

# Amazon increases the cost of Prime membership, testing customer loyalty

Article

**The news:** Amazon is increasing the cost of its Prime membership for US subscribers, which it has historically done every four years, per a company press release.

- Users will now pay \$139 a year, a \$20 increase. The last boost was in 2018, when the annual fee rose from \$99 to \$119.
- The company justified the hike by noting that in the past few years, it has “added new benefits, increased delivery speed and selection, introduced award-winning entertainment, and offered exclusive discounts to members every day.”

**How we got here:** While it is true Amazon Prime membership benefits have evolved since the last price increase, Amazon’s ecommerce business is facing a new set of challenges. Shipping costs, including freight and fuel, are on the rise, while inflation has driven product costs up.

- **Andy Jassy**, Amazon’s CEO, **said** in the company’s Q3 2021 earnings statement that in Q4, the company expected “to incur several billions of dollars of additional costs in our Consumer business as we manage through labor supply shortages, increased wage costs, global supply chain issues, and increased freight and shipping costs.” He added Amazon would do “whatever it takes to minimize the impact on customers.”
- Since Amazon has thus far been able to weather supply-chain challenges and other issues better than most retailers, the fact it is raising prices is an acknowledgment that it can no longer swallow the costs.

**A value-add:** Globally, Prime had **more than 200 million members** as of last April, of whom about three-quarters were in the US. There’s some evidence the vast majority of members would tolerate a price hike.

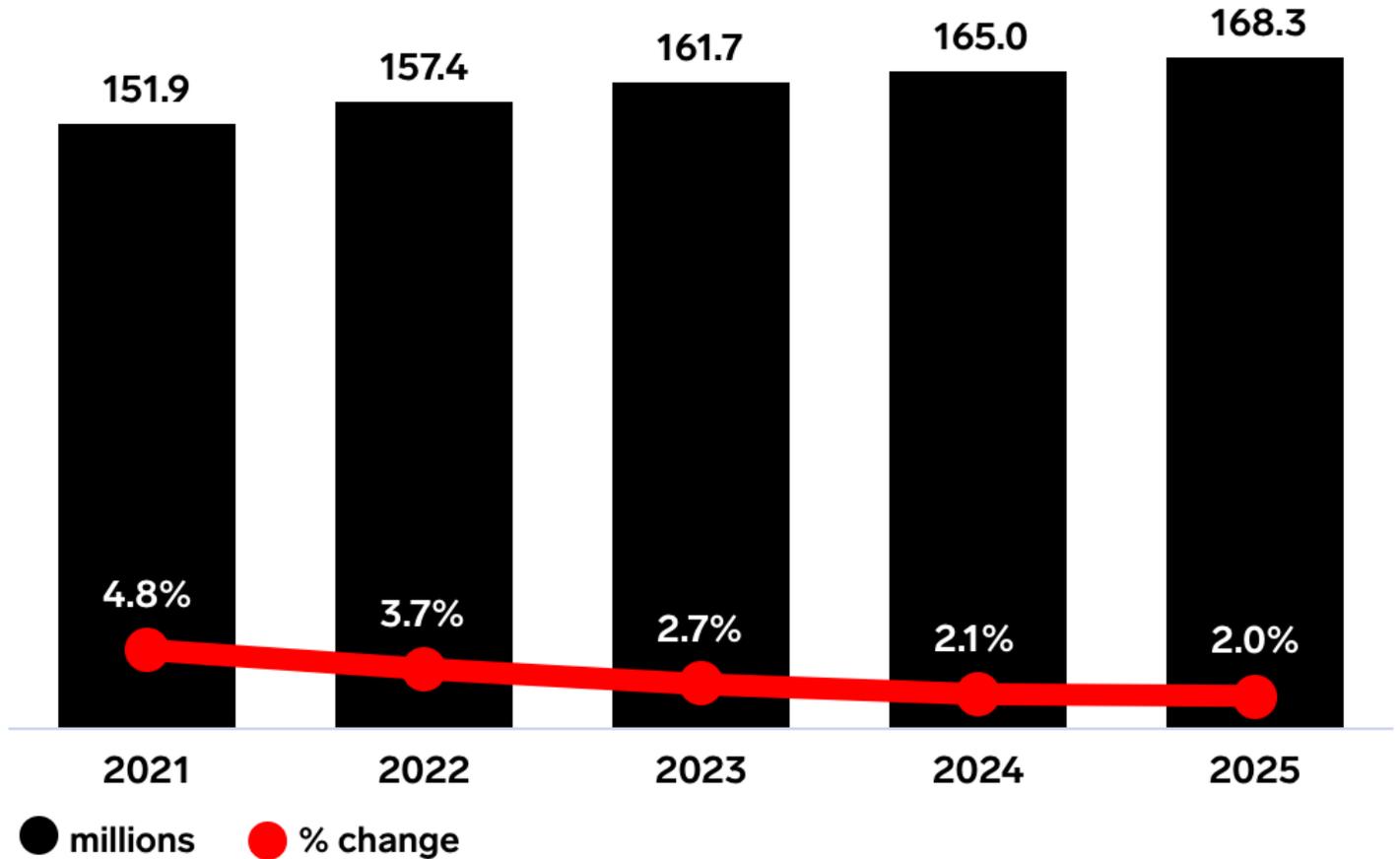
- The Prime membership includes other benefits such as unlimited streaming of certain movies and TV shows through Prime Video, as well as free access to music playlists, stations, and millions of songs. Starting in September, members will also be able to stream football games as part of the platform’s exclusive deal with the NFL.
- The sheer range of services available, from grocery delivery to free games to pharmacy subscription fulfillment, will be enough to keep most subscribers loyal, especially since no other companies offer a similar suite of benefits.

**Membership yields loyalty:** Among US Prime members who have been with the program for at least two years, about **98% renew their membership**, per December 2021 data from Consumer Intelligence Research Partners.

- Prime isn't the only membership that may get more expensive this year: **Costco Wholesale** raises its membership prices on five-year cycles, which makes it due for an increase in 2022. The big-box retailer **reported** its member renewal rate was 91% in the US and Canada at the end of 2021 and 89% worldwide.
- Like **Netflix**, which also **raised its prices** this year, Amazon Prime is seeing its US expansion slow to a trickle: We forecast subscriber growth will **drop to 2.0%** by 2025 as the market approaches saturation, which could be another driving factor in Amazon's decision to raise prices.

## Amazon Prime Users

US, 2021-2025



Source: eMarketer, October 2021

eMarketer | InsiderIntelligence.com

**The big takeaway:** While many say customer loyalty is dead, effective membership programs such as Prime demonstrate the potential to build a legion of highly devoted subscribers.