

# Amazon falls short in Q2 as consumers' price sensitivities hurt sales

Article

**The news:** Amazon missed quarterly sales expectations in Q2, despite hosting a series of smaller sales events to spur spending (and boost ad revenues) and an all-out push to speed up delivery to keep its low-cost Chinese competitors at bay.

- Sales rose 10% year over year (YoY) to \$147.98 billion, below LSEG's estimate of \$148.56 billion.
- The miss was the result of more consumers opting for cheaper products, CFO **Brian Olsavsky** said, which led to a lower average selling price.
- Amazon's advertising unit grew the fastest of all its divisions—up 20% YoY, to \$12.8 billion—but still fell short of expectations for \$13 billion in revenues.

**Defensive maneuvers:** Amazon remains the dominant force in US ecommerce by some margin, but it faces growing competition domestically and internationally from the likes of **Temu** and **Walmart**—not to mention the Federal Trade Commission and other regulators—which is forcing the retailer to move aggressively to protect its market share and enhance its appeal to price-conscious shoppers.

- Amazon has held at least six separate sales events this year—including Prime Day—with the aim of driving consumer spending and boosting awareness of its Prime offering. In the latter respect, those events have been successful: The retailer noted that a “record” number of people signed up for a membership in the three weeks leading up to Prime Day.
- But **most of its growth is coming from high-margin offerings like advertising and third-party seller services**. Sales from online stores grew just 5% YoY in the quarter, compared with 12% growth for third-party seller services, and 10% growth for subscription services.
- Amazon hopes that its new low-cost marketplace will help rejuvenate sales at the potential expense of Temu and **Shein**, particularly given the clear price sensitivities of its consumer base—although that could also mean lower margins if more shoppers gravitate toward the budget options.

**Back in expansion mode:** While consumers are increasingly fixated on price, **Amazon is on an unceasing drive to speed up fulfillment**, which the retailer believes is key to attracting shoppers and getting them to spend more—and more often.

- So far this year, Amazon delivered over 5 billion items the same or next-day worldwide, a new record and up 30% YoY, the company said.
- The retailer is in the midst of bringing those capabilities to rural areas with smaller, highly automated delivery centers—a move that could help it compete more effectively with

Walmart, which currently has the advantage in those regions thanks to its extensive store footprint and the ability to use those locations to get orders to customers faster.

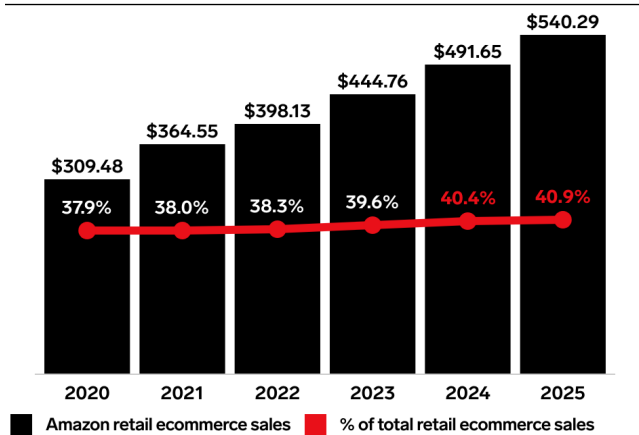
**Looking ahead:** Amazon expects market conditions to remain challenged in the current quarter: The retailer forecast revenues of between \$154 billion and \$158.5 billion, the midpoint of which is nearly \$2 billion less than the average analyst estimate of \$158.24 billion.

While that would still reflect relatively healthy growth of 8% to 11%, the company will have to adjust to shoppers' deal-seeking behaviors—which could mean more sales events and promotions in the second half of the year.

**Go further:** Check out our [US Amazon Ecommerce Forecast 2024](#).

### Amazon Will Surpass 40% of US Ecommerce Sales in 2024

billions in US Amazon retail ecommerce sales and % of total retail ecommerce sales, 2020-2025



Note: represents the gross value of products or services sold on amazon.com (browser or app), regardless of the method of payment or fulfillment; excludes travel and event tickets, Amazon Web Services (AWS) sales, advertising services, and credit card agreements; includes direct and marketplace sales; excludes Amazon Business sales  
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