

Amazon: Influence and Ambition in the Grocery Sector - UK - January 2021

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This report looks at the following areas:

- The impact of COVID-19 on Amazon and additional use of the retailer by consumers
- The operations of Amazon in the UK and globally, including key innovations in the past year
- Key demographic groups for Amazon, including most frequent shoppers
- Amazon Prime membership and Amazon services use
- Non-food purchasing via Amazon
- Food and drink purchasing via Amazon
- Interest in shopping in a physical Amazon grocery store

The COVID-19 pandemic has given a boost to the online retail channel and naturally, as the UK's largest retailer, to Amazon. Over a third (37%) of Amazon shoppers say they have used the retailer more than usual due to COVID-19, with almost all major product categories Amazon trades in seeing a boost to purchasing due to the pandemic. Amazon Prime also saw a boost, with now 50% of consumers having access to the scheme.

Globally the pandemic gave a significant boost to Amazon's operations with sales growing by 37.6% to \$386.1 billion as online demand soared across all Amazon's key territories. However, meeting this demand was not without its challenges. Globally Amazon more than doubled its logistics and warehousing square footage and had to invest significant sums into keeping staff.

Amazon is in a strong position in the UK market, particularly given the expected legacy boost to online that COVID-19 will bring. However, it is not just Amazon that has benefitted from this growth in online, and with this representing an ongoing opportunity, competition in the online market is only set to grow in the coming decade. In particular the rise of alternative marketplaces, such as Bookshop, represent a particular challenge to Amazon's own operations.



"As the online retail market leader, Amazon was in a better position than most to capitalise on the heightened online demand that COVID-19 has brought. It has certainly done so, growing at its fastest pace since 2013, and being viewed as an essential service during the pandemic by a majority of its shoppers."

– Nick Carroll, Associate Director of Retail Research

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Amazon is the largest non-food retailer within the UK, but significant opportunity exists for the business in the food and drink side of the market. Amazon already has a small foothold in the market, with 18% of consumers using Amazon to buy food and/or drink in the past year. However much of its sales come from its core site, serving speciality food and drink items. With full basket online grocery demand climbing significantly in 2020 there are opportunities for Amazon to expand its Amazon Fresh service, and raise awareness of the Morrisons at Amazon service, to give it a greater foothold in the market.

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