EPSILON®

CONVERSANT®

Amazon doesn’t mean the decline of your brand

Research shows how to survive and thrive in an Amazon world

Table of contents

Introduction

If you're reading this, you're probably concerned about Amazon. But new data suggests that you don't need to be.

In the coming pages, we're not going to tell you how you should feel about Amazon. And we're not going to tell you whether to compete with Amazon or leverage their scale as another channel. Instead, we're going to simply share what we know and let you make decisions from there.

We will provide real data to help you understand who shops on Amazon, how much they're spending, why they shop on Amazon and what you can do to ensure the success of your brand in the Amazon era.

If you take away one thing from this report, it should be this:

Assumption: Consumers who shop on Amazon don't shop anywhere else.
Reality: Consumers who shop on Amazon shop EVERYWHERE.

About the research

We hear the same questions every day:

> **"What should we do about Amazon?"**
> **"How, exactly, do we work with Amazon?"**
> **"We can't possibly compete ... can we?"**

Sound familiar?

To answer these common questions, we conducted extensive research using our proprietary transactional, demographic and survey data assets. The goal was to equip you with information and empower you to make the right decisions for your brand. We wanted to give you direct information from consumers about how they shop across channels and what they think of Amazon.

Methodology

This research included a four-pronged approach using our Agility Audience suite of data solutions:

1. Profile Amazon shoppers and Amazon Prime members using our MarketView™ database.
2. Use our cooperative database Abacus® to understand actual spend data and actual number of transactions on individuals, separated by Amazon shoppers vs. Amazon Prime shoppers.
3. Use our TotalSource Plus® database to learn more about consumers who shop on Amazon, including demographics, finances, lifestyles and interests.
4. Survey 3,975 real consumers — including Prime vs. non-Prime shoppers and online vs. offline shoppers to understand shopping preferences, behaviors and motivators.

Definitions*

Amazon shoppers – Regular (or Prime non-member) shoppers who don't pay a membership fee, and as such, don't get any additional benefits and pay standard shipping rates.

Prime member – Amazon shoppers who pay a membership fee in exchange for benefits such as free two-day shipping.

Online shopper – People who have purchased something online in the past six months.

Offline shopper – People who have not purchased anything online in the past six months.

*For the purposes of this report, findings from the above methodology were extrapolated and applied to these definitions and in some instances the general consumer population.

Amazon's influence

Whether you love or hate Amazon, you can't deny their prowess.

21,045,000
unique visitors per day

8
page views per visitor/day

176,988,450
page views per day

This translates into massive revenues. Slice Intelligence says that Amazon accounted for **43 percent of all U.S. ecommerce sales** in 2016 — a number that is growing steadily.

Not surprisingly, 44 percent of retailers say they don't know how to respond to the power of Amazon, according to Bluecore's report, A New Path for Retail: Co-Existing with the Force of Amazon. And retail executives have a variety of ways of perceiving their relationship:

60%
consider Amazon a competitor

28.5%
consider Amazon a direct competitor

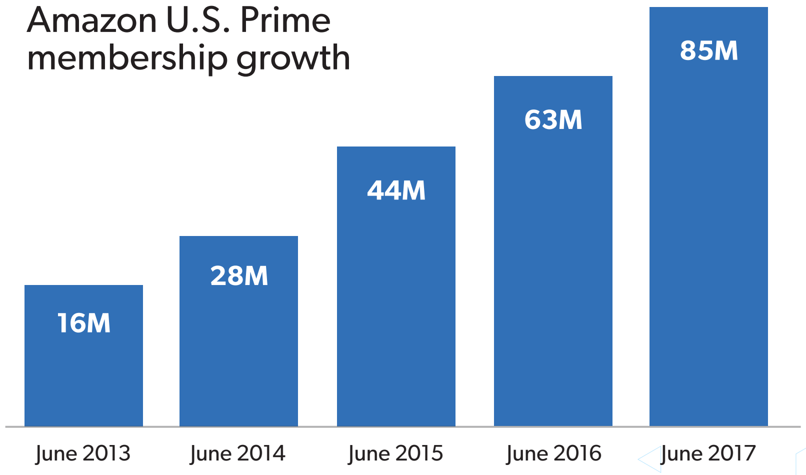
29%
consider Amazon both a partner and competitor

From the consumer perspective, our results found that 67 percent of online shoppers agree that Amazon is America's most innovative retailer. For Prime members, this figure jumps to 78 percent. And households with kids were significantly more likely than households without kids to agree (66 percent vs. 57 percent).

Speaking of Prime — this membership appears to be an important factor in Amazon's success. According to Consumer Intelligence Research Partners, Prime membership has grown from 63 million to 85 million between June of 2016 and 2017.

And this is important for Amazon's bottom line, since Prime members contribute to the lion's share of overall spend. Consumer Intelligence Research Partners found that of all spend on Amazon, the average Prime member accounts for 65 percent.

Now that we're clear on why this is such an important topic, let's dive into the details.



The findings

Millions of data points all told the same story: **People who shop on Amazon shop everywhere.**

The takeaway is that you don't have to be intimidated about losing wallet share. In fact, our research shows that the more people spend on Amazon, the more they spend everywhere. This is even true for those with low Amazon spend, but high Amazon spenders actually spend **over 2x more** than the average person across all categories in our transactional database, Abacus.

So what does the high-value Amazon consumer look like?

Abacus

The Abacus Cooperative is the industry's original cooperative database, transforming data into results for over 25 years. With over 3,000 members, Abacus combines the power of sharing transactional and intent data with proprietary modeling techniques to help you improve profitability and gain active customers.

The Amazon shopper

There are a lot of consumers shopping on Amazon — but who is spending the most?

Demographics

- 45-64 years old
- Married
- Over half have children
- Nearly half have a college degree

Financials

- Income > $100K
- 80% homeowners
- Over half have $500K+ net worth
- 3x more likely to have wealth resources of $750K+

Lifestyles & interests

- 2x more likely to have an interest in science/ new technology
- 2x more likely to have a travel and entertainment card
- Preference to do internet research before shopping
- Best marketing profitability: they have disposable income

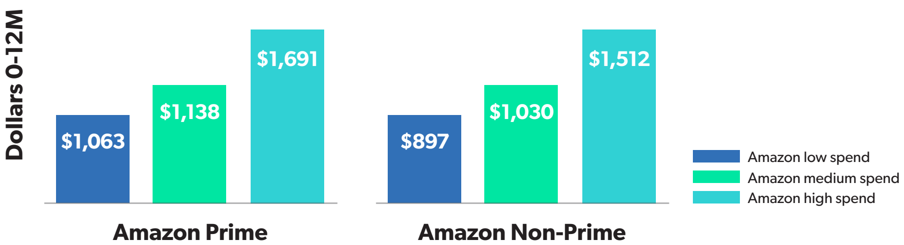
How much Amazon shoppers spend

Spend on Abacus: Across the co-op, this is how people spend:

- Prime members spend more than non-Prime members.
- High spenders on Amazon also spend the most across the co-op.
- Low spenders on Amazon still spend more than the average person on the co-op.
- Amazon shoppers are better spenders than those who don't buy on Amazon.
- Prime members are more likely to buy from Amazon than elsewhere … and buy more.

So just how much do these consumers spend?

Amazon buyers' spend across the Abacus Cooperative (0-12 months)



Big spenders — the top 1 %

This is the Abacus spend based on the top 1% of Amazon and Prime spenders as identified by MarketView.

$3,246
Top 1%
Amazon Prime

$2,574
Top 1%
Amazon

Spend by channel

Channel is important; Amazon shoppers prefer retail and web, but still buy through ALL channels.

	Amazon top 1% spend	Amazon Prime top 1% spend	Average
Phone/mail	$659.66	$788.42	$344.62
Retail	$1,084.05	$1,300.51	$487.80
Web	$1,525.39	$1,910.36	$490.92

What categories they buy

Amazon shoppers have high buying power and tend to shop to their affluence level. While they show high spend in all categories on Abacus, they are especially buying:

Bed, bath & linens

Kitchen accessories & décor

Patio/yard décor & furniture

Other categories that over-indexed on the Abacus Cooperative for Amazon shoppers include:

- Kid's high-ticket apparel & shoes
- Home décor
- Patio/yard décor & furniture
- High-ticket male & female apparel
- Kid's merchandise
- Modern/contemporary décor & gifts
- Recreation & outdoor
- Active wear
- Sporting goods
- Electronics gifts & gadgets
- Gardening tools & supplies
- Horse enthusiast
- Pet supplies

This further proves that **online shoppers — and especially Amazon shoppers — are higher spenders** in general.

Why Amazon

Based on the findings thus far, we know that many (MANY!) people shop on Amazon. That's not surprising — we expected that. But until now, we didn't have a good sense about why people choose Amazon.

Of everyone who shopped on Amazon in the past six months, here's why:

Why shop on Amazon	All respondents	Prime member respondents
Price	64%	65%
Free shipping	60%	70%
It was so easy to buy it this way	52%	52%
'One–stop–shop' I can buy different things there that I need	47%	52%
Two-day or next day shipping	44%	60%
I bought on Amazon before and I know their products	41%	42%
Selection: more products available than in store	40%	42%
I prefer to buy online rather than go to a store	29%	31%
Product reviews on the Amazon website	29%	30%
Amazon's return policy	25%	33%
I had a gift card	22%	18%
Unique products not sold elsewhere	21%	20%
Amazon's recommendations: 'You may also like' or 'People also bought'	12%	13%
Amazon Rewards Visa Card (credit card)	10%	14%
Amazon.com Store Card (credit card)	10%	13%
I had a special offer in an email	7%	6%
Online chat support	5%	5%

Note: Shoppers could select all that apply so totals do not equal 100.

Primary motivator

Most consumers = price

Prime members = shipping

Key points

- Price, free or fast shipping and convenience are the main reasons that consumers shop on Amazon.
- For Prime members, shipping and price are the most important, but convenience and the return policy also resonate.
- Interestingly, having unique products is not a key draw for Amazon.

But, considering Prime members contribute to the majority of overall spend on Amazon, **the question here isn't why Amazon, it's why Prime?**

Why buy = shipping
Favorite benefit = shipping
Most popular benefit = shipping

Prime benefits beyond shipping:

- Age 18–44 = video & music
- Age 45+ = reading & credit card

Why Amazon shoppers invest in Prime

Amazon Prime members are motivated by **shipping** and convenience; 70 percent say free shipping has factored into their purchase decisions in the past six months.

But shipping isn’t the only Prime benefit that members find valuable. Prime members say they’ve used the following membership benefits in the past six months:

Free 2-day shipping	88%
Prime Video	47%
Prime Music	30%
Prime Reading	21%
Amazon Rewards Visa Card (credit card)	17%
Amazon.com Store Card (credit card)	16%
Prime Early Access	15%
Prime Photos	8%
Family / Baby Savings	7%
Audible Channels	3%
Twitch Prime	2%
None of the above	5%

Why Amazon shoppers choose other retailers

Not everyone shops at Amazon. Some people don't like shopping online. Others like to be able to see and touch merchandise before buying. And others enjoy the social aspect of shopping.

And sometimes — gasp! — Amazon doesn't have what they're looking for.

So what then?

They go to other retailers.

54% of all respondents prefer shopping at stores

45% of all respondents prefer shopping online

We asked Amazon shoppers: Which of these would help you decide to purchase from another retailer — whether at a store or online — instead of Amazon:

Price	81%
Free shipping	60%
Promotions including discounts, special offers, etc.	44%
Unique products I can't find elsewhere	38%
Returns policy	27%
Two-day or next day shipping	27%
Familiar brands/products I have bought before (e.g. so I'll know my size)	26%
In-store expertise for stores	8%
Online chat support for online retailers	5%
Other	2%
None of the above	2%

How to compel Amazon shoppers to buy from another retailer

- Free shipping and comparable price are absolute musts
- Promotions
- Unique products — give them something different

We asked respondents to pick their **favorite promotions or offers** to persuade them to purchase from a different retailer. Amazon shoppers' top five promotions are:

35% Free shipping

25% $5 discount on purchase

18% Buy one, get one half-price

15% Mail-in rebate for $10

14% Extra loyalty program points

A shopper's journey

69%

of overall respondents feel that touching a product in a store is an important part of shopping.

We asked consumers where they go first when shopping. Here are the top three answers given for each type of shopper:

All shoppers	Online shoppers	Prime members	Retail shoppers
1st	**1st**	**1st**	**1st**
• Go to the mall • Look on Amazon • Look at retail website	• Look on Amazon • Look at retail website • Check my email for special offers	• Look on Amazon • Go to a store • Look at retail website	• Go to a store • Check my email for special offers
2nd	**2nd**	**2nd**	**2nd**
• Research products/ prices online • Look at retail website • Check my email for special offers	• Research products/ prices online • Read product reviews • Look online for discounts	• Research products/ prices online • Read product reviews	• Go to a retail website • Look at a website

If Amazon doesn't have what shoppers are looking for:

- The most common action for all groups is to look at retailer websites.
- Online shoppers are more likely to research online.
- Offline shoppers are more likely to head to a store.
- Under age 45 are more likely to look at retailer websites.

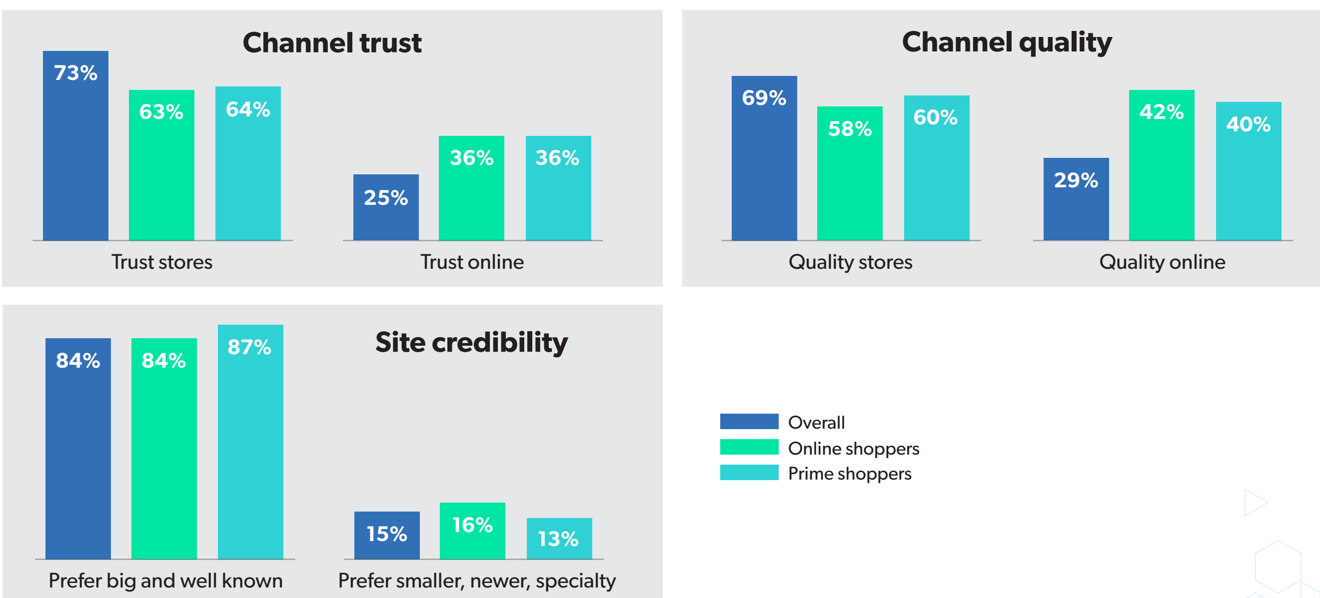
The trust factor

The internet has come a long way in recent years, with many consumers doing everything from shopping to banking to education almost exclusively online. But not everyone is so trusting.

In general, trust of online is still lower than of stores — **73 percent of overall respondents trust stores more than online** for safe and secure shopping. When comparing online versus offline shoppers, 63 percent of online shoppers and 85 percent of offline shoppers trust stores more. This trend is even true for Prime members.

The trust component in stores versus online

- 53% of consumers prefer to shop in a store.
- Those age 45+ are more likely (75%) to trust stores vs. those under 45 (69%).
- If shopping online, almost all consumers (84%) prefer to use well-known and established online sites with history — even true for Prime members (87%).



Grocery

With Amazon's acquisition of Whole Foods, the prowess has gone beyond retail and entertainment to include grocery. The full impact of this is yet to be seen, but there's no doubt it'll change the way consumers think about and shop for groceries.

Currently, online shoppers — including Prime members — are more likely to order groceries online than those who don't regularly shop online.

Who buys groceries online:

15%	22%	24%
all consumers	online shoppers	prime members

Even though the numbers are still low, this is a trend to watch.

- Online grocery purchase is higher among those under age 45 vs. those 45+.
- Online grocery purchase is higher among households with kids (21%) than households without (13%).

Preference for picking out one's own groceries is by far the leading reason for those who didn't buy groceries online.

Prefer to pick out my own groceries	77%
Like to go to particular store(s)retailers	32%
Quality of the fruits and vegetables	30%
Like to go to more than one store for deals	25%

Final advice

Amazon has changed consumer expectations for shopping. It's possible to keep current customers, but you need to ensure your brand and shopping experiences meet the new standard.

After taking in all this data, you're left with the decision to compete with Amazon or leverage them as another channel (or do both). Regardless of which way you're leaning, here are some key points we want to highlight one last time:

1. Consumers demand free shipping. If you choose to compete with Amazon, this is the first thing to figure out.
2. Consumers expect ease. If you choose to compete with Amazon, invest in your systems and website to make shopping a pleasant and seamless experience. Learn from Amazon's one-click check-out, product reviews and 'you may also like' features.
3. Consumers care about price. You don't have to be cheaper than Amazon, but you must match them (and don't forget about free shipping). Online shoppers can also be swayed with promotions.
4. Consumers want unique products. You can attract consumers away from Amazon by showcasing your individuality.
5. Amazon shoppers spend everywhere. If you do #1, 2, 3 and 4, you can increase your chances of success in the Amazon era.
6. Even if you operate your own stores and/or e-commerce sites, consider also using Amazon as a distribution channel.
7. Consumers expect a personalized experience like Amazon provides. Look outside your brand's limited view of the customer to connect with her on an individual level.
8. Work with tools and technology partners that can help you connect consumers with the products they want in the channels where they interact, even as their behaviors change.

According to Bluecore and NAPCO Research's survey of 251 retail executives:

35.5%

of retailers have either 'somewhat' or 'significantly' increased their technology spend to compete with Amazon.

53%

of retailers haven't changed their technology investments as a result of Amazon's industry impact.

According to Bluecore's A New Path for Retail: Co-Existing with the Force of Amazon:

30%

of retailers are currently selling their products through Amazon.

9%

of those retailers using Amazon, 50% of their sales come from this channel.

Ready to win more marketshare?

Surviving in the Amazon era may require a new approach to your marketing. Not just to a single campaign, but to your entire cross-channel strategy.

It starts with gaining a deep understanding of each consumer's online and offline behaviors, using data about what they buy, where they go and what they do. Once you've achieved that, you can personalize your messaging to them, maintain persistent conversations across their channels and devices, and optimize their experience—growing loyalty, driving sales and getting the most out of your marketing investment.

If you're ready to take this new approach and start winning more revenue, our experts are here to help.

Get in touch:

epsilon.com/contact-us

1 469 262 0600

About Epsilon

Epsilon® is an all-encompassing global marketing innovator. We provide unrivaled data intelligence and customer insights, world-class technology including loyalty, email and CRM platforms and data-driven creative, activation and execution. Epsilon's digital media arm, Conversant®, is a leader in personalized digital advertising and insights through its proprietary technology and trove of consumer marketing data, delivering digital marketing with unprecedented scale, accuracy and reach through personalized media programs and through CJ Affiliate™, one of the world's largest affiliate marketing networks. Together, we bring personalized marketing to consumers across offline and online channels, at moments of interest, that help drive business growth for brands. An Alliance Data® company, Epsilon employs over 8,000 associates in 70 offices worldwide.

epsilon.com | conversantmedia.com

EPSILON®

CONVERSANT®