



# PRIMING THE PUMP

What does Amazon's Prime Day mean for retail? **by SUSAN REDA, EDITOR**

**A**mazon's Prime Day has come and gone, and depending on which pundits are sounding off, the retail giant's 20th birthday celebration was either a solid success or a mixed bag of outcomes.

Based on the data Amazon has shared — and the fact that they plan to celebrate again next July — it's reasonable to assume several key objectives were hit. How Amazon acts on its learnings about incremental revenue, shopping behaviors and flash sales from Prime Day is anyone's guess.

What retailers need to be thinking about is what Prime Day means for their company strategy.

"Amazon Prime Day was a warning shot across the bow," says Kevin Sternecker, executive vice president of marketing with Predictix. "Retailers need to be sure they know their customers and what they want. And they need to compel shoppers with prices, service and promotions."

Jeff Roster's advice: "Get your 'A' game

together because the stakes have never been higher." The newly installed vice president of retail strategy at IHL Group adds, "Prime Day became a national news story. Outside of Black Friday, when has a sale been national news? This was pure marketing genius."

Prime Day was a "wake-up call" on multiple fronts, says Sarah Engel, senior vice president of global marketing at retail prescriptive analytics company DynamicAction. "Retailers need to be asking themselves what their customers care about and thinking about how to create a promotion that is tailored to them. It's time to harness the insight of the data they've been amassing."

## DO'S AND DON'TS

Using data to compete more effectively with Amazon is imperative — and daunting. "Amazon built that sandbox, they've been playing in it, and other retailers are just trying to get their toes in the sand," Engel says. "But this is where the opportunity lies for other retailers."

As the holiday season looms, retailers must have the right customer data connected across websites, mobile and bricks-and-mortar. “Retailers need to ask themselves, ‘What tweaks can we make now and how can we make sure we’re connecting this information?’” she says.

“Using data to match people who have been purchasing with you to specific actions that you’re going to take in the year ahead — not just during the holidays — is where the big win is,” Engel says.

Sternecker believes that retailers’ ability to hone personalized promotions can be a powerful means of competing with any rival. “If a retailer is successful at personalized promotions, that means the competitor has no idea what you’re promoting to your individual customer,” he says. “It’s an elegant and sophisticated guerrilla promotion-type practice that has the potential to be hugely effective.”

There’s still a lot of work to be done, though. “If you’re a retail company with 5 million customers, that means you need to have accurate inventory on 5 million different promotions potentially,” he says. “Most retailers don’t have that sort of transparency on inventory across channels, nor do they have the forecasting solutions in place.”

Doug Stephens, the founder of Retail Prophet, believes stores have to become a form of media. “Media including video, social reviews — even virtual reality — is capable of delivering what stores served up years ago,” he says. “Conventional retailers have to get better at telling the brand story, drawing shoppers in and creating a galvanizing relationship with the customer that prompts them to shop in other channels.

“Retailers have to deliver an absolutely remarkable experience,” Stephens says. “The days of ‘good enough’ are gone forever. And they have to celebrate the unique aspects of each channel.”

Industry experts caution against trying to compete head-to-head with Amazon. “That’s just not a game you want to play,” says Paula Rosenblum, managing partner with Retail Systems Research. “Amazon Prime created a lot of noise and drove traffic, but they still have an unprofitable business. Other retailers need to work their own playbook and create differentiation by means of service or in-store experience.”

## PLAYING THE LOYALTY CARD

The biggest win to emerge from Prime Day is believed to be the number of consumers who signed on as Prime members. Though exact figures are hard to pin down, Prime membership has a reputation for creating loyalists who make the site a go-to for a range of purchases.

“It’s time for retailers to get serious about



## PRIME NUMBERS

- Amazon sold more units on Prime Day than on Black Friday 2014, the biggest Black Friday ever.
- Customers ordered 34.4 million items across Prime-eligible countries.
- Worldwide order growth increased 266 percent over the same day last year and was 18 percent higher than on Black Friday 2014.
- More new members tried Prime worldwide than any single day in Amazon history.
- Sellers on Amazon that use the Fulfillment by Amazon service enjoyed record-breaking unit sales — growing nearly 300 percent worldwide.

Source: Amazon

loyalty,” Roster says. “When you’re competing against a company that has created a frictionless experience, scanning a loyalty card at the point of sale or getting 30 percent off just doesn’t measure up.”

Engel insists there are other ways retailers can capitalize on loyalty programs. “The fact that Prime Day was only open to Amazon Prime members was a calculated move. While most other retailers don’t have a paid membership program, they need to be asking themselves what they can do to get customers engaged with their loyalty program.



“Is that offering exclusives or pre-sales only to members? Could it be creating a suite of deals such as pre-shipping, overnight shipping or deeper discounts?” she says. “Prime members know exactly what the benefits are of membership. That’s rarely the case with other retail loyalty programs.”

Citi Retail Services’ proprietary “Shoppers-Connection” online panel conducted a survey in early August to gauge consumer reactions to Amazon Prime Day and its impact on retailers. Based on the feedback of more than 750 respondents, the findings indicate that while

expectations for the event were high, it did not live up to the hype. Brand perceptions remained constant, though, and their likelihood to purchase was relatively unchanged.

The panel’s recommendations for retailers considering similar online events: incorporate the customer early on to ensure relevant products and convenient timing; advertise

to a wide audience via email, social media and television but avoid comparisons to existing, valued events (such as Black Friday); and communicate all event specifics upfront and be sure the website is capable of easy filtering and navigation.

#### HOW LOW CAN YOU GO?

Swirling around every discussion of Amazon Prime Day is the question of pricing: Is it the best way to beat Amazon at its game? Shortly after the Prime Day announcement, Walmart countered with a promotion of its own. Numerous other traditional retailers threw their hat in the ring as well, offering special deals and/or free shipping — with no qualifying purchase amount required.

“Price is just one arrow in the quiver,” says Jenn Markey, vice president of marketing and product management with 360pi. “On Prime Day Amazon managed to engage a number of

competitors in a ‘race to zero’ mentality, and those that took the bait damaged margins and may have compromised price integrity with their own shopping base.”

Markey says that price integrity must be protected. “Retailers have to decide who they want to be — value, luxury, low price — and then use pricing to reinforce that position in the marketplace. If they get sucked into playing a price game, and don’t have a low-price strategy, it’s going to damage the brand.”

As of this writing, retailers are holding Black Friday/Cyber Monday cards close to the vest. Amazon might have some clever new promotion planned, but worrying about Amazon’s holiday promotions is not where retailers’ focus should be, Sternecker says.

“Research shows that the screaming deals that happen during the holidays don’t translate into regular shoppers,” he says. “The average consumer goes into a store on Black Friday to pick up an item. He may or may not have a loyalty card, but regardless there’s very little opportunity to engage the consumer ... . Shoppers cherry-pick items and while the screaming deals might be great for a day, they don’t build loyalty.

“Having a calculated approach to engage the consumer — beginning to understand who they are and offering things that will likely appeal to them at compelling price points — has proven to be a powerful strategy,” Sternecker says.

Phil Rist, executive vice president of strategy with Prosper Insights & Analytics, monitors the pulse of consumers, particularly as it relates to price, and says they remain reluctant to pay full price. “Amazon has created the perception of being the lowest price provider and they’ve consistently positioned themselves as being on the side of the shopper,” he says. “They’re there to help you find what you’re looking for at a good price and they’ll get it to you quickly.”

Rist points out that traditional retailers are not in a position to react in a matter of hours to a price promotion given commitments to in-store assortments, displays, etc. Still, he believes that shoppers are motivated by more than just price.

“Create a captivating event, offer something new and merchandise it differently, and shoppers will show up. It’s not all about percent off and free shipping — unless retailers are willing to settle for that.” **STORES**



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