

# Retailers look to membership programs to spur growth

Article



**The trend:** Best Buy and Walmart are increasingly looking to membership programs in the mold of Amazon's Amazon Prime and Apple's AppleCare to provide them with a recurring revenue stream and deepen ties with customers.

**More on this:** There's a good reason for the push: Amazon generated **\$31.77 billion** in subscription revenue last year (the vast majority of that is from Amazon Prime memberships),

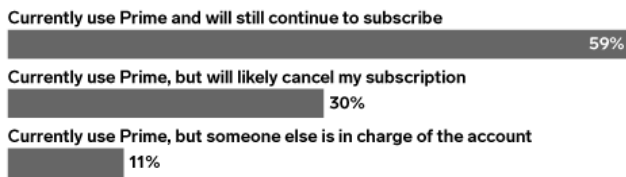
which was a **15%** jump year-over-year.

- Amazon's subscription revenue stands to continue to soar this year thanks to an increase in [the cost of its Prime membership](#) for US subscribers.
- The majority of Prime members plan to continue to subscribe after the increase, per CivicScience. That would be in line with historical trends.

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**Likelihood of Continuing to Subscribe to Amazon Prime After Membership Price Increase According to US Adult Prime Users, Feb 2022**

*% of respondents*



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Note: n=1,757; excludes non-Prime users  
Source: CivicScience as cited in company blog, Feb 10, 2022

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**The value argument:** Both Best Buy and Walmart are pushing their membership programs, TotalTech and Walmart+, by highlighting the significant value that members receive.

- TotalTech launched in October for \$199 per year. It offers benefits including product discounts and periodic access to hard-to-get inventory, free delivery and installation, free technical support, and extended warranties on products.
- “Because the membership is so comprehensive, it has broad appeal among our customers,” said CEO **Corie Barry**, during the retailer’s earnings call last week. “There is truly something for everyone. And the benefit that’s most appealing can vary based on a customer’s unique shopping journey or their stage in life.”
- Walmart rolled out Walmart+ in September 2020 for \$98 annually. The program provides free delivery on items purchased from a shopper’s store—including groceries—free shipping for online orders, discounts on prescription drugs and fuel, and access to mobile scan-and-go service.
- Last week, the retailer also launched an exclusive three-week sales event for Walmart+ members. It is reminiscent of Amazon’s Prime Day, which has grown into a major sales event since its 2015 launch.

**Holiday bump:** The number of consumers who pay for membership programs tends to increase during the holiday season and drop off in the following months, according to research conducted by Bizrate Insights for Insider Intelligence.

- **70.2%** of households paid for Amazon Prime in December, a 5.7 percentage point jump from October. That share then fell to **61.6%** in February.
- Similarly, **18.3%** of households had Walmart+ access in December, a **5.3 percentage point** increase from October. The share of those households then fell to **15.1%** in February.
- 8.8% of households paid for TotalTech in February, the first time that Bizrate asked about the service. That’s a larger share than **Nike Membership (7.1%), Instacart Express (5.9%),** and Target’s **Shipt** service (2.9%).

**Which Retail Membership Services Do US Adults\* Pay For?**

*% of respondents, by demographic, Feb 2022*

	Female	Male	18-34	35-54	55+	Total
Amazon Prime	64%	59%	60%	69%	55%	62%
Sam's Club	26%	22%	21%	25%	28%	24%
Costco	24%	23%	21%	25%	24%	23%
Walmart+	12%	18%	25%	14%	7%	15%
DoorDash DashPass	10%	11%	21%	8%	2%	10%
Best Buy	7%	11%	14%	6%	6%	9%
Nike	4%	10%	15%	6%	1%	7%
InstacartExpress	6%	6%	1%	6%	1%	6%
Shipt	2%	4%	6%	3%	1%	3%
Fresh Direct DeliveryPass	1%	3%	3%	1%	1%	2%
Other	2%	2%	1%	2%	1%	2%
None	20%	17%	13%	16%	1%	18%

Note: \*or any member in the household  
Source: "The Insider Intelligence Ecommerce Survey" conducted in February 2022 by Bizrate Insights, Feb 7, 2022

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**The big takeaway:** Membership programs can significantly boost customer lifetime value.

“These programs offer the retailer the ability to understand the voice of the customer from their feedback and from their behavior, which can be two different things,” said **Patty Soltis**, eMarketer principal analyst at Insider Intelligence. “Companies that execute this well take the combination of feedback and behavior to tailor their marketing programs and personalize.”