

WHAT IS AMAZON GO, AND WHAT IT MEANS FOR AMAZON AND ITS COMPETITORS



- 1) Amazon announced the launch of Amazon Go, an automated, checkout-free convenience store in Seattle, Washington, powered by technologies such as computer vision, sensor fusion and deep learning.
- 2) The store is currently being beta tested by company employees before opening to the public in early 2017. Products found at Amazon Go include ready-to-eat meals and snacks prepared by on-site chefs.
- 3) In this note, we comment on what the launch of the store means for Amazon as well as the grocery industry in the US.

Amazon Go, Amazon's "checkout-free" convenience store, is the newest innovation from Amazon, and it has generated considerable interest since the news of the store's launch was released. Described as running the "world's most advanced shopping technology", this innovative concept has the potential to revolutionize the brick-and-mortar retail experience, bridging the digital and physical worlds, and creating unprecedented convenience for the consumer.

Our View

A Huge Opportunity for Amazon

If the "Just Walkout Technology" that is integrated in Amazon Go proves to be a success after its pilot run, it could have major implications for Amazon, such as the following:

- 1) **More consumer data will lead to better shopping recommendations:** Amazon is known for its ability to gather and use data to offer an ever-improving customer experience. When shopping for convenience purchases and food, people inherently shop differently than when doing so online. This is why a brick-and-mortar convenience store is a new consumer touchpoint for Amazon, and one that is inherently different from online shopping. Having access to data from the store will likely enable Amazon to provide even better shopping recommendations to its shoppers.
- 2) **A feed into Amazon's AWS business:** The technology powering Amazon Go will likely become a commodity sooner rather than later, and Amazon can choose to offer it to other retailers as a complement to its Amazon Web Services (AWS), which include cloud-computing services, analytics and marketplace platforms.
- 3) **A play into health and wellness:** As Amazon Go sells primarily meal-kits and ready-to-eat snacks, Amazon will in fact be collecting data on people's food consumption

and nutrition habits. We see this as an interesting opportunity to develop original products or integrate data with existing wearables that track fitness and health to offer a convenient 360 wellness-monitoring solution.



Source: Amazon

What it Means for the Industry

The news of Amazon Go's launch is coming at a time when Walmart is piloting a new store concept—the Pickup and Fuel concept—that offers same-day pickup for groceries ordered online, and on the back of news that Amazon is planning the launch of its own grocery-store pilot program.

In our report on the [US Online Grocery Market](#), we discussed our view that the US market looks set to boom, as average basket sizes get pushed up and retailers become more aggressive in their ecommerce offerings. While Amazon Go will likely not have an immediate impact on the market, we see the launch of the store as an industry catalyst that will likely stir up competition to deploy technology in brick-and-mortar spaces and ramp up ecommerce efforts even further.

About Amazon Go

Amazon Go is an 1,800 square-foot convenience store located at 2131 7th Ave in Seattle, Washington. The store is open only to Amazon employees during a beta-testing program, but the company has announced that it will open to the public in early 2017. The products sold at the store include bread, milk, cheese, chocolate and ready-to-eat meals and snacks prepared by on-site chefs.

About the Technology Deployed in Amazon Go

The [video](#) that Amazon released on YouTube describes the Amazon Go technology as the “world’s most advanced shopping technology.” According to the company, the store and shelves are equipped with computer vision, sensor fusion and deep learning.

To be able to shop at Amazon Go, shoppers need to download and log-in to the Amazon Go app, which provides them with a QR code they scan when entering the store. Shoppers are then allowed to pick up and return items freely from the shelves. Amazon’s technology detects shoppers when they walk out of the store and charges their purchases to their Amazon account. There are no checkouts, cashiers or physical payments.



FLASH REPORT

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