

# Pandemic Price Wars

Which online retailers are beating competitors on price heading into the holiday season?



# Introduction

The pandemic has created economic uncertainty for many Americans and raised the stakes for price competition heading into the 2020 holiday season. According to McKinsey, 48% of consumers will choose a holiday retailer based on price and promotions this year.\* As the critical holiday season approaches, Profitero is pleased to share the latest findings in our multi-year Price Wars series, which compares item-level price competition across the U.S. online retail landscape.

The study compares everyday prices on 18,400 best-selling items in 21 categories across 14 leading online retailers, including Amazon, Walmart.com, Target.com and specialists, like Chewy, Wayfair and Best Buy. Only identical items available and in-stock in the same pack configuration were compared. Data was collected daily over 8 weeks (Aug. 24, 2020 to Oct. 18, 2020), with daily prices averaged over the full period for comparison. Prices for the same items were collected within 24 hours of each other to ensure validity of the comparisons.

To refer to past Profitero Price Wars studies, go to [www.profitero.com/insights](http://www.profitero.com/insights).

\*"Navigating shopper behaviors in the pandemic." McKinsey Nov 5, 2020

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## RETAILERS FEATURED IN THIS REPORT



## CATEGORIES FEATURED IN THIS REPORT

- |                        |                          |
|------------------------|--------------------------|
| Appliances             | Household Supplies       |
| Baby                   | Pet Supplies             |
| Beauty                 | Sports & Outdoor         |
| Electronics            | Tools & Home Improvement |
| Fashion                | Toys & Games             |
| Food & Beverage        | Video Games              |
| Health & Personal Care | Vitamins & Supplements   |
| Home Furniture         |                          |

For brevity, Profitero did not include all categories and retailers from the study in this report. Additional categories studied included: Car & Motorbike, Garden & Outdoors, Home Storage, Music & CDs, Office Electronics, Prime Pantry. Additional retailers studied: Lowe's, Staples. For the full report including all categories and retailers, email [insights@profitero.com](mailto:insights@profitero.com).

# Executive summary

Amazon is heading into the “pandemic” 2020 holiday season as the online price leader, beating other major retailers on price by 15%, on average. Amazon was the most competitively priced retailer in 18 out of 21 major consumer product categories — tying Walmart.com for the lowest online prices for Beauty items and Chewy.com for Pet items.

## OTHER KEY FINDINGS:

- **Amazon rests easy in furniture:** Retailers compete hardest with Amazon in Baby and Sports & Outdoor, where Amazon was found to be 6% less expensive than other retailers studied. Retailers are the least competitive on price with Amazon in Home Furniture, where Amazon was 35% less expensive, on average.
- **Walmart won't back down:** Amazon faces stiff competition from Walmart.com, which seconded Amazon in 15 of the 21 categories studied and was found to be only 4% more expensive than Amazon, on average. Walmart is matching prices with Amazon on Beauty items — an improvement from last year when Walmart was 8% more expensive than Amazon in the category.
- **Target puts profits, not low prices, in its bullseye:** Among the “Big Three” U.S. retailers (Amazon, Walmart, Target), Target is the least competitively priced, averaging 10% more expensive than Amazon. Most notably, Target was found to be 20% more expensive than Amazon on Food & Beverage items, a jump up from last year's Price Wars study when Target was 12% more expensive than Amazon.
- **Specialists resist price wars:** Overall, specialty retailers are not competing with Amazon on price. Best Buy was 13% more expensive than Amazon in Electronics, and Wayfair 37% more expensive in Home Furniture. Chewy is the exception, exactly matching prices with Amazon on Pet items.

# 15%

Amazon's average price advantage versus other online retailers on identical items

# 4%

Walmart's online price gap versus Amazon on identical items

# 20%

How much more Target charges online than Amazon on identical Food & Beverage items

# 0%

No difference in Beauty prices: Walmart and Amazon

No difference in Pet prices: Chewy and Amazon

# Home Depot and Amazon battle hard for holiday dollars

Here are the online retailers we studied competing across select "Holiday / Gifting" categories on exactly matched items for the time period studied. Amazon is the lowest priced retailer across the board heading into the holiday selling season.

- No retailer is matching prices with Amazon across the Holiday / Gifting categories studied
- Among Amazon's top price competitors for Holiday/Gifting categories heading into the holidays:
  - Walmart — in Appliances, Home Furniture, Toys & Games
  - Target — in Appliances, Toys & Games
  - Home Depot — in Appliances, Home Furniture, Sports & Outdoor, Toys & Games
- Some retailers (highlighted in red), like specialist Wayfair and department store retailer Macy's, are choosing not to compete on price with Amazon

● Unwilling to lose (= matching prices) ● Competing aggressively (1-5% more expensive) ● Keeping things close (6-14% more expensive) ● Not competing (15%+ more expensive)

Category	Amazon	Avg. price difference vs. other retailers	Walmart	Target	Home Depot	Wayfair	Best Buy	Macy's	Nordstrom
Appliances	Lowest price	13%	3%	4%	4%	19%		34%	
Electronics	Lowest price	9%	6%	7%			13%		
Fashion	Lowest price	10%	10%	11%				13%	5%
Home Furniture	Lowest price	35%	2%	18%	2%	37%		118%	
Sports & Outdoor	Lowest price	6%	7%	9%	3%				
Tools & Home Improvement	Lowest price	18%	7%	8%	8%	50%			
Toys & Games	Lowest price	16%	2%	5%	3%			33%	35%
Video Games	Lowest price	12%	14%	9%					

Blank spots indicate the retailer was not included in the study for this category.

# Beauty and Pet are the great equalizers

Here are the online retailers we studied competing across select “Consumables” categories on exactly matched items for the time period studied.

- Only Walmart in Beauty and Chewy in Pet were able to match Amazon’s prices
- Among the retailers studied, Walmart is Amazon’s fiercest price competitor across Consumables
- Target, Kroger and Home Depot are keeping things close in some key categories; most notable is Kroger in Food & Beverage
- A host of retailers (highlighted in red) are choosing not to compete on price with Amazon

● Unwilling to lose (= matching prices) ● Competing aggressively (1-5% more expensive) ● Keeping things close (6-14% more expensive) ● Not competing (15%+ more expensive)

Category	Amazon	Avg. price difference vs. other retailers	Walmart	Target	Kroger	CVS	Walgreens	Chewy	Home Depot	Macy’s	Nordstrom
Baby	Lowest price	6%	2%	6%					9%		
Beauty	Tied for lowest price	22%	0%	22%	16%	40%	18%			41%	17%
Food & Beverage	Lowest price	9%	2%	20%	4%						
Health & Personal Care	Lowest price	26%	3%	21%	28%	56%	31%			27%	14%
Household Supplies	Lowest price	10%	4%	13%	12%				11%		
Pet	Tied for lowest price	8%	8%	13%	7%			0%	11%		
Vitamins & Supplements	Lowest price	34%	2%	25%	38%	64%	40%				

Blank spots indicate the retailer was not included in the study for this category.

# Walmart goes toe-to-toe with Amazon; Target keeps its distance

Online price competitiveness between Walmart and Target versus Amazon remained relatively unchanged compared to what we found in last year's study. Compared to last year:

- Walmart made the biggest gain on Amazon in Beauty items, going from 8% more expensive on identical items to matching Amazon's prices this year.
- Target made the biggest gain on Amazon in Home Furniture, where it went from 34% more expensive last year to 18% this year. Target was found to be 20% more expensive than Amazon on identical Food & Beverage items (during this year's study).

Online retail is growing more competitive due to the pandemic – especially in grocery. But Target does not seem worried about price competition with Amazon, or Walmart. Instead it is commanding premiums, and relying on a loyal following of shoppers and premium brand perception.

## Walmart vs. Amazon

## Target vs. Amazon

**MOST**  
competitive  
category

### Beauty



### Appliances



**LEAST**  
competitive  
category

### Video Games



### Vitamins & Supplements



## Average price difference indexed to Amazon



# Specialty retailers sit on the sidelines of price wars

Being the low-cost price leader isn't everyone's cup of tea. In fact, many specialty retailers (shown on the right) appear to deliberately choose not to compete with Amazon on price to preserve margins. Instead these retailers use differentiators — such as service, selection, convenience — to command price premiums on items Amazon (and Walmart) are selling online for less.

- **Wayfair** is a good example of a retailer that uses personalization to differentiate.
- **Best Buy** is known for offering shoppers a more consultative, less transactional buying experience through its Geek Squad and Home Advisor programs.
- Drug retailers (**CVS and Walgreens**) are essentially charging a premium for the convenience of getting your prescriptions and baby diapers in the same trip.

## THE RISKS

Choosing not to compete on price could become riskier over time for some retailers. Especially so for those that can't differentiate enough on service or selection and fail to offer a compelling online shopping experience at a time when COVID is driving more shopping online. Note that many department stores like Neiman Marcus declared bankruptcy this year.

## THE BIGGEST THREAT

Walmart has the potential to be the most serious competitor and dangerous rival to other retailers in this COVID environment. Not only is it matching Amazon on prices online, but it has more than 4,500 physical retail locations to offer for online-to-store pickup.



64%

more expensive than Amazon on identical Vitamins & Supplements items



31%

more expensive than Amazon on identical Health & Personal Care



37%

more expensive than Amazon on identical Home Furniture items



41%

more expensive than Amazon on identical Beauty items



13%

more expensive than Amazon on identical Electronics items

# Key takeaways & implications

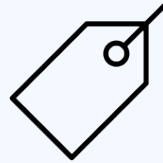


## For retailers

**Don't try to beat Amazon and Walmart at the price game. You don't have the weapons.**

Chasing after Amazon and Walmart on price may not fit your strategy and in the end, is a losing game. Retailers need to focus on delivering differentiated value in other ways.

Instead of competing on price, retailers will need muscle in different areas, namely: assortment (i.e., exclusive product lines); a reputation for great service; personalized shopping experiences; or expertise. In a COVID-19 world, retailers also can differentiate through the quality of their click and collect offerings. Target and Home Depot have been standout retailers in this respect during the pandemic.



## For brands

**It's important to know each retailer's strategy for pricing in the category. And watch them closely.**

In categories with intense price competition, like Beauty and Pet, expect a higher level of price matching among retailers. This can lead to substantial price drops that impact profits. Brands can lose as much as 20-40% of their price value in a few days from retailer "race to the bottom" price matching.

To avoid becoming a casualty of retail price wars, brands should invest in four areas:

1. Establish and enforce online MAP policies
2. Clean up distribution networks to minimize unauthorized resellers
3. Offer unique price/pack offerings by retailer, so algorithms can't match price
4. Track daily digital shelf insights to know when price wars are affecting your brands so you can act before it's too late



## For consumers

**Buyer beware: Promotional discounts may be mirages.**

The noisy holiday season is here with deals and promotions starting earlier than ever. But unless you know how everyday online prices stack up across retailers, you don't know if the deals being offered are real cost savings. 20% off on a product that's priced 50% higher than Amazon or Walmart is no deal at all.

While we don't advise on where to ultimately spend your money, our latest data helps show where consumers have a better chance of finding the best price. This season, Amazon or Walmart top that list on the widest range of products. And, in the case of Walmart, consumers often get the added convenience of same-day in-store pickup.

\*"Amazon reports sales growth of 37%, topping estimates."  
CNBC Oct 29, 2020.



# Study methodology

Each day, Profitero monitors prices and other data on more than 450 million product pages across hundreds of unique retailer sites. For this study, Profitero analyzed daily prices collected from Aug. 24, 2020 to Oct. 18, 2020 at Amazon.com and other leading online retail sites across 21 categories: 15 featured in this report, and 6 other categories (see below).

## Summary

<b>Time period</b>	August 24, 2020 to October 18, 2020
<b>Featured categories</b>	Appliances, Baby, Beauty, Electronics, Fashion, Food & Beverage, Health & Personal Care, Home Furniture, Household Supplies, Pet Supplies, Sports & Outdoor, Tools & Home Improvement, Toys & Games, Video Games, Vitamins & Supplements
<b>Other categories</b>	Car & Motorbike, Garden & Outdoors, Home Storage, Music & CDs, Office Electronics & Supplies, Prime Pantry
<b>Data collection frequency</b>	Daily
<b>Matching</b>	Exact matches (same items only)
<b>Retailers (online sites)</b>	Amazon, Best Buy, Chewy, CVS, Home Depot, Kroger, Lowe's, Macy's, Nordstrom, Staples, Target, Walgreens, Walmart, Wayfair
<b>In-stock rule</b>	Both retailers in-stock on the same day
<b>Price comparisons</b>	Prices collected on the same day, in-stock, averaged over the full period

- Online prices were collected daily from each retailer. The study only compares prices collected on the same day, with both retailers in-stock.
- Items were initially collected from Amazon's taxonomy, with a focus on best-selling items (Best Seller Rankings 5,000 and below).
- Items were matched exactly. Profitero's methodology includes comparing online prices between retailers only on items that are identical (same UPC, brand and pack configuration).
- Where prices were unavailable for both retailers on the same day for matched items (as in the case of out-of-stocks at one retailer), items were excluded from Profitero's comparison.
- Price gaps were calculated at the product level on a daily basis and indexed to Amazon. Then, an average of the price gap for all items in each category was taken for each day for each retailer. Lastly, these daily average price gaps by category were averaged for each month. This approach avoids the misrepresentative impact that high price-point items can have when the percentage difference between "average prices" is compared.
- Profitero collected prices that were listed on retailer website Product Detail Pages without loyalty credentials. But in many cases, such as for Amazon & Target, the loyalty price/lowest price the retailer is willing to offer is listed without loyalty log-in credentials.
- Number of Amazon SKUs refers to the number of items sold by Amazon.com (excluding third-party sellers) analyzed for the study

To see the full data set, email [insights@profitero.com](mailto:insights@profitero.com).

# About Profitero

**Profitero** is the platform Adidas, L’Oreal, General Mills and 4,000 other brands use to accelerate their eCommerce sales.

Using Profitero’s proprietary technology and algorithms, brands can optimize their 4Ps (Product, Placement, Price and Promotions) across hundreds of unique retailer sites and 50 countries while also uncovering what competitors are doing to win online.

Profitero’s proprietary technology also estimates daily sales for products sold on Amazon, allowing brands to measure market share growth and size category opportunities for future investment. The platform was first in the industry to integrate Amazon sales and share metrics and digital shelf analytics together so brands can more quickly pinpoint the factors that will lead to more sales.

## Hear what customers have to say about Profitero



## Contact

For more information, email [sales@profitero.com](mailto:sales@profitero.com) or visit [profitero.com](https://profitero.com).

## Additional resources

Building a holiday eCommerce data war room: Tips for adapting quickly to unpredictable seasonal trends

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