Amazon’s monopoly swells with $13.7 billion offer to buy Whole Foods

Evan Blake
17 June 2017

Amazon, the world's largest online retail corporation, announced early Friday that it began negotiations to acquire the grocery store company Whole Foods for $13.7 billion. The corporation now has a foothold in the $800 billion US grocery market as it expands its octopus-like tentacles of economic domination into new segments of the world economy.

Amazon CEO Jeff Bezos’s personal fortune rose by an estimated $1.88 billion yesterday as Amazon's stock soared by $23.54 a share. In a single day, Bezos earned as much as 72,890 Amazon warehouse workers—well over half the total American workforce—make in an entire year.

The sale expresses the tremendous power exercised by a handful of powerful financial houses on the world economy. Ninety three percent of Whole Foods shares are owned by so called “institutional investors,” with a quarter owned by just three companies—Vanguard, BlackRock, and State Street. These companies are also the first, second, and sixth largest institutional shareholders of Amazon stock, over 60 percent of which is owned by financial corporations. Four of the top five largest financial institutions in the world earned a combined winnings of $2.26 billion from the deal in the first day alone.

It is the financial aristocracy, not the workers at Amazon and Whole Foods, who are the sole beneficiaries of the potential merger between these two companies. While the corporate owners celebrate the deal, Bloomberg News quietly announced: “Amazon also wants fewer employees in each [Whole Foods] store, with those who remain providing product expertise, rather than performing mundane tasks.” In other words, thousands of jobs will be slashed. Current and former Amazon employees can tell those who remain that their working conditions will rapidly deteriorate.

Amazon offered to buy the company for $42 a share. Over the course of the day, Whole Foods stock rose 28 percent to a high of $43.45. Yesterday’s rise in Amazon’s stock price added $11 billion to the corporate coffers, almost equaling the cost of the Whole Foods acquisition. Whole Foods, founded in 1978, is best known for selling more expensive organic and “natural” products, largely to upper middle class customers, giving it the nickname “whole paycheck” for the expense of shopping there.

The negotiations behind the deal give a sense of how the world economy is really run.

Over the past year, Whole Foods has increasingly struggled to compete with larger grocers, and in April activist hedge fund company Jana Partners announced that they had become the second-largest shareholder in the company, sending stock prices flying. The hedge fund immediately placed pressure upon Whole Foods to cut costs and increase stock prices, prompting the company to replace five members on its board of directors and hire a new chief financial officer last month.

Shortly thereafter, financial backer Neuberger Berman, which owns roughly 2.7 percent of the company and manages $267 billion in assets worldwide, sent a letter to the Whole Foods board, urging them to consider “possible strategic mergers, partnerships, joint ventures, alliances.”

For Amazon, a primary motive behind the acquisition is the vast expansion of the company's physical, brick-and-mortar presence, as they will take ownership of Whole Foods' more than 460 stores spread across the United States, Canada and Great Britain.

Amazon has been piloting a series of cost-saving initiatives at individual grocery stores, including an

"Amazon Go" convenience store in Seattle that functions without cashiers, instead using an array of sensors and cameras to monitor shoppers and automatically charge them for items they take from the store.

Prior to Friday's deal, Amazon had been a minor player in grocery retail. In 2007, the company launched its food delivery service "Amazon Fresh" in Seattle, expanding to over a dozen cities globally since then. In March, the company announced "Amazon Fresh Pickup," which lets users shop online, reserve a time to pick up the groceries and have them loaded into their car at the store.

The acquisition is still subject to approval by Whole Foods shareholders and federal regulatory agencies, with the negotiations expected to finish in the second half of 2017. Multiple analysts predict that other retail giants, including Walmart, Target, Costco, and more, may attempt to outbid Amazon in the meantime, or at least drive up the price Amazon has to pay to seal the deal.

Walmart is the most likely opponent to step into the fray, fearing that an Amazon-Whole Foods deal could mark an encroachment on their control over brick-and-mortar retail. The two companies have been engaged in a ferocious campaign over control of the global retail industry. To challenge Amazon, Walmart has been engaged in an acquisition spree of e-commerce companies over the past year, culminating with a purchase also announced Friday of the online apparel company Bonobos for $310 million.

Amazon's offer to purchase Whole Foods will have profound implications for workers at Amazon, Whole Foods, and on the entire working class. In their efforts to undercut one another and expand their control into all industries, the corporations' central strategy will be to reduce labor expenses—that is, wages and benefits for their workforces. These downward pressures will drive other companies to reduce wages and benefits to satisfy shareholders in a ruthless competition for profit.

The Amazon-Whole Foods deal is an expression of the growing concentration of wealth and economic power in an increasingly small handful of financial aristocrats like Jeff Bezos and the executives at leading Wall Street firms like Vanguard, BlackRock, and State Street. According to a 2017 academic study, these three firms are the largest combined shareholder of 40 percent of all publicly listed companies in the US, accounting for a market capitalization of $17 trillion, roughly equal to the total GDP of the United States.

As monopolies like Amazon gain strength across all industries, an increasingly interconnected network of investors and directors demand higher profits and more intense exploitation of the working class. It is not just the cruelty or greed of individual bosses which lies beneath the increasingly demeaning and difficult conditions Amazon workers face in fulfillment centers worldwide—this cruelty and greed has a material basis—it stems from the monopolization and financialization of the capitalist economy.

The task of the working class is to take control of these international behemoths, place them under democratic control, confiscate their assets, and reorganize them to meet the needs of the human race.