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RETAIL GROUP**

The Prime Day Effect

How Amazon's Peers Are Confronting the Ecomm Giant

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The Prime Day Effect: How Amazon's Peers Are Confronting the Ecomm Giant

For the 8th consecutive year, mid-July has once again become synonymous with significant savings for ecommerce consumers. What started in 2015 as an ode to Amazon's 20th anniversary has evolved into a multi-day, global discounts event known as Amazon Prime Day—one that extends beyond the retailer for whose name this event bears.

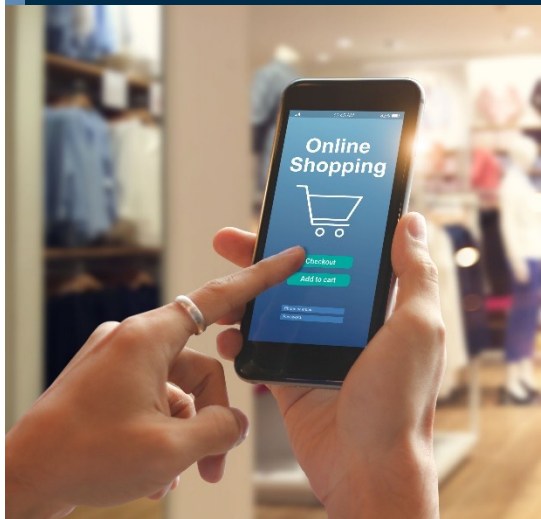
After a record \$11.2 billion in sales in 2021, Amazon is expected to dominate the mid-July phenomenon with considerable discounts across its plethora of product categories. Analysts attribute the expected success to the company's wide global reach.

In response to Amazon's dominance in the month of July, retailers have historically fired back with their own iterations of Prime Day, leading to a new summer trend that puts the consumer in the driver's seat.

Many retailers and Amazon sellers will squeeze their margins—or even lose money—but deem Prime Day as a necessary tactic to remain competitive/relevant among consumers who expect discounts at this mid-summer cadence. The good news for those shoppers? This year's market is reported to be consumer-friendly, catapulted by both the high saturation of sellers and their pulsating need to sell off excess inventory.

Given the market dynamics and the expectation for Prime Day to propel significant discounts this year, we took a look at some of the strategies being employed by Amazon and its competitors to evaluate how they are going to market and responding to each other.

78% of consumers are reported to know about Amazon Prime Day and 64% expect to shop it, according to National Today and Profitero.



This year's Prime Day event is expected to see significant discounts as inventory has reached historically high levels and inflation has driven impacts with consumers not purchasing at previous levels.

What is Amazon prioritizing this Prime Day?



As expected, Amazon's discounts are across both its private label and seller product categories. Key emphases included the following:



Amazon-branded products: Amazon appeared to go heavy with discounts on Amazon-branded products this year (their private label products were positioned at the center of the landing page). The ecommerce giant provided **up to 54% off Kindle devices** and **up to 60% off Firestick devices**, while its Flagship Amazon Echo product line had observed **discounts ranging from 40-55%** (varied by mode / generation).



Electronics: The discounts on electronics speak to a larger theme as technology has historically served as a key category during Prime Day. This trend certainly continued with **laptop/monitor deals in the 15 – 25% range** and **TV deals hovering around 15 – 45%**.

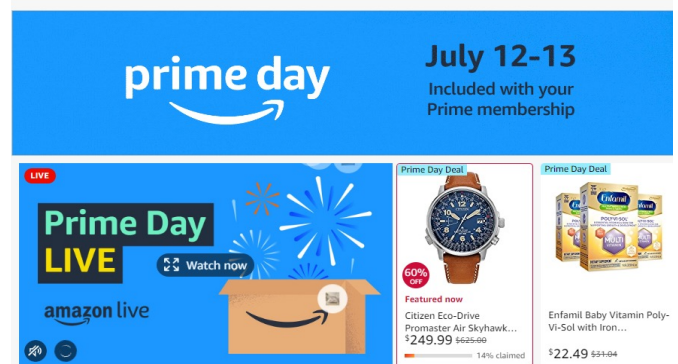


Kitchen/Home: Amazon also appeared to emphasize (both in product selection and discount depth) Kitchen/Home, which had its own banner on the Amazon home page, as well as Fashion, which benefited from similar **marketing support and discounts ranging 20 – 40%**.



Childcare: Amazon is also providing significant discounts in the **baby / toddler space**, with stroller discounts generally hovering from **25 – 40%**.

Beyond the product discounts, Amazon continued to market Prime Day as not just online discounts but as a multidimensional event, with the Prime Day landing page even featuring livestream coverage with hosts counting down deals and reviewing products.



How are Amazon's competitors responding this year?



As expected, the competitive response to Prime Day varies by retailer. Some opt to take a price-matching approach while others choose to focus their discounts in differentiated product areas. Moreover, some retailers choose promotional cadences directly in line with Amazon while others elect extended timelines, most of which commence prior to the Prime Day event to get an early share of consumers' wallets. Even more, some retailers do not require subscriptions to premium shopping services like Prime while others offer flexible fulfillment options to lure in consumers.

We've analyzed the approaches of four of Amazon's key competitors to get an understanding of how each has responded to the worldwide leader in ecommerce.

WALMART

This year, Walmart uncharacteristically is not offering a dedicated "Prime Day" counter-sale but is instead leveraging its already deep discounts to continue to shed inventory. With that being said, the big box retailer is still providing eye-opening discounts across its offering via the "Just-Dropped Savings" rollbacks webpage.

While Walmart is constantly adding roll-backs throughout the year, the retailer added more over the past weekend.

Although the rollbacks likely allow them to get an early jump on consumers' wallets ahead of the mid-summer sales, Walmart's participation in deep discounting can be attributed more to their excess inventory as opposed to consumer relevance.

Furthermore, Walmart is really emphasizing areas like back-to-school as opposed to Amazon's winning categories, likely a calculated move as they balance shedding inventory and driving sales:



Fashion & Electronics: As expected, the discounts offer significant savings across categories, most notably **60% off** select fashion items and **rollbacks ranging up to 70% off** electronics (a Chromebook was listed at just \$89 and included a headset vs. its normal price of \$279) .



Ordering & Fulfillment: Similar to Amazon Prime, savings can be captured via the Walmart + subscription service, which offers **free delivery on all online orders**. Interestingly, Walmart also offers an **in-store pickup** option, providing customers the flexibility to choose their preference for order fulfillment, whereas Amazon customers may be a little more constrained via direct-ship.



Back-to-School: One area Walmart's website emphasized was up to **75% off** select school supplies, a sensible move given that back-to-school shopping will shortly commence. Similarly, Walmart also offered **15% off** back-to-college furniture supplies in anticipation of demand-driven college move-ins.



Childcare: Optically in response to Amazon (whether Walmart admits it or not), the retailer is also offering heavy discounts on strollers, with discounts in a similar **20-40% range**. In line with its power of cross-category marketing, Walmart uses its website to market other / similar categories that will populate towards the bottom of the search. In this case, the stroller search yielded a result for crayons related to the school supplies deal being promoted online.

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↓ Rollback



was \$66
\$39⁹⁷



was \$199
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Rollbacks Deal of the day

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Rollback



+ Add

\$298.00 ~~\$358.00~~

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Target

In an apparent differentiation strategy vs. Amazon, Target's Deal Days event does not require a membership subscription to unlock discounts. Running from July 11th – 13th, the event has direct overlap with Prime Day via similar pricing, promotions, and key product categories. The event also started a day early likely to gain an early share of consumers' wallets:



Televisions: Target was offering up to **35% off** Televisions/ Accessories which falls into the range of discounts Amazon was providing on similar items.



Fashion: Additionally, clothing discounts amounted up to **50% off** which again is in line with what we observed with Amazon & Walmart.



Order & Fulfillment: Target also provided a **buy-online-pick-up-in-store** option for customers in an apparent tactic to provide some flexibility to consumers and better compete within the market.

Macy's

Macy's attempted to use exclusive bonus savings as a way to entice consumers. Macy's "Black Friday in July" event provided a coupon code to unlock incremental discounts up to **25% off** already existing markdowns. Macy's both played to their core product strengths and offered deals in other areas to compete with Amazon's broad discount portfolio:



Significant Markdowns: Select items across Macy's product catalogue have seen **markdowns by up to 60%**.



Kitchen / Home: Home received some attention this year, with discounts on everything from Instapots (**38% off**) to silverware (**33% off**), likely as a direct response to Home being a key category for Amazon and others this week, which shows Macy's keen eye towards the broader market.



Fashion: Macy's did, of course, provide considerable discounts on their **core clothing products** with **~9,000 specials on men's clothing alone**. In Women's clothing, **20,000 products** are being sold at discount.

Best Buy

Best Buy's "Black Friday in July" Event is more of a price-match strategy for its strength categories in which Amazon also competes during Prime Day. In general, Best Buy appears to take Prime Day head-on with significant discounts across their broad electronic product offerings while providing promotional emphasis on their private label brands:



Private Label: Best Buy seems to adopt a similar approach to Amazon in promoting its private label brands with significant discounts. For example, its Insignia televisions were highlighted at the top of the TV category and also had blue banners attached to their images to help differentiate these products from the rest. Best Buy's **private label brands discounts hovered around 30%** which again is in line with the discount ranges we observed on Amazon and competitors for similar materials.



Branded Products: In terms of branded products, Best Buy is known to match Amazon's Prime Day deals across key product categories such as **phones, tablets, computers, TVs, headphones and chargers**, a move that once again demonstrates their keen eye towards the market.



Order & Fulfillment: Like Walmart and Target, Best Buy emphasized their flexibility with consumers having the option for store pickup, curbside pickup, same-day delivery, and free next-day delivery for orders \$35 or more.

Ends today.

Black Friday in July

Surprise — big deals are here.

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Major Appliances



Video Games, Consoles



Apple



Cell Phones



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Manufacturers & Brands

Manufacturers & Brand have also participated in the Prime Day discounts.

Offering competitive (and often deeper) discounts than Amazon allows brands to directly interact with customers and, more importantly, achieve higher margins because there are no intermediary cuts by third-party sellers

Some interesting examples that we have uncovered during Prime Day include the following:



Sonos/Dell: Sonos is offering **40% off refurbished speakers** while Dell is providing **\$500 off laptops/PC's with free next-day delivery**.



HP: The “**Black Friday in July**” event runs through July 13th and offers up to **70% off HP Products**. Interestingly, we found that the same product being carried across platforms is offered at varying discount rates. For example, an **HP stylist Pen** normally sells on Amazon for \$65 but is now listed at \$44 (**32% discount**). On HP's website, that same product's list price is \$66 but is being offered at \$22 (**67% discount**). As far as HP's core business, discounts for **laptops** were observed anywhere from **20 to 55%** while Amazon's discounts hovered in the **15 – 40% range**, though the product selection on Amazon was smaller.



Adidas: The athletics company is offering **free standard shipping & returns** on orders off its website. Similarly, the link to Adidas' website was highlighted by the wording “**30% Off W/ Code SCOREBIG**”. In parallel, Amazon is offering similar discounts on select Adidas footwear (**~25%**), though the entire product offering on Amazon is not subject to discounts.

There is no doubt that Amazon's Prime Day has made material changes to the way retailers respond to each other during the mid-summer discount season. As retailers continue to refine their strategies, expect them to keep finding creative ways to maintain their distance from the pack.



At A&M Consumer and Retail Group, we have the experience and resources to support you during these turbulent times. We are passionate about helping companies achieve their maximum potential and be on the right side of disruption. We look forward to connecting.

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