

February 2018

Dear Clients and Friends:

Not long ago, my local Albertsons was attracting business by opening a new checkout lane whenever there were more than three people in line. Now Amazon is getting into the grocery business with its own vision, by eliminating cashiers altogether.

For almost a year, they've been test driving Amazon Go, an experimental convenience store in downtown Seattle. You walk in, pick up what you want, and walk out. There's no human surveillance, which might seem strange at first. Sensing technology, based partly on the same wizardry that powers self-driving cars, can pinpoint the items you've taken and charge your Amazon account.

Imagine never waiting to check out -- that sounds great. However, thousands of jobs are going to disappear from the workplace. It's the same problem I pointed out in a letter last year, about banks replacing their tellers with automated machines.

Walmart has its own version of this technology called "Scan and Go," being tested in more than a dozen stores around the country. Similar to Amazon Go, you place an app on your smartphone that allows the system to work. But here's where they're different. At Walmart you have to stop and scan the product's barcode when you put it in your cart, while Amazon Go somehow recognizes you have taken the item off the shelf. It puts the product in your "virtual cart," knowing it was you and not someone else who picked it up. If you put the product back, it knows that too and deletes the charge from your bill.

Not satisfied with being the dominant force in online sales, Amazon is developing its presence in the brick-and-mortar world. It bought Whole Foods Market in September and has been cutting prices at those locations to drive business. Now it's planning to roll out Amazon Go, which if successful, will transform the way we shop in stores, by removing the checkout line.

How accurate is this shop-and-go technology, and can it be fooled? Amazon is vague about the details, but apparently there are no tracking devices, such as radio frequency chips, embedded in the merchandise. Instead, the store uses cameras, shelf sensors, and computer algorithms to figure out who took what.

In one test, three Amazon employees wore bright yellow Pikachu costumes and cruised around grabbing sandwiches, drinks and snacks. Although their faces weren't visible, the algorithms correctly identified each employee and charged their Amazon accounts.



There are still some bugs to work out. When shoppers move around in groups, like a family with grabby kids, the program can get confused. Amazon engineers have been studying families shopping together, and are adjusting sensors to recognize when an unsupervised child eats an item as he wanders around the store.

There's no telling how long it will take this Amazonian technology to become viable, assuming it ever does. Of course, the same goes for one of their drones trying to deliver a package while my German Shepherd is on duty. Whether or not these innovative ideas work out, Amazon is making a statement. They intend to lead the product marketplace into the future, and let others follow.

Regards,

A handwritten signature in blue ink that reads "Chuck". The signature is written in a cursive, slightly slanted style.

Charles M. Shackelford