

Amazon Prime Day Is Retail Industry Bellwether

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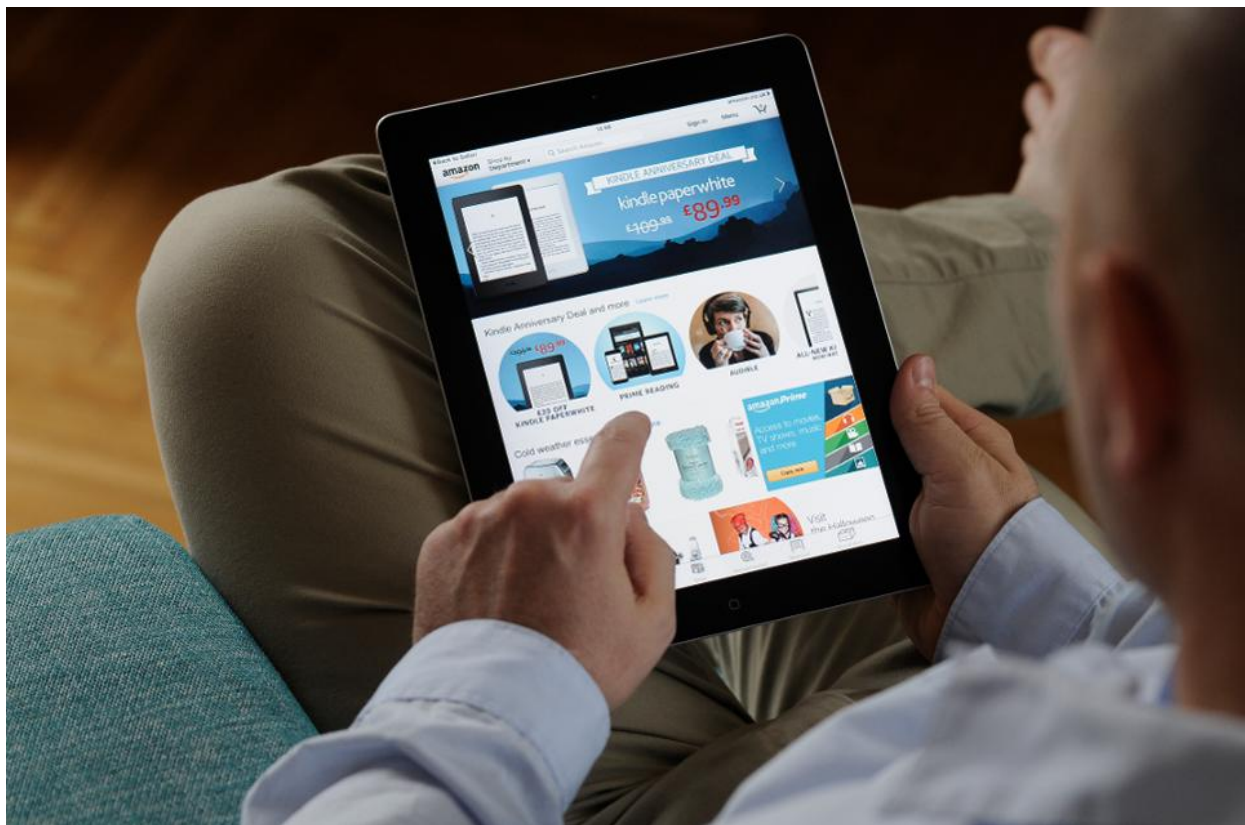


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- Prime Day is more than a hugely successful promotional effort. It's a retail harbinger.

One of the biggest shopping days of the year is just around the corner, Amazon Prime Day. Promoting exclusive offers to Prime members, Prime Day was started only three short years ago, but it is widely considered a brilliant coup by Amazon. Last year, the event generated an estimated \$1 billion in sales, according to Cowen & Co. and JPMorgan Chase, and Amazon said it added "tens of millions" of Prime members to the platform overnight. What's more, other brands and retailers experienced sales gains during the Prime Day, especially those that have learned to time their promotional activity to coincide with the event.



Amazon Prime Day indicates the current trends in retail. (Photo by Jaap Arriens/NurPhoto via Getty Images)

While it's likely Prime Day will generate even greater results this year, Prime Day is more than just a huge sale. It also serves as an indicator of the state of the retail industry today and a predictor of retail developments to come.

Retailers invent sales holidays. The huge success of Prime Day has inspired other retailers to create their own “holidays.” For example, Wayfair, the homegoods e-tailer, launched Way Day on April 25th of this year, and Alibaba, the Chinese conglomerate, has transformed Singles’ Day from a cheeky national holiday in China for those who want to celebrate being single into a tent pole event to promote retailer discounts on its e-commerce platforms.

Retail has always been dependent upon promotional days, but retailers are no longer relying only on established industry-wide sale days like Black Friday. Following Amazon's lead, retailers have found that taking a proactive, exclusive approach and hosting a sales promotion day is an effective way not only to drive more traffic but also to differentiate their brands. In fact, Alibaba has made Singles' Day a brand spectacle, hosting a televised gala in Shanghai featuring stars including Nicole Kidman and Pharrell Williams to kick it off, introducing augmented reality games that promote usage of the company's Taobao mobile app, and highlighting Alibaba's new retail technologies in "smart stores" and online-offline integrations.

Given that such events have the potential to lift sales and raise brand awareness in traditionally slow retail seasons, we'll likely see even more retailers jump on the invent-your-own holiday bandwagon.

Retailers are winning the brand battle against products. Retailers have waged battle for brand power with product makers for years, but these days it looks like they're winning. No longer are retailers simply positioning themselves on access – i.e., channels through which customers purchase the products/brands they need and want. Retailers are increasingly positioning themselves on experience – i.e., destinations through which customers needs and wants are fulfilled by the shopping experience as much as the products themselves.

Retailers have discovered that customer experience (CX) can be a powerful customer magnet in a world where more products are becoming more commoditized. It's no wonder that in a Convey/eft survey, over 83% of retailers named improving CX as a top goal. As retailers increase investments in technology and labor and use their ready access to customer data to improve CX, they become less dependent upon the appeal of any given product brand to draw customers in.

Prime Day is one way Amazon builds up its brand through CX. Not only does the sales event showcase the company's ability to offer deep discounts on popular products, but it also promotes its exclusive services and content available through Prime membership. Because of Amazon's superior CX, it has been able to put its brand in the forefront of customers' minds, ahead of products and brands. According to results from a survey commissioned by the e-commerce startup BloomReach in 2016, 55% of people in the U.S. started their online shopping trips on Amazon. While this high incidence reflects Amazon's dominance as an e-tailer, it also indicates the brand agnosticism with which many shoppers approach products.

Amazon is only one example of a strong retail brand and it may be way ahead of other retailers, but it certainly points to an overall shift in power between retailers and product brands.

Retailers want members. Prime Day is the tip of Amazon's spear in its efforts to develop Prime into a powerful brand and business. Since starting the membership program in 2005 as a free two-day shipping offer, Amazon has added to member benefits additional services, payment options, discounts, and access to exclusive products, content, and events. Further signaling an emphasis on Prime, the company rebranded its video service from Amazon Video to Prime Video last year and earlier this year Amazon India switched out the name Amazon Now for Prime Now for its grocery offering and introduced two-hour ultra-fast deliveries.

It's clear Amazon will only continue to develop Prime. After all, CEO Jeff Bezos has gone so far as to state that his company's goal is to make it "irresponsible" to not be a Prime member. And that's because members shop more frequently and spend more on Amazon.

Other retailers have long benefitted from similar dynamics with their own membership programs. Whether they've sign people up through store-branded credit cards, loyalty programs, or subscription offerings, some retailers have been keen on accumulating members. But only recently have membership -- and specifically paid membership -- programs taken the spotlight in retail strategy.

The attention comes from the wealth of insights that can now be gleaned from the customer data that members provide and the ability to target customers with specific messages, offerings, or experiences. With personalization increasingly driving brand affinity and purchase, retailers are realizing the importance of developing and harvesting customer records.

Tony Rogers, who served as U.S. Chief Marketing Officer for Walmart, recently announced his move to the newly created role of Chief Member Officer at Sam's Club. Jamie Iannone, CEO of SamsClub.com, explained the new role, saying, "Having a chief member officer is an important step as we take an increasingly member-centric approach to the business."

Although this makes sense given the company's warehouse membership business model, other retailers are getting in the membership game too. Part of the recent transformation at RH (formerly Restoration Hardware) involved moving from a promotional model to a membership one, in which members pay an annual fee for savings on products, concierge service, and interior design consultation. Retailers from GNC to Bed Bath & Beyond have launched or revamped their paid membership programs.

Prime Day is a prime exhibit of the consistent stream of industry-leading services and offerings that have made the Amazon brand synonymous with innovation. Prime Day is more than a hugely successful promotional effort. It's a retail harbinger.

(07.11.18 8:00PT: This story was updated to remove Boxed from and add Bed Bath & Beyond to the examples of retailers with paid membership programs.)

Denise Lee Yohn is a brand expert, speaker, and author of What Great Brands Do and FUSION: How Integrating Brand and Culture Powers the World's Greatest Companies.