

**by Kevin Coupe**

You may feel a disturbance in the Force tomorrow.

Amazon Go, the company's checkout-free retail concept that has been in beta test mode in Seattle for more than a year, finally will open to the public.

Until now, it only has been open to Amazon employees. Outsiders - and there have been many, especially from both the retail and supplier sides of the food business - have had to settle for wandering by, craning their necks, and trying to persuade the security guard to allow them just a quick look.

Tomorrow, though, the doors will swing wide and people will be able to take a look and, by purchasing product, test out this combination of "computer vision, deep learning algorithms, and sensor fusion" that creates what Amazon calls Just Walk Out technology.

Not everybody, though. To enter the store, one must have an Amazon account and a credit card on file, along with the Amazon Go mobile application installed on a smartphone.

But now, you get an advance inside look. Amazon invited me out for a personal pre-opening tour, guided by Gianna Puerini, vice president of Amazon Go ... and I was more than happy to hop on a plane and head to Seattle.

The overarching impression I got from my time in the store was that it has lots of bells and whistles, but no apparent gears - the technology is smooth, the shopping experience is convenient and seamless, and Amazon Go signifies a major leap forward in retail innovation.

### **A spectrum of options**

At Amazon Go, the focus is on convenience, but it would be a mistake to see it simply as a typical convenience store with fancy technology. At just 1,800 square feet and carrying a few thousand SKUs, the store is designed to "offer customers a spectrum of convenient options," Puerini said, with a focus on what always has been Amazon's holy trinity of priorities: "Price, selection, convenience - and I think we're offering all three to customers."

Amazon Go's convenience offerings essentially fall into two categories - quick meals, beverages and snacks for immediate consumption, and grocery offerings that allow for convenient meal preparation after work at home. In the former case, that means fresh

products that are made on the premises (the kitchen is visible from the 7th Avenue sidewalk, underlining Amazon's commitment to quality fresh food) and at another Amazon kitchen in Seattle, as well as provided by select outside vendors. There's also a selection of 365-branded private label items from Amazon-owned Whole Foods.

"We ... have stuff from local third parties that are customer favorites, like an Alki Bakery or a Molly's," Puerini said. "We think the mix serves our customers. But we're doing a wide variety ourselves - grain bowls...sandwiches...salads...the whole gamut, what we think customers want on the go and when they're in a rush."

As one moves through the store, the selection starts to change, with an emphasis on full meal solutions, pantry essential, dairy, raw proteins, and - perhaps most significantly, Amazon-branded meal kits that currently are available via Amazon Fresh in Seattle, New York, New Jersey, Philadelphia, and Washington, DC. (These are the same meal kits, by the way, that Amazon announced just after meal kit business Blue Apron went public, inadvertently helping to cause its stock price to crater.)

"At any given time there are four to six (meal kits) in rotation, balanced across vegetarian, different kinds of protein," Puerini said, noting that they've gotten high marks from Amazon Go customers who have bought them.

The vehicle through which Amazon Go is able to get high marks - or low ones, for that matter - is the mobile app, which allows customers not just to enter the store, but communicate back to leadership about the experience and the product mix.

"We're constantly adjusting it," Puerini said, "looking at what's selling, what do people like, and constantly adjusting to meet customers needs. I think that one great thing is that through the app, customers can send us direct feedback, so we also get this additional flow of information ... we act on those suggestions when it makes sense."

## **Demographics**

Since over the past year the beta test has involved just Amazonians, I asked Puerini if she expected both a much broader customer demographic and some changes in the mix once the store opens to the public; I would think that at the very least, the general public will skew older than the seemingly preternaturally young Amazonians who have been shopping the store.

"I think the good news is that being hungry and being in a rush and wanting a fast, easy experience are somewhat universal, so that works in our favor," she said. "As far as selection goes, because we're constantly looking at that anyway, if we see changes, we'll adapt ... We're going to work hard to be ready for any customer."

To be honest, it is hard for me to wrap my head around exactly how it all works. The

shopper scans the smartphone app to gain entry, and then can put the phone away while shopping; one doesn't even need to pull it out in order to leave. The technology tracks the shopper and everything he or she takes off the shelves, and automatically charges the shopper's Amazon account once the store visit has been completed.

Two interesting wrinkles. One is that the app has a trip timer, which shows the shopper how much time has been spent inside Amazon Go on each visit; while the timer doesn't underline it, the implication is you also know how much time you didn't spend on a checkout line.

The other is that if I go to visit the store with five people, none of whom have the app, I can get each of them in just by scanning my phone five more times. Then, they can scatter throughout the store, take products off the shelves, and then leave separately ... and all the products they took will get charged to my account.

I was fascinated by the fact that the store does not have electronic shelf tags - rather, they use the old fashioned printed variety. I wondered about that, but Puerini said, "We didn't think in this case that it added a lot of value to the customer experience. We of course adjust pricing to stay competitive, we want to offer customers great pricing. But we didn't think the ability to do it in real time added a lot to the customer experience. But you never know what the future will hold ... if we think it would add material value, then it is something we could evaluate."

When I thought about it, I recalled something that a friend of mine - one of the country's best price-value retailers - told me about electronic shelf labels. "They shout high prices," he said, adding that he never would use them in his stores because they would be inconsistent - both practically and in terms of image - with the broader value message. So, if sharp pricing is key to Amazon Go's value proposition, printed labels would seem to be the right way to go.

### **Additional notes**

- *Alcohol sales.* Beer and wine are available, but in a corner of the store that is monitored by an employee. You can only pull alcoholic beverages off the shelf or from the cooler if you have ID. After that, the system works the same way as for every other category.
- *Out of stocks.* This is "one of our top priorities," Puerini said, "if not our top priority, because especially in a store where customers can come in and out so effortlessly, things move pretty quickly, so a lot of our associates' time is spent making sure the shelves stay stocked. It is so core to having a good store that obviously it is a huge focus for us."
- *Numbers game.* Puerini said that the only limitation on the number of customers in

the store at any given time is the fire code. The technology itself has no restrictions.

- *What happens if the system goes down?* “We have processes in place if that were to ever happen,” Puerini said. “It does not involve rolling out cash registers.” But, she said, in a year of beta testing, it never has happened.

- *What took so long to open to the public?* When Amazon Go originally was announced via press releases and a YouTube video, the public opening date was slated as “Early 2017.” It now is a year later. Puerini said that “as it turns out, the response we got from our Amazonians and our beta population was big enough to get us all the information we needed to confirm that the Just Walk Out technology was a great customer experience ... it exceeded our expectations, we had more traffic than we thought, and that worked out great for us.”

### **Final thoughts**

I was trying to put my finger on what the Amazon Go experience felt like when Puerini identified the secret sauce: It’s “almost as if it were your own refrigerator or your pantry.” Exactly. That’s how easy it is.

The import of this technology can be seen in other, similar advances. Once you’ve used Clear or TSA Pre-Check at an airport, you never again can imagine having to wait on the lines occupied by less experienced travelers not equipped with either credential. Once you’ve used EZPass to go through a toll booth, or the new technologies that simply detect license plate numbers and then mail the driver a bill, it is hard to imagine going back to the days when one had to scrounge for change or cash to get through a toll booth.

Here’s the kicker - according to Puerini, there are no known reasons that the Just Walk Out technology cannot be applied to a store larger - even much larger - than the 1,800 square foot prototype in Seattle. Though, she hastened to say, “Right now, we have one store, and we’re laser focused on it.”

There’s also no reason that the technology couldn’t be applied to a nonfood store, like, say, Amazon Books. But, she said, there are no plans at present.

And could Amazon license out the technology to other retailers? “Too early to speculate,” she said.

I’ll take Puerini at her word on these issues, but as we’ve all learned, once Amazon is persuaded that it has a winner on its hands, it is capable of moving very quickly to roll things out. While there were all sorts of rumors about why it took a year to open to the public, it also is true that Amazon is willing to take its time to get things right.

For my money, I think Amazon Go is a winner. Not just because this single store seems to work so well, but because it throws down the gauntlet to every other retailer that is tethered to traditional, often less-than-pleasant ways of ending a shopping experience.

MNB readers know that I'm fond of this Jeff Bezos quote: "It isn't an experiment if you know how it is going to turn out."

Well, at this point, I think I know how this is going to turn out. I am reminded of a line from "Man of La Mancha" (a musical, as it happens, about a man who everybody thinks is mad because he tilts at windmills and sees battles to fight and challenges to embrace that nobody else sees ... and who, in the end, gets even the most cynical to see the world through his idealistic eyes). It actually is uttered by Don Quixote's sidekick, Sancho Panza: "Whether the stone hits the pitcher, or the pitcher hits the stone, it's going to be bad for the pitcher."

Amazon Go, like so much else that Amazon has done, is the stone. The challenge for everybody else is to adapt and figure out ways to compete.

*Note: There are some pictures of Amazon Go posted on MNB's Facebook page, [here](#), and we'll have some more here on MNB later this week.*