

# 4 ways retail membership programs can compete with Amazon

Article

This year, US consumers will pay over \$35 billion in retail membership fees, according to our forecast. Some 53% of that will go to Amazon, making it by far the biggest player. But that doesn't mean other retailers shouldn't go after this source of revenues, loyalty, and consumer data.

“Amazon had a 15-year head start on Walmart in this area, so I wouldn’t necessarily count them out just yet,” our analyst Blake Droesch said on a recent episode of the “**Behind the Numbers: Reimagining Retail**” podcast. Here are four strategies Walmart and other retailers can take to draw paid members.

## 1. Expand into a flywheel

Retail memberships need to offer more than just retail. Customers expect free delivery, exclusive offerings, restaurant deals, media subscriptions, and more.

- Retailers are moving from “just selling goods to services, which can yield higher margins,” our analyst Sky Canaves said. “And Amazon’s clearly the best example.”
- Droesch said not to copy Amazon too closely. “If companies can get creative and build flywheels that actually offer personalization that can expand beyond what Amazon offers, then I think that could be really valuable.”
- The challenge with this strategy is the volume of partnerships required to offer a membership that draws consumers.

## 2. Personalize savings and offers

Retail memberships allow retailers to glean first-party customer data. Canaves said membership programs should leverage this data by tailoring offers, coupons, and promotions on an individual level based on purchase habits or histories.

## 3. Experiment with product partnerships

When it comes to memberships, exclusivity is key. Product partnerships offer a great way for retailers to show their programs are uniquely worthwhile.

- “Walmart could really leverage its relationships with [consumer packaged goods] (CPG) companies to create a network of product partnerships that could only be available to Walmart+ members,” said Droesch.
- Walmart did something similar earlier this year, offering **Walmart+ members exclusive access** to a new Oreo flavor, but they could take this offering much further.

- For example, Droesch pointed to Amazon's Subscribe & Save feature, which encourages consumers to make repeat, scheduled purchases on CPG items. Walmart is already a go-to for many of these items, so introducing an exclusive subscription program could add value and push customers into the Walmart+ program.

#### 4. Offer content deals and trials

As the streaming ecosystem gets cluttered and subscriptions get more expensive, subscription deals are an appealing option for consumers looking to cut back discretionary spending. Amazon has an advantage in this area as the owner of its own Prime Video platform, but competitors shouldn't shy away from seeking new partnerships with streamers.

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