Millward Brown Digital Original Research

**Amazon Prime’s Disruptive Impact on the Path to Purchase**

There are countless examples of how Amazon has disrupted the consumer path to purchase and altered the competitive retail landscape. One of the most visible examples is Amazon Prime. The program launched as a way for consumers to get unlimited two-day shipping for fixed annual fee, but has since morphed into a program full of so many benefits that it is both changing consumer perception of what value looks like, and leaving other retailers to figure out how to compete.

New Millward Brown Digital research suggests that the percentage of Amazon traffic from Amazon Prime members has increased 300% in the last year. The increase in Amazon Prime membership means that an increasing amount of shoppers at other retailers are also Prime members. For example, during the most recent holiday season, almost 1 in 10 Walmart.com shoppers was an Amazon Prime member.

*The Compete Panel: Q4 2013, Q4 2014*

Many retailers are in an admitted state of trying to catch up when it comes to ecommerce. Just last week, Target’s CEO announced that it would invest significantly in the next three years to improve its ecommerce experience.

The immediate challenge for retailers not named Amazon is that Amazon Prime is causing members to consider a narrower set of retailers when shopping online. An analysis of Prime vs Non-Prime members’ cross-shopping behaviors shows that less than 1% of Prime members are likely to consider any of the other most visited online retailers during the same session. Take Target.com for example: a non-Prime member is 8 times more likely than a Prime member to cross-shop between Amazon and Target in the same session. For retailers not named Amazon, this means fewer chances to influence the growing Amazon Prime segment – and heightened pressure to get the experience and value perception right.

*The Compete Panel: January-December 2014*

Amazon Prime’s conversion rate might be the most sobering bit of news for retailers. 63% of Amazon Prime members convert on the site in the same shopping session – almost 5 times the conversion rate of non-Prime members. There is no question that Amazon has found a way to attract (or maybe even create?) a segment of heavy online buyers with Prime. Amazon Prime members are certainly more frequent online buyers as evidenced by the Prime vs. Non-Prime member conversion rates across all of the top online retailers.

*The Compete Panel: January – December 2014*

Retailers are experimenting with a variety of tactics to more effectively compete with Amazon. Best Buy and Staples are among the many retailers offering price match guarantees. Target has launched a subscription program to mimic Amazon Subscribe and Save.

Much attention has been placed on driving more awareness/traffic to retail.com sites. The reality is that retailers need to do a better job removing purchase barriers and driving improved conversion rates. Amazon Prime might just be one of the few programs that has fearlessly removed purchase barriers in favor of creating a great customer experience.

**Millward Brown Digital**

Millward Brown Digital is the world’s leading digital expert in helping clients grow great brands. The clickstream data in this original research is sourced from the Compete panel: a 2 million member panel of US Internet users. The data is collected using a sophisticated multi-source approach, allowing it to account for any potential bias in a single source. The raw data is transformed into a single panel and normalized by employing algorithms and advanced analytics techniques, so that the final projections are representative of the Internet behavior of the population.

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