HHs earning \$100k-\$125k index at 124 while HHs earning more than \$125k index at 230.²

¹ Piper Jaffray (reported by Business Insider) ² InfoScout

Beyond the Numbers

BISNOW (ALMOST NEVER BORING)



Amazon's Whole Foods Acquisition Is A Smart Logistics Play

June 18, 2017 | Champaign Williams, National Editor ✉



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Amazon's **mega \$13.7B Whole Foods Market acquisition** is about more than the expansion of its brick-and-mortar business — it is also a smart logistics play.

The e-commerce behemoth has been working to **expand its physical brick-and-mortar presence** for some time now, and this deal will not only give Amazon access to Whole Food's portfolio of 450-plus stores, but it also gives Amazon control of the grocer's distribution network — complete with store backrooms and cold storage. What does this translate into? A quicker and fresher delivery of its goods, which will prove beneficial as Amazon continues the rapid expansion of its online and physical **grocery delivery business**.

According to Quartz, this acquisition puts Amazon **within a few miles' proximity** of about a third of America's richest households — Amazon will now have access to 75 million Americans who live within three miles of a Whole Foods.

Amazon's Prime membership is the largest loyalty program with **over 80M members**, up 35% in the last year.

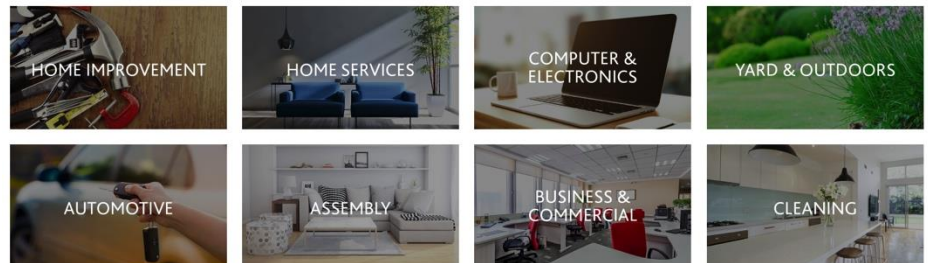
Amazon Owns Shopper Engagement

We know that digitally engaged shoppers spend more
19% larger average basket • **65% higher** total spend • **38% more** store trips

- Amazon Prime
- Prime Now
- Subscribe and Save
- Amazon Family
- Prime Pantry
- B2B (different pricing)
- Fresh
- Dash Buttons
- Echo
- Home Services



Explore services by category



amazon vehicles
A NEW DESTINATION FOR CAR RESEARCH

Amazon.com Stats

2.2 billion visits annually | **Avg. time on site: 11:39** | **Bounce rate: 22%**

Forty-four percent of new product searches start with Amazon; outnumbering Google, Bing & Yahoo combined.³

³ Bloomreach

Accelerating Change Driven by Consumers

Consumers

Demographics

Attitudes

Habits

Behaviors



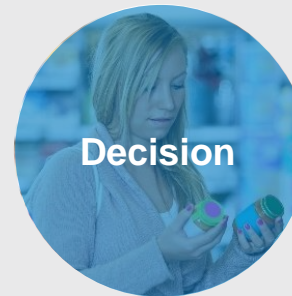
Path-to-Purchase

Awareness

Engagement

Decision

Fulfillment



Responses

Laggards

Leaders



The Separation of Eating at Home versus Eating Away from Home is Fading

Supermarket



Prepared Foods



Grab and Go

Prepared Pick-Up



Pre-Ordered
Online or In-Store
(Kiosk prior to shopping)

Meal Kits



In-Store
Third-Party
Hybrid

Grocerant



Ordered Onsite,
Pre-Ordered Online or In-Store
(Kiosk prior to shopping)

Restaurant



**Young Consumers
Flock to Grocerants
for Quality, Value,
Variety, and Tech**

\$28B annual sector outpaces health care and education foodservice

"Retail foodservice operators will continue to steal share from restaurants over the next decade as they have done since 2006," said Wade Hanson, principal, Technomic, in his State of Foodservice at Retail presentation.

Supermarkets grew their foodservice revenues 10.4% annually from 2006 to 2015, from \$12.5 billion to nearly \$28 billion. That's five times the 2.1% annual rate of traditional restaurant growth in the same period. Further, Technomic projects that supermarket foodservice will grow 9.3% in 2016 and sustain a similar pace over the coming decade.

Meal kit convenience drives new foodservice revenue 24% annually since

Source: National Restaurant Association//Technomic

Food Service Revenues in Supermarkets Expected to Reach \$30MM in 2017

The *Business Insider* cites research from NPD Group's recent report, "A Generational Study: The Evolution of Eating," which finds fresh, restaurant-quality food, chef-driven menus and instore experiences are reasons for millennials to visit and spend at grocerants.

The Deal Gives Amazon ...

National brick and mortar presence

Credibility in fresh meat, produce, and prepared foods

“Forward positioning” of edibles, close to consumers

Another way to add value to its Prime membership



“ If Amazon figures out how to compete in fresh, we’re toast. ”

- Traditional Supermarket Chief Merchant



Implications & Opportunities

Is This New News?

- The shopper, digital = faster, better, smarter
- Shoppers will, and do, pay a premium for quality & convenience
- Bringing “better food for your family” to scale



Effects

Blue Apron valued
at \$2 billion USD

60% wish they
ate healthier

Implications for Industry

- Shoppers want to connect to food retailers in new ways
- Industry has lagged, creating a gap between shopper expectations and retailer delivery
- Industry less than 2%, but growing exponentially

The digital shopper spends 5-20% more per shopping trip

65% of shoppers wish local retailers offered Amazon features

Implications for CPG Manufacturers

The retail landscape is likely to become even more difficult to navigate; you'll see:

- Fewer and larger customers with more complex product needs
- Continued diminishment of retailer reliance on branded, processed foods to drive traffic and profits
- Increased price pressures

Longer-term success will require fundamentally rethinking your go-to-market model:

- How to leverage your brand equity with consumers
- How to manage customer investment
- Cost-benefit of direct-to-consumer distribution



Implications for Brick and Mortar Food Retailers

- The competitive landscape will change at an accelerating rate:
 - There likely will be additional M&A activity, especially Brick and Mortar – Online combinations
 - Amazon itself has financial capacity to acquire others
- The bar for delighting your customers will go up; key focus areas are:
 - The quality of your fresh and prepared food offerings
 - The scope, speed and scalability of your online program
- Your response to Amazon will be judged – faster than you think:
 - Millennials will be firmly established as core food spenders
 - The next generation's behavior will be gaining influence

Is this All Bad for Retail?

- Narrow premiums for organic/healthier
- Speed becomes new value proposition
 - Fast replenishment
 - Fast delivery
 - Farm-store-home
- Sets new standard for shopper data
- Every CEO should know:
 - Percent of sales online
 - Share of their shopper's wallet online

“

He who knows
his shopper
better than
anyone else
wins...”

Barriers to Adoption (Real & Perceived)

Mindset

- Insignificant volume from online sales
- “My competition is local”
- Wait for the “dust to settle”

Resource Constraints

- “Beyond our area of expertise”
- Technology requirements
- Too capital intensive

Uncertain Returns

- Challenging financial models
- Elusive economies of scale
- Internal competition for capex \$\$

No imminent need to
CHANGE?

Developing Your Response

- Embrace data and its ability to help you strengthen your customer reputation
- It's time; this deal can be a catalyst for action
- Take stock of your current strengths
 - Locations
 - Fresh department offering
 - Shopper equity
- Develop a vision for your future: who will your customers be, and what role will you play in their lives?
- Be honest with yourself

Accommodating Omni-Channel Retailing

The shopper has been more ready than the industry to invest
31% of U.S. consumers are likely to shop for groceries online in 2017⁴

- Changes in store configurations
 - Reallocating selling space
 - Reduction in selling space to fulfill online orders at the store
- Hybrid formats with smaller footprints
 - Convenience stores offering prepared foods, fresh goods, and Rx
- Supply chain adjustments
 - Local supply hubs
 - Staging areas for pickup/delivery



Fresh Eats MKT, the new convenience store concept by Cincinnati-based Kroger, has fresh produce, meat, dairy and bakery.

The Columbus Dispatch, J.D. Malone

⁴ Unata Grocery eCommerce Forecast

Keys to Success

Analytics to Activation

Data-Centric Analytics –
Amazon knows loyalty, differentiates and builds on it

Engage with your shoppers – traditional Brick and Mortar
needs to latch on to category advantages
like Wine & Spirits and Pharmacy

Omni-channel partnerships that help your supply chain win



Questions & Answers