Five reasons why Amazon-Whole Foods won't win grocery war

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Goodbye, Kroger? Safeway? Albertsons? Costco? Even Walmart and Target?

Considering the reaction to Amazon's announcement of its plans to buy high-end grocer Whole Foods, you might think the online shopping giant instantly won the highly competitive supermarket wars.

Yes, Amazon has helped change how we all shop. Yes, its technological genius at online shopping and perhaps more importantly, its logistics and shipping - has sent shudders through every executive suite in almost every retailing niche.

But I don't expect the likes of giant grocery sellers - and the non-traditional competitors, big and small - to fold easily under Amazon's latest challenge. Especially in a region like Southern California where the home-cooked cuisine and the style of a store selling the food seem to change every few freeway exits.

Grocery buying may sound simple. Selling them is another story. It's not easy to explain how in a retailing era dominated by national brands, global logistics and online merchandising, odd grocers like Stater Bros. and Trader Joe's - not to mention mom-and-pop stores - thrive in Southern California.

Plus, corporate mergers are a tough way to enter any business arena. Yes, Amazon has already been playing in the grocery space - shipping packaged goods and household staples as well as experimenting with its own delivery services that handle perishables, too.

But the planned $13 billion Whole Foods acquisition strongly suggests Amazon isn't satisfied with just taking a minor chunk of the grocery business. Yet, I don't think that Amazon's success in this crowded and competitive field is anywhere guaranteed.

Here are five reasons Amazon has plenty of work to do ...

1. MOST MERGERS FLOP

Numerous academic studies tell you most corporate mergers never reach their financial potential.

Depending on who's counting, the success rate is as low as 1-in-3, or at best, 50 percent - meaning that on average, a buyer like Amazon has a coin-toss' chance of having this deal work to plan.

Why do many mergers fail? The inability of the acquirer to properly assimilate the new team into its corporate culture. If you've ever been through a corporate marriage, you know how the new owners want to tell you how smart they are. More importantly, customers see the operational disconnects.

To be fair to Amazon, they're initially doing the right thing by keeping Whole Foods management intact.

2. THE HAGGEN DEBACLE

Two years ago, Haggen, a small grocer from the Pacific Northwest with 18 stores, bought 146 Albertsons and Vons stores in and around Southern California.

It did not go well. Like, really badly.

After spending $300 million-plus to get the stores, Haggen went upscale with its new stores with seemingly few plans other than thinking higher prices for the same stuff would somehow sell better. And regardless if many of those neighborhoods could not support such shopping habits.

In less than a year, Haggen went from grand openings to bankruptcy court. The chain was shuttered and sold off in pieces.

Just a reminder to the Amazon acquisition team.

3. FRESH & EASY'S FLOP

Starting from scratch isn't easy either.

European grocery giant Tesco thought in 2006 it could enter the U.S. supermarket business with a small-store concept that looked and felt a bit like Trader Joe's.

Starting in three Western states, including a heavy bet on Southern California, Tesco learned a painful billion-dollar lesson: Imitation may be flattering, but it's often a recipe for financial failure. Because, much like Haggen's steep learning curve, grocery customers are creatures of habit.

Even grocery industry legend Ron Burkle — whose investor group Yucaipa Companies bought Fresh & Easy out of bankruptcy in 2013 - couldn't fix this concept. After two years, he gave up and closed the chain in 2015.

Basically, change doesn't sit well in the supermarket aisles.

4. GROCERIES AREN'T BOOKS

Amazon's roots are as an online book merchant.

The company, with relative ease, gained a foothold in that business because books are a commodity product (as were CDs and videos that Amazon peddled, too). So, despite the charms of visiting a bookstore or music shop, when price matters, online selling often wins due to the lower overhead costs.

While groceries may be as competitive an industry as there is — serving many penny-pinching customers — shoppers still want to touch, see and smell the products. You squeeze and sniff the fruit for ripeness, no?

This is what Whole Foods gives Amazon. But that doesn't mean any huge, quick revolution in grocery shopping is assured by this deal.

5. WHOLE FOODS ISN'T FOR EVERYBODY

Whole Foods helped revolutionize American grocery shopping with its emphasis on pricey, high-quality and organic offerings.

That niche isn't for every consumer, limiting the chain's growth potential with its current format. Plus, many competitors have upped their own games and now offer somewhat competitive fresher, healthier product lines, often at lower prices.

In fact, Whole Foods has faced some financial challenges in recent times. It closed nine stores and is launching a "365" brand, featuring smaller stores with more affordable offerings.

So Amazon looks to be buying into Whole Foods at a time when it is struggling. And Amazon's deep financial muscle should help right Whole Foods' direction.

To me, the merger sounds more like an experiment in brick-and-mortar retailing for Amazon. Maybe Whole Foods stores can serve as a delivery center or pick-up point for various Amazon goods. Or perhaps Amazon will use Whole Foods' liquor-selling licenses to gain a hold of the highly profitable booze business.

But I'm not buying the widespread conclusion that this is a grocery business game changer in an industry that's always in flux.

At least, for now.

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