

Assessing the Threat Level of Amazon Go, Part 2

Retail and technology experts discuss the concept's disadvantages.

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SEATTLE — Amazon Go was recently unveiled as the online behemoth's new small-format brick-and-mortar store, much like a traditional convenience store, but with one very attractive key feature — no waiting on a checkout line. In fact, there is no checkout at all.

How does the Amazon Go shopping experience work? Basically, it's three steps: the shopper scans in using a smartphone, passing a turnstile to enter the shopping area; the shopper picks up their items, which Amazon technology adds to the shopper's cart; and then the shopper leaves the store, charged for the items via their Amazon account.

"Our checkout-free shopping experience is made possible by the same types of technologies used in self-driving cars: computer vision, sensor fusion, and deep learning," Amazon explains on its website. "Our Just Walk Out Technology automatically detects when products are taken from or returned to the shelves and keeps track of them in a virtual cart. When you're done shopping, you can just leave the store. Shortly after, we'll charge your Amazon account and send you a receipt."

Amazon Go is currently a one-store "beta" format in Seattle, open only to Amazon employees. The company has indicated it will open this Amazon Go store to the public in "early 2017."

Retail industry and technology industry experts expect there will be a number of advantages for Amazon Go to leverage (see Part 1 of this series), but they also cite a number of challenges that Amazon Go will have to overcome in order to be a successful venture.

For instance, Brian Cohen, executive vice president, group director, and head of digital integration for marketing agency Catapult, based in Westport, Conn., thinks Amazon may struggle most with assortment and merchandising strategies in the physical locations, and maintaining the balance with online integration.

"I'm sure there will be a few operational hiccups along the way as they transition their business model from an online pure-play to an integrated brick-and mortar offering," Cohen predicts.

The potential for technology failure could prove to be a huge hiccup, observed Don Stuart, managing partner of Wilton, Conn.-based Cadent Consulting Group. "The 'computer vision' offered by Amazon Go could have a hard time recognizing loose fruit/vegetables of various sizes; deformable or unstructured items such as bags of rice; items that change color such as fruit; and shopper identification, i.e. a shopper removing their jacket in-store," he said. "Also, a store that relies solely on technology to function can face system errors, resulting in the whole store crashing."

Bridget Johns, head of marketing and customer experience for RetailNext, based in San Jose, Calif., agrees and expands the scope of this challenge to also include "the precision of their analytics — an area Amazon needs to be 100 percent on," she said. "As soon as customers are charged for items they didn't buy or not charged for items they took with them, you have a significant problem. The nature of c-stores centers on low-margin products, and managing the POS [point-of-sale] is critically important."

One question that comes to mind for Cosmas Wong, an advisor for technology startups and CEO of New York City-based Grey Jean Technologies, is: Where does personalization fit in with checkout-free stores?

"Amazon is regarded as a leader in the ecommerce space for pioneering personalized experiences by showing different home pages for different customers based on their past clickstream paths or previous purchase behaviors," Wong said. He wonders whether there will still be an opportunity for Amazon to leverage its digital presence to engage consumers with personalized experiences that supplement its brick-and-mortar offerings — or is Amazon Go simply about convenience?

The Grey Jean Technologies head believes that in order to maintain the same level of competitiveness it's had in the digital arena, Amazon will need to consider how it can use technology to deliver personalized in-store offers to each individual shopper.

"Since today's shopper has the expectation that retailers will know them personally, leveraging data about consumers' unique behaviors and preferences will be the key to delivering tailored in-store mobile offers in the same way Amazon has done with its ecommerce platform," Wong reasoned.

How fast consumers will adapt to the concept could present another challenge, cited Mark Hardy, CEO of Chicago-based InContext Solutions, a virtual reality solutions provider for retailers like 7-Eleven and Walgreens. "People are creatures of habit, and while some will be lining up to try it out, others will be slow to embrace this kind of technology fully," he said.

Look in the April issue of *Convenience Store News* for more on Amazon Go.

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