Cartograph

The state of Amazon’s consumer goods business

Exploring Amazon’s consumer goods business, its successes and shortcomings on the platform, and opportunities that could further cement Amazon as a global retailer.

By Chris Moe, Walker Robbins-Thompson, and Sam Kaplan

Highlights

- Amazon's attempts at grocery delivery and brick-and-mortar stores like Amazon Fresh and Amazon Go have had mixed results, with limited traction and some false starts.
- Whole Foods’ online sales remain a small fraction of its business, highlighting Amazon's challenges in the consumer goods space.
- Amazon excels in categories like beauty, supplements, and pet supplies, driven by convenience, fast delivery, and successful subscription models.
- Low-priced grocery items and apparel struggle on Amazon due to poor economics and difficulty in brand differentiation.
- Amazon's advertising inventory is saturated, making it harder for brands to stand out, although off-platform opportunities are growing.
- Amazon is exploring off-platform expansion, advanced audience targeting, and global growth to enhance its retail dominance.
- How Amazon has the opportunity to dominate global retail if they solve their logistical hurdles.

A note from our CEO

Amazon’s consumer goods business has evolved so quickly the last 5 years that it can be hard to keep up with what’s relevant.

This white paper offers our perspective on how Amazon’s consumables business has changed, and what lies ahead for brands and customers alike.

To do this, we’ll focus on what Amazon calls “consumables”: lower priced products that have a strong repeat purchase rate, such as:

- Food and beverage
- Beauty
- Supplements
- Pet
- Baby

It’s important to keep in mind that over the past year, Amazon has made layoffs, category divestments, and budgets cuts, signaling a departure from the aggressive expansion we saw during the pandemic.

Rising interest rates and a more cautious investment approach have altered the retail landscape, forcing Amazon to refine its growth strategies.

Long term, grocery and CPG are imperative to Amazon’s success: it’s one of the largest shopping categories, and the largest gap between Amazon and Walmart in terms of total retail sales. Regardless, for over a decade, it’s been a challenging growth area for Amazon.

In this white paper, we cover Amazon’s more recent journey into consumables, highlight its successes and shortcomings, and explore opportunities that could further cement Amazon as a de-facto retail platform outside of the United States.

As always, we hope you enjoy reading this! If you have any feedback or ideas on future topics for us to cover, send us a note!

-Chris Moe, CEO, Cartograph

Amazon and grocery

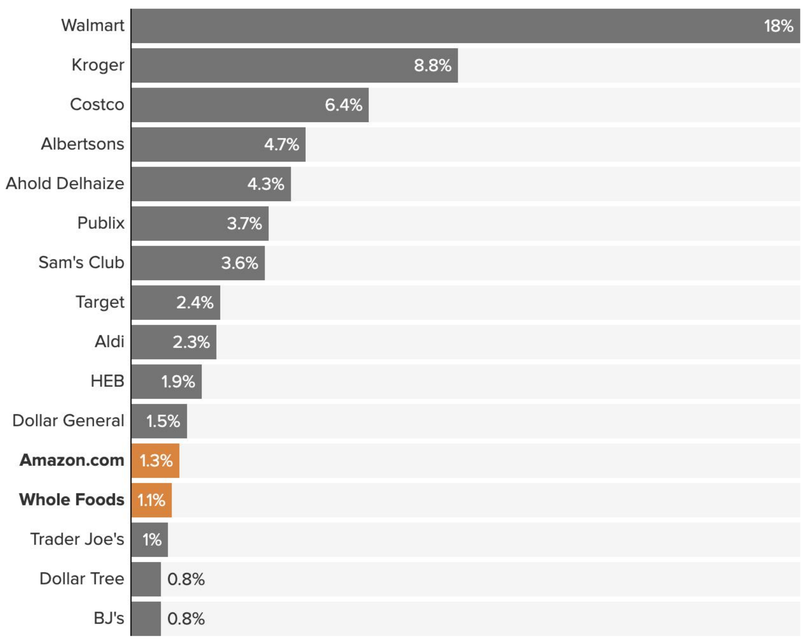
Amazon’s struggles with consumer goods isn’t surprising.

Running a grocery business online presents enormous challenges due to perishability and temperature sensitivity of products, complex logistics, and high shipping costs, all compounded by consumers' preferences for in-store shopping and price sensitivity.

Add to that the difficulties around inventory management, regulatory compliance, maintaining freshness, handling multi-item orders, and maintaining brand loyalty amidst competitive pricing pressures.

In fact, even in the large CPG world, it’s relatively rare for consumer companies to play on both sides of perishable and non-perishable. Dairy companies generally stay in the refrigerator, while large beverage companies have famously sold off their juice investments like Oddwalla.

Top U.S. grocers by share of total dollars spent



Amazon does not have temperature controlled capabilities, nor does it manage dated products. Both would be huge operational changes at scale.

Operating grocery stores is also a low margin business. When Amazon bought Whole Foods, they famously slashed prices, bringing their net margins from low single digits into the negative.

For a business that has hundreds of billions of GMV annually, the dollars needed to invest to generate scale to move their overall P&L are substantial.

In the face of these challenging dynamics, Amazon faces a difficult choice: how low will they go in terms of negative margin investment in order to get scale on the grocery front?

Amazon's foray into the grocery sector has been marked by ambitious efforts that have seen mixed results:

1. Amazon Fresh: Amazon’s in-town, temp controlled grocery delivery service. These are fulfillment centers separate from workforce management and core Amazon marketplace, designed to be the “anti grocery store,” with very limited SKU selection (low thousands vs. tens of thousands in most stores.)

Amazon Fresh has struggled to gain significant traction when they had order minimums at $150, resulting in them lowering the free shipping threshold to $100.

2. Brick-and-mortar stores: Amazon’s physical grocery stores, while technologically advanced, have not yet shown major traction. The path to significant returns in this space is long and challenging.

In the last 5 years there have been a handful of false starts in this space: Amazon Fresh Stores, and Amazon Go (“Just Walk Out” checkout) in grocery, in addition to 4 Star Stores and physical bookstores.

Every 6 months in the press it seems like a project is shuttered or repositioned.

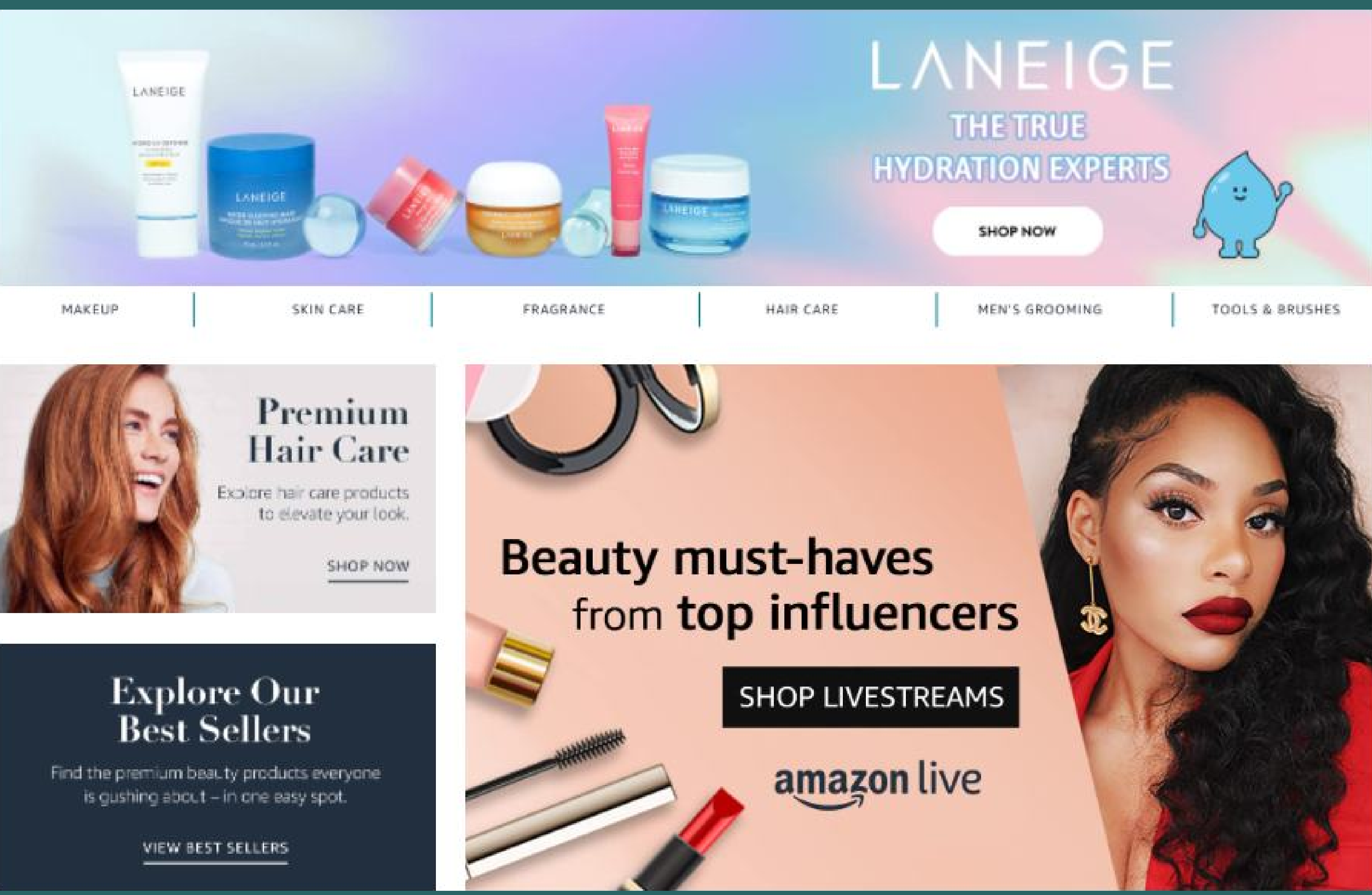
3. Whole Foods market online: While Whole Foods has established an online presence through Amazon, it remains a small player in the grocery landscape, contributing to only about 10% of Whole Foods’ total volume.

Whole Foods itself is also a relatively small retailer itself, with just 500 or so stores, compared to thousands (or tens of thousands) of Walmart, Target, and Kroger.

Where Amazon is succeeding and where it's missing the mark

Topics we'll cover

- Beauty
- Subscriptions
- Pets
- Supplements
- Food & Beverage
- Ads and promos
- Perishables
- Pricing
- Apparel issues
- Ad inventory
- Native brands
- Social Shopping



Where they're winning

Clearly, Amazon struggles in pure grocery. But food and beverage isn't the only thing sold in grocery stores. Amazon has had some successes in other consumer goods categories.

We break down their wins and losses below.

Beauty

1. Skin and body

Skin and body care: Beauty is one area where Amazon has had major growth in the last 5 years. 5 years ago, Sephora was mostly successful in keeping emerging brands off the Amazon platform, through both exclusivity agreements as well as general discouragement and the "non premium experience."

Amazon has made significant inroads in the beauty sector, particularly in skin and body care. Many major brands now have a strong presence on Amazon, with the platform often becoming one of the largest digital sales channels. Some of this is Amazon's work, and some is just industry growth: most emerging brands are digital native and therefore natural fits for eComm platforms from the start.

2. Men's grooming

This subcategory has shown strong growth, with products like beard grooming kits performing well due to the convenience and speed of Amazon's delivery service. In general, products that lead with function do well on Amazon.

3. Other beauty categories:

Of the "big 4" categories of beauty (Skin, makeup, hair and nails, and fragrance), skin is definitely the strongest - think deodorant, body wash, sun care. Fragrance, perhaps surprisingly, has grown a lot on Amazon, dispelling the idea that you can't buy smells online.

Makeup is starting to see major players build Amazon presences. Home haircare is huge on Amazon, but nail and professional grooming still lives mostly in the salon distribution world.

Pet supplies

Amazon has seen substantial growth in the pet category, driven by the pandemic-fueled increase in pet ownership. The convenience of subscriptions, coupled with fast shipping, makes Amazon a top choice for pet owners. As a platform, Amazon is extremely well suited to deliver custom accessories and supplements to research-hungry pet parents.

Photo courtesy of Create Wellness

Supplements

The supplement industry on Amazon has seen massive growth over the past few years. While established retailers once dominated the market, Amazon has become a key player, offering a vast selection of products from major brands like Orgain and Optimum Nutrition — both of which have achieved significant success on the platform.

Emerging brands like Levels Protein, Create, and Bloom have also thrived, finding a natural home on Amazon and leveraging its massive reach to build strong customer bases. This shift has been driven by both Amazon's strategic efforts and the overall rise of digital-first brands in the industry.

For a deeper dive, check out our white-papers: Supplements eComm Guide: Past, Present, and Future and Navigating Amazon's Supplement Category.

Where they're winning

Food & Beverage

While Amazon has encountered difficulties within grocery, the platform has undeniably been instrumental in propelling substantial expansion for many food and beverage brands, due to its distribution capabilities and unparalleled market reach.

While traditional retail poses significant challenges for emerging brands—like high costs, limited foot traffic, and regional restrictions—Amazon provides a national platform where niche products can thrive.

Brands that might struggle to compete in brick-and-mortar stores have found success on Amazon by leveraging its "Unlimited Digital Shelf," which allows for creative merchandising and rapid feedback through targeted advertising.

Companies like Mike's Hot Honey and Chomps, have used Amazon's marketplace to reach consumers across the entire States who might not have discovered them otherwise. Amazon's sophisticated logistics and global reach have not only democratized access to food and beverage products but also transformed how small brands approach growth and customer engagement.

Photo courtesy of Mike's Hot Honey

On-platform promos

Amazon's promotional events like Prime Day, October Prime Day, and Black Friday, have become significant retail events, driving massive sales.

The platform has also expanded to include various category-specific deal days, which successfully boost traffic and sales.

5 years ago, this was very focused on categories like appliances and electronics, and required deep discounts that often didn't suit CPG.

Nowadays, almost every category has substantial sales increases on these deal days.

Missing the mark

Grocery Challenges

The economics and logistics of Amazon do not favor low-priced grocery items, with most purchases being bulk or specialty items. Consumers do not see Amazon as a primary grocery shopping destination, which limits growth in this area.

Put another way: almost nobody sells 1-3 beverages, or single bags of snacks. The economics just aren't there. Amazon once trialed Amazon Pantry to get around this, and there's always rumors of new programs.

Apparel

Emerging and DTC (Direct-to-Consumer) brands struggle to differentiate themselves on Amazon, particularly in categories like apparel where brand equity is critical.

The dominance of low-cost Amazon-native brands in generic searches (e.g., "t-shirt") further complicates this. Amazon's search-structured shopping doesn't lend itself to fashion which tends to lack common English descriptions of differentiating factors.

That said, Amazon does show signs of life: Nike just signed onto the platform after a many years hiatus, and Savage Fenty launched recently as well. It's clear folks go to Amazon to shop, but unclear if it's worth it unless your brand is already a household name.

Ad Inventory Saturation

Amazon's advertising inventory is saturated, with few new formats available. You can see it as you browse and search: there isn't much more room for more ads. Non-shippable products (think TV, insurance, banks) has increased competition and costs, making it tougher for brands to achieve desired results.

Looking ahead:
Amazon's Opportunities

Leveraging data & insights

Advanced audience targeting: Amazon's push for DSP (Demand Side Platform), AMC (Amazon's Marketing Cloud) and data clean rooms offers brands the ability to target audiences with greater precision. This could shift budgets from other channels to Amazon, particularly as more advanced self-serve options become available.

Off-Amazon expansion

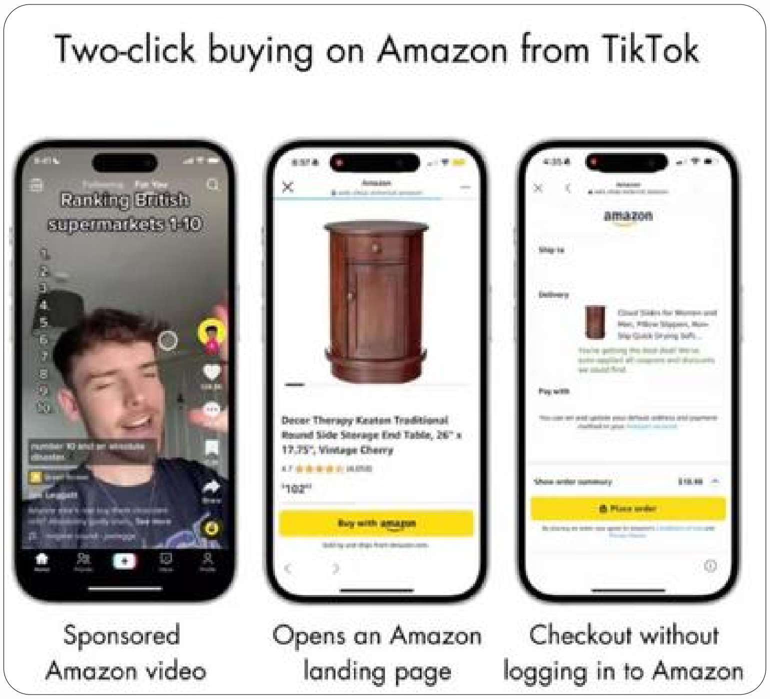
Buy with Prime: This feature has proven effective in specific scenarios, especially where Amazon's shipping capabilities offer a competitive advantage. It presents an opportunity for Amazon to increase its influence beyond its platform, driving conversions and enhancing brand presence.

Off-platform advertising

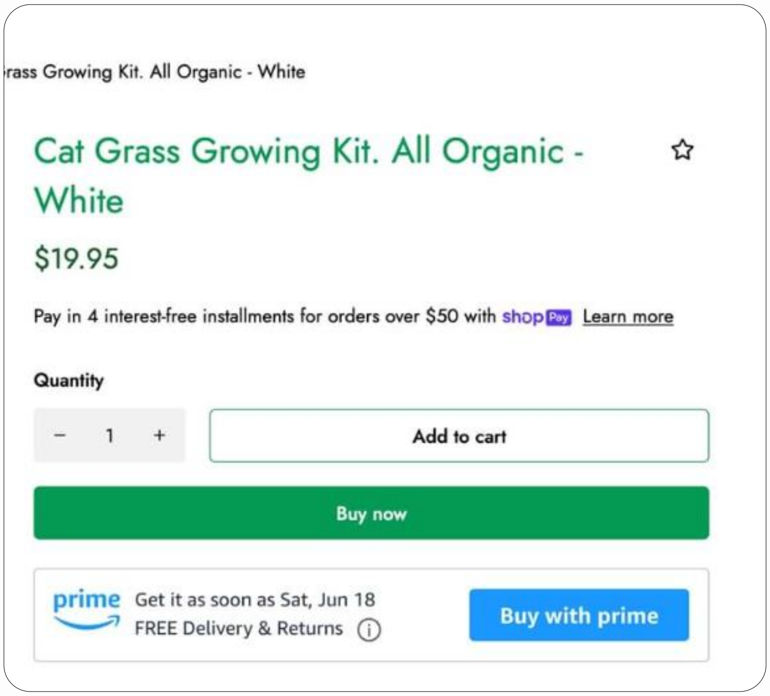
Shoppable Ads on social media: As Amazon explores advertising on platforms like TikTok, Meta and Snapchat, there is potential to scale in these frontiers. Brands are likely to embrace these opportunities if Amazon can integrate features like "add to cart" directly within these ads.

Global expansion

International growth: While the U.S. market is mostly saturated, international expansion presents a significant opportunity. However, this growth requires substantial investment and time, and is difficult for many emerging brands to execute successfully.



Example of TikTok Shop with Amazon



Example of buy-with-Prime on non-Amazon website

Cartograph

Cartograph is an eCommerce agency that grows CPG brands on Amazon. Our mission is to help brands create and sell products that are better for people and the planet. We offer end-to-end support from strategy, pricing, and SEO, to advertising, operations, and logistics.

Helping brands grow products that are better for people and our planet.

If you have any questions, or would like to discuss your brand approach on Amazon, please feel free to reach out. We're always happy to chat, and offer a free audit of any Amazon strategy.

Get in touch here: **contact@gocartograph.com**