Whole Foods, Amazon's Grocery Lab

Idea In Short

Whole Foods Market built its business on a premise that seemed narrow in 1980: a grocery store that refused to sell food with hydrogenated fats, artificial colors or high-fructose corn syrup would find a loyal customer base willing to pay for it. That bet grew into the largest natural and organic grocery chain in the United States, then into something else entirely after Amazon bought the company for $13.7 billion in 2017. Amazon has since used Whole Foods as its testing ground for Prime discounts, palm-scanning payment and cashierless checkout, some of which worked and some of which did not. In 2025, Whole Foods chief executive Jason Buechel took on an additional role overseeing Amazon's entire grocery division, formally tying the chain's fate to Amazon's broader retail strategy rather than leaving it as a standalone acquisition.

From Safer Way to a National Chain

John Mackey dropped out of college and opened a health food store called Safer Way in Austin, Texas, in 1980 with $45,000 he had raised from family and friends. He merged that store with Renee Lawson Hardy's operation and later joined forces with Craig Weller and Mark Skiles, owners of Clarksville Natural Grocery, to open the first Whole Foods Market later that year, a store notably larger than the typical health food shop of the era. Whole Foods grew through acquisition over the following two decades, buying regional chains including Wellspring Grocery in North Carolina, Bread and Circus in New England and Fresh Fields across the Mid-Atlantic, converting each into the Whole Foods banner.[1]

Setting the Standard for Organic Retail

Whole Foods went beyond US Department of Agriculture organic certification requirements, banning hydrogenated fats, high-fructose corn syrup and artificial colors from its shelves at a time when most grocery chains carried them without question. That positioning built genuine loyalty among health-conscious shoppers but also earned the chain a nickname it never shook: "Whole Paycheck", a jab at prices that ran well above conventional supermarkets. The company became a publicly traded corporation in 1992 and kept expanding nationally through the 1990s, even as the price perception limited how broad its customer base could get.

> Whole Foods didn't compete on price. It competed on the promise of what wasn't in the package

That promise worked well enough to make Whole Foods the standard-bearer for natural grocery retail, but it also left the chain vulnerable once a much larger company decided price no longer had to be a weakness.

The Amazon Acquisition

Amazon announced its purchase of Whole Foods on June 16, 2017 and closed the deal on August 28 of that year at roughly $13.7 billion, giving the e-commerce giant its first significant footprint in physical grocery retail.2 The deal came after Whole Foods had reorganized its board in May 2017 following declining sales and after founder John Mackey had unsuccessfully sought a buyer in Albertsons or Warren Buffett before Amazon emerged as the acquirer. For Amazon, the purchase solved a problem online retail alone could not:

> getting fresh groceries to customers required a physical footprint, refrigerated logistics and a brand shoppers already trusted for food quality

Cutting Prices, Not Standards

Amazon moved quickly after closing the deal, cutting prices on staple items at Whole Foods stores within days and signaling that the "Whole Paycheck" reputation was a target for elimination rather than a brand feature to protect. The price cuts undercut the rationale for 365 by Whole Foods Market, a lower-cost store format the chain had launched in 2016 to compete on price without touching the flagship brand and Amazon discontinued the format's expansion before closing the remaining stores by 2019. Whole Foods maintained its organic certification standards and ingredient bans throughout this period, keeping the product promise intact while narrowing the price gap that had defined the brand for over three decades.

Building the Prime Ecosystem

Amazon has steadily woven Whole Foods into its Prime membership program, offering an additional discount, roughly 10%, on top of weekly sales for members who scan a QR code at checkout. In 2024, Amazon expanded a $9.99-per-month grocery delivery subscription for Prime members, covering unlimited delivery from Whole Foods and Amazon Fresh on orders over $35, following a pilot in Columbus, Denver and Sacramento.3 Amazon also rolled out its Amazon One palm-scanning payment system to Whole Foods stores nationwide by the end of 2023, pairing it in a small number of locations with Just Walk Out cashierless checkout technology.4 Not every experiment stuck: Amazon discontinued Amazon One in February 2026, finishing the removal of palm scanners from every Whole Foods location by June, citing limited customer adoption of the technology.5

Leadership and a Widening Amazon Role

Jason Buechel became Whole Foods chief executive on September 1, 2022, after joining the company in 2013 and by January 2025 he had taken on an additional role as vice president of Amazon's worldwide grocery stores, overseeing Amazon Fresh and Amazon Go alongside Whole Foods.6 The appointment followed the departure of Amazon's previous grocery leader in October 2024 and effectively put one executive in charge of Amazon's entire physical grocery footprint, over 540 Whole Foods stores plus dozens of Amazon Fresh and Amazon Go locations. That consolidation suggests Amazon now views Whole Foods less as a standalone acquisition to leave alone and more as one format within a broader grocery strategy it wants managed as a single portfolio.

Facing Renewed Competition

Despite Amazon's backing, Whole Foods still competes against Kroger, Trader Joe's, Sprouts Farmers Market and Walmart, all of which have expanded natural and organic offerings to capture shoppers who once had few alternatives to Whole Foods for those products. Walmart's grocery scale and lower baseline prices remain a persistent competitive pressure, even as Whole Foods has narrowed its own price gap since the Amazon acquisition. Whole Foods' international footprint remains limited to Canada and the United Kingdom, leaving it dependent on the US market for the overwhelming majority of its revenue, a concentration that predates the Amazon deal and has not meaningfully changed since.

Key Partners

Whole Foods relies on a network of certified organic suppliers and small-scale producers vetted against its ingredient standards, a sourcing relationship that predates the Amazon acquisition and remains central to the brand's identity. Amazon Logistics and Amazon Fresh now integrate with Whole Foods for grocery delivery, connecting the chain to Amazon's broader fulfillment network rather than relying solely on in-store operations. The Marine Stewardship Council and other sustainability certifying bodies partner with Whole Foods to verify sourcing claims around seafood and other categories. Local and regional farms, along with subsidiary brands like Allegro Coffee, round out a partner base built around product provenance.

Key Activities

Grocery procurement and quality control remain core activities, since Whole Foods' entire brand depends on enforcing ingredient standards stricter than baseline USDA organic requirements. Store operations across roughly 500 locations, including fresh food preparation, bakery and prepared foods sections, require activities beyond what a typical grocery chain manages. Integration with Amazon's technology and logistics systems, including delivery fulfillment and payment technology trials, has become an ongoing activity since 2017. Supply chain management, spanning both national distribution and local sourcing relationships, keeps store shelves consistent with the company's standards across every region it serves.

Key Resources

Whole Foods' brand reputation for quality and ingredient standards remains its most valuable resource, built over more than four decades and reinforced by strict internal rules that exceed regulatory minimums. Its roughly 500 physical stores across the United States, Canada and the United Kingdom represent a real estate and retail infrastructure investment that would be costly to replicate. Amazon's capital, logistics network and technology development capacity now function as a resource available to Whole Foods that it did not have as an independent company. Employees trained in the company's product standards and customer service culture round out its operational resources.

Value Propositions

For health-conscious consumers, Whole Foods offers certified organic products, transparent ingredient labeling and a shopping experience built around trust in what is not in the food. For Amazon Prime members, Whole Foods now offers integrated discounts and grocery delivery that extend Prime's value beyond its original e-commerce and streaming benefits. For suppliers, Whole Foods offers access to a loyal, quality-focused customer base willing to pay a premium for products that meet its sourcing standards. For Amazon as a whole, Whole Foods provides a physical retail laboratory to test grocery technology and a trusted grocery brand it did not have to build from scratch.

Customer Relationships

Whole Foods maintains customer loyalty primarily through consistent product standards and an in-store experience built around local sourcing, cooking classes and community events tailored to each store's neighborhood. Prime integration has added a digital relationship layer, with app-based discounts, order tracking and delivery subscriptions supplementing the traditional in-store experience. Customer feedback and rating systems help the company monitor satisfaction, while its environmental and community giving programs, including donating a portion of after-tax profits to local nonprofits, reinforce the values-based relationship the brand has cultivated since its founding.

Channels

Physical stores remain the dominant channel for Whole Foods, with over 500 locations serving as both retail points and, increasingly, grocery delivery fulfillment centers for Amazon orders. The Amazon and Whole Foods apps serve as digital channels for online ordering, Prime discount redemption and delivery scheduling. Amazon's website extends Whole Foods product availability to customers who never set foot in a physical store. Email newsletters and in-store signage continue to communicate promotions and product information alongside these digital channels.

Customer Segments

Individual consumers seeking natural and organic products, generally skewing toward higher-income and health-focused households, remain Whole Foods' core customer segment. Amazon Prime members represent a growing overlapping segment, drawn in by delivery subscriptions and storewide discounts unavailable to non-members. Suppliers and vendors, particularly small and regional producers seeking distribution, form a business-to-business segment served through the company's sourcing relationships. Investors, now primarily Amazon shareholders rather than a separate public market, represent a segment interested in Whole Foods' contribution to Amazon's broader retail and grocery strategy.

Cost Structure

Procurement costs for certified organic and specialty products run higher than conventional grocery sourcing, a structural cost tied directly to the brand's positioning. Store operations, including fresh food preparation, refrigeration and staffing for over 500 locations, represent a significant recurring expense. Technology investment, including the now-discontinued Amazon One rollout and ongoing delivery integration with Amazon Fresh, adds costs that a standalone grocery chain would not typically carry at the same scale. Distribution and logistics costs have grown as grocery delivery has expanded, requiring investment beyond traditional in-store retail operations.

Revenue Streams

Whole Foods generates the bulk of its revenue from in-store grocery sales across natural and organic food, beverages and general merchandise categories. Grocery delivery and pickup, now integrated with Amazon's broader delivery subscription offering, has become a growing revenue stream since the 2017 acquisition. Prepared foods, bakery items and catering services contribute additional revenue beyond packaged grocery sales. Private-label products, including those from subsidiary Allegro Coffee, round out a revenue base that spans both branded and store-label goods.

- 1Whole Foods Market's founding and early expansion
- 2Amazon's 2017 acquisition of Whole Foods
- 3Amazon's Prime grocery delivery subscription rollout
- 4Amazon One's rollout to Whole Foods stores

- 5Amazon discontinuing the Amazon One payment system
- 6Buechel's expanded role overseeing Amazon grocery

Summary

Whole Foods now operates less like an independent grocery chain and more like the physical retail arm of Amazon's grocery strategy. Its roughly 500 stores across the United States, Canada and the United Kingdom still run on the natural and organic positioning John Mackey built starting in 1980, but pricing, technology and even store experiments now flow through Amazon's decision-making. Some of those experiments, like the palm-scanning Amazon One payment system, have already been rolled back after limited customer adoption, while others, like Prime member discounts and grocery delivery subscriptions, have expanded. Jason Buechel's dual role as Whole Foods chief executive and vice president of Amazon's worldwide grocery stores signals that Amazon sees Whole Foods less as a self-contained business and more as one storefront in a larger grocery ambition that also includes Amazon Fresh and Amazon Go.