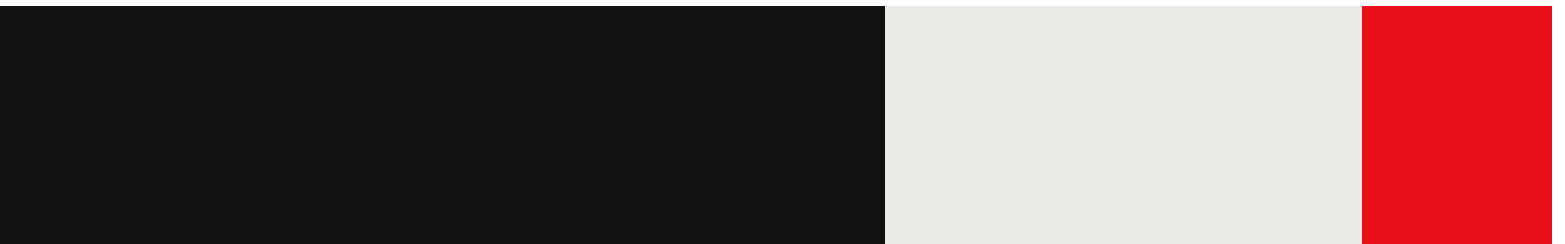


# Reimagining Retail: Prime Day 2024—How summer shopping behavior is changing and how marketers should react

Audio



On today's episode, we discuss this year's Prime Day. Was Amazon's ad platform breaking on the day of the big deal, how other retailers' event-day behavior is changing, and how the shopping holiday is impacting the back-to-school season. Listen to the conversation with our analyst Sara Lebow as she hosts analysts Sarah Marzano and Zak Stambor.

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## Episode Transcript:

Sara Lebow (00:00):

Partner with eMarketer on data-driven marketing materials. Our custom reports give eMarketer Media Solutions clients the opportunity to generate new category insights through original surveys and analysis. Visit [emarketer.com/advertise](https://emarketer.com/advertise) to learn more. Hello, listeners. Today is Wednesday, July 24th. Welcome to Behind the Numbers: Reimagining Retail, an EMARKETER podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sara Lebow. Today's episode topic is a Prime Day recap. Before we jump into what happened last week, let's meet today's guests. Joining me for today's episode, we have Principal Analyst Sarah Marzano. Hi Sarah.

Sarah Marzano (00:51):

Thanks for having me.

Sara Lebow (00:53):

Sorry. It's that name's Sarah that gets me.

Sarah Marzano (00:55):

It's a tough one.

Sara Lebow (00:56):

It's a hard one. Also with us is Senior Analyst Zak Stambor. Hey Zak.

Zak Stambor (01:00):

Yeah. Hey, Sarahs.

Sara Lebow (01:02):

Hello. Hi, Zack.

Zak Stambor (01:04):

Do not leave that in.

Sara Lebow (01:06):

That's okay. Let's jump in. Prime Day was last week, and according to my parents, they didn't buy anything, because the cheese grater that they wanted did not go on sale, but everyone else bought stuff apparently, because US retailers made \$14.2 billion in online sales according to Adobe. My first question for each of you is, what is one early data point that has captured your attention this Prime Day? Zak, I'll hand it to you first.

Zak Stambor (01:34):

Sure. So Buy Now, Pay Later accounted for 7.6% of online orders, which is up 16.4% year over year. And that really stuck out at me. Buy Now, Pay Later use has been soaring over the past few years. Last year it was 6.4% of all orders, and consumers are continuing to spend, but they're increasingly turning to credit and credit alternative options such as Buy Now, Pay Later. And it's interesting. It'll be interesting to see whether they're overextending themselves, or just using this as just another option to enable them to keep spending.

Sara Lebow (02:13):

Yeah. That's so scary to me. I feel like that is indicative that maybe consumers are really willing to take on debt, because that's the way that they can make those big purchases, but I don't know. That's jumping a few steps to make that conclusion. So who could say?

Sarah Marzano (02:27):

Did you guys see the Chase and Marriott Travel Now, Pay Later launch? We're going to be able to do this everywhere.

Sara Lebow (02:34):

All right. Sounds like that's a future podcast episode. Sarah, what is a data point that stood out to you?

Sarah Marzano (02:41):

Yeah. So I was reviewing some CivicScience survey data on Prime Day, and one thing that jumped out at me was that they asked Prime Day shoppers where else they shopped during this year's Prime Day, and TikTok's Deals for You Days came in at 10%, which jumped out at me for a few reasons. We're going to get into a lot of the themes in this episode, but we know this is becoming a very competitive time of year for retailers, and it was just interesting to me to see TikTok being talked about in the same breath that we're talking about Target, talking

about Walmart, and just this being the first year of their sale, them taking such a significant chunk of the landscape. And then if you get into the demographics, we saw Prime Day shoppers skewing a bit older this year than they have in prior years, and I think TikTok is a nice counterbalance to that, because we know the demographics of shoppers there skew a lot younger. So some interesting dynamics for brands and retailers to consider.

Sara Lebow (03:35):

Yeah. That's fascinating. If I am Amazon, and I'm seeing older people on my site, younger people on TikTok, I'm hearing alarm bells for sure.

Zak Stambor (03:42):

Yeah, especially since a lot of that's probably discretionary spending, that is just something they stumbled upon, whereas a lot of Prime Day spending, certainly you have those purchases, but garbage bags for one of the top-selling things. There's a lot of those staples that people just throw in their cart, because it's a little bit cheaper.

Sarah Marzano (04:00):

Right. And I think you touched on this, Zak, but the inherent nature of how folks shop on social commerce, and TikTok especially, it really lends itself to those impulse purchases, right? Something that's a little bit less planful-

Sara Lebow (04:01):

Yeah. Discovery.

Sarah Marzano (04:12):

... something you discovered in the moment you take that quick action on, versus on Prime Day, we saw so much data around how even if it was something like garbage bags, consumers largely knew what they were going to shop for going into the event. There's a lot of planning. There's going to be a little bit less room for impulse, especially in this economic environment. So I think that's another interesting way that TikTok contrasts with some of the larger, more traditional retailers.

Sara Lebow (04:33):

Yeah. My parents put seven cheese graters in their shopping cart, and waited to see if any of them went on sale-

Sarah Marzano (04:38):

And none of them went on sale?

Sara Lebow (04:39):

No. Sorry to my parents and their cheese.

Sarah Marzano (04:41):

I also want to know what cheese grater.

Sara Lebow (04:43):

Meanwhile, I am on TikTok trying to decide if I should buy a fidget toy or not.

Sarah Marzano (04:49):

You should.

Sara Lebow (04:50):

Very different kinds of shopping on both platforms. But that does lead into another question I had, which is July is really becoming a retail month. Right? We have Prime Day. We have Way Day. Everyone has a shopping holiday. How is other retailers' behavior around Prime Day changing?

Zak Stambor (05:09):

It's really interesting, because it used to be retailers would take Prime Day on head to head. They would put their event right at the same timing as Amazon. And this year in particular, that hasn't been the case. Most retailers got a head start on Amazon. They didn't wait for Amazon to say when Prime Day would occur. They just launched their event, and consumers have limited discretionary spend, and they wanted to capture that, and capture it ahead of Amazon. And that's what we saw this year.

Sara Lebow (05:41):

Zak, I'm asking you to make a million leaps here, but could that have something to do with people using more Buy Now, Pay Later on Prime Day, that they spent some of that discretionary money ahead of time?

Zak Stambor (05:51):

It's possible. I do think that might be a leap too far.

Sara Lebow (05:55):

Okay.

Zak Stambor (05:56):

It's possible, and particularly at the margins, I'm sure that's the case for some people.

Sara Lebow (06:01):

Mm-hmm.

Sarah Marzano (06:01):

I think it makes sense to see retailers stagger their events while there is still any white space in the month of July to do that, because we know consumers are so well versed in price comparison. So one of the only ways to avoid what's a promotional race to rock bottom is to make sure that your event is happening in a different timeframe, and if you can capture some of that early energy, or momentum, that's one way to differentiate yourself, but I think there's a finite amount of room to flex there for retailers who are looking for white space to compete with Amazon.

Sara Lebow (06:34):

Yeah. That race to the bottom is one topic. Another one is the race to the start. That brings me to Back to School, which is getting earlier and earlier. Prime Day it is a Back to School event, right? Positioned in July, school starts in August and September in the United States. How is Prime Day impacting Back to School, getting earlier and earlier, and also how is Back to School impacting Prime Day?

Sarah Marzano (06:58):

Yeah. I think just given the timing of Prime Day starting in July, and the length of time it's been running, it's unofficially accepted as the jumpstart of Back to School shopping. Some slight shifts in dynamics this year with Prime Day being a week later than it has been in years past. So it's even closer to that Back to School shopping timeframe. But I think when reviewing some of the early results, what stood out to me is that the sheer fact of Prime Day existing isn't enough to really overcome the overarching impact of the broader economic landscape, and how consumers are feeling.

(07:29):

So we saw more muted behavior in terms of customers who are going on to Amazon to shop early for Back to School, shop early for holiday, or gift-giving, and really going back, Zak, to the point that you made earlier around focusing on those everyday personal items, those essential goods, that being really the focus of where consumers were sitting. There was some data. I think it was from Adobe around some of the back to school categories seeing big week-over-week increases, but overall for me, the theme was really reflective of what we expect from the Back to School shopping timeframe in general. This year we're expecting more muted season.

Zak Stambor (08:03):

Yeah. But I think by and large a lot of consumers are just adopting the cheese grater-like behavior of your parents, and they're looking for deals.

Sara Lebow (08:03):

Yeah.

Zak Stambor (08:11):

And they are accustomed to finding deals throughout July, and when those deals do emerge, they're just going to click and buy. And they're willing to wait around, because they've still got a decent amount of time.

Sarah Marzano (08:26):

That's a good point. You've got a list. You're working through the list.

Sara Lebow (08:28):



Yeah.

Sarah Marzano (08:29):

The urgency might not necessarily be there if you don't see the deal that you needed in order to convert.

Sara Lebow (08:34):

I think we've invented a concept called The Cheese Grater Effect, where you add six of the same item to your cart, and you wait for one of them to be discounted. That's also a shopping behavior that is horrible for retailers, because it makes it really difficult for them to track inventory in and out of carts, and shopping behaviors. But that is a completely different topic. Let's keep talking about Prime Day. We've talked some about the greater retail environment. I keep trying to make Zak make generalizations about what BNPL means, but let's talk about it a little more. How are Prime Day habits indicative of the greater retail environment?

Zak Stambor (09:13):

Yeah. I think consumers are spending, but they're looking for value, and they're looking for a deal. And this July retail environment with Prime Day being a prime example of it pun unintended is just one of the triggers that drives consumers to shop. And they did. They spent a lot, but they largely spent relatively small amounts of money. I think almost 2/3 of the items sold on Prime Day were sold for less than \$20. They were buying things like trash bags, Fire Stick, just small rather not big ticket items.

Sarah Marzano (09:52):

Yeah. I think Amazon is in such a unique position to give us an idea of the broader consumer sentiment, because of their scale, and their reach. I want to say it's over 70% of US households who have a Prime membership. So if we examine the behaviors that really emerge from Prime Day, we get a really good sense of how consumers are feeling. And I think there's just this maybe not super exciting practicality that's overshadowing a lot of the purchase behavior with that pre-planning, and again, that flocking to those essential goods categories. And while it's really fun I think to talk about big ticket buys, I also saw a data point that was "Less than 4% of the items purchased were over \$100," and I was looking for something that compared that to years past.

(10:33):

I wasn't able to find it, but it still stood out to me. But one thing I think it's important to touch on when we think about the move to some of those lower cost household CPG buys is how there's a lot of upside in this for a retailer like Amazon, because there's huge purchase frequency here. CPG brands are really big advertiser. So being able to capture that category for consumers, and hopefully influence their future behavior is definitely a win I think for Amazon, even though it might net out maybe some more muted results from an e-commerce revenue perspective.

Zak Stambor (11:04):

Yeah. I think that's such a good point, because once you've bought toilet paper from Amazon, you're probably just going to keep buying toilet paper from Amazon, because it's easier, and more convenient.

Sarah Marzano (11:14):

Also, if you accidentally Subscribe and Save, which I've done a couple of times.

Sara Lebow (11:17):

It's interesting you bring up Subscribe and Save though, because I was just looking at some Numerator data that we featured in one of our charts of the day. That's a shameless plug to subscribe to our Chart of the Day Newsletter. It's great. But Numerator had some data about how Amazon Subscribe and Save in a number of CPG categories, I think 9 out of the 10 that were tracked, the rates of Subscribe and Save have dropped a little. Actually not the rates, the penetration of sales that are Subscribe and Save have dropped a bit. And I do think that that's indicative, not that people aren't shopping for those things on Amazon anymore, but that people are holding off for those things' prices to drop a bit before they click that purchase item, instead of locking themselves at a given rate.

Sarah Marzano (11:59):

I also think replenishment subscription models are really tough to get right. There is so much potential friction if you don't get, let's stick with toilet paper, or paper towels, right. Something that is a household essential, if you get your shipment too early, and you are like me, and you live in a small apartment in New York, and you have nowhere to put this stuff, that's friction. That's frustration. Or if you go through your items faster than the Subscribe and Save, or subscription model is set up for, and you have to go without, that's friction as

well. And you pair that with an economic environment, where customers are consistently reviewing what they're spending money on, and it becomes really easy to prioritize cutting the cord on some of these. So it is an enticing place to play, because of the recurring revenue, but it's quite hard to get right.

Sara Lebow (12:44):

Yeah. Zak, did you have something to add there?

Zak Stambor (12:46):

Well, the other thing about it is that we have seen a lot of consumers trading down to store brand products. And when you see the item that you have a Subscribe and Save for kick up in price just a bit, I had that happen recently. It gives you pause, and reason to think, "Well, maybe I can just go to Target, and get their Good and Gather version of the same product, and save \$2." And what Sarah was saying just a moment ago, it is hard to get right, and even when you generally get it right, there are still elements that could drive somebody to think twice.

Sara Lebow (13:27):

I'm going to use the "It's hard to get it right" line to segue us into something pretty different, but still has to do with Prime Day. So this Prime Day on Prime Day day one, because it's a two-day event now and always, Amazon's ad platform broke briefly. Retail media ad revenues are huge for Amazon, and they're huge for Amazon on Prime Day. So how big a deal was this tech malfunction?

Sarah Marzano (13:53):

I think it's certainly not welcome press for Amazon, because of how important advertising sales are to them during this event, but we have seen that Amazon's e-commerce market share is not really moving much in years past, and how we have it forecast for Prime Day. In fact, if you look a little bit closer, if you're read between the lines, we're seeing e-commerce market share tick down, as competitors manage to steal some of that share. So for them, it's going to be really about pivoting to defend that market share, and to capitalize on that consumer behavior that they have created. So advertisers are really attracted to that volume of traffic. There's a lot of data around the increased spend that advertisers pour into Amazon's promotional offerings during this time. So certainly to have the ad platform go

down is not a very good look for them, especially given the competitive nature of retail media these days.

Sara Lebow (14:45):

I do think they're fortunate, not from an advertiser perspective, but that what, two days later, three days later, Microsoft CrowdStrike had that major outage. So it was far from the biggest tech snafu of the week.

Sarah Marzano (14:58):

They've had the benefit of it not being a slow newsweek up here.

Sara Lebow (15:03):

Good point.

Zak Stambor (15:04):

Right. But ultimately, I don't think it matters much, because you do just have to advertise on Amazon if you want to have the exposure. And it's not a great look, but ultimately, it probably doesn't move the needle at all.

Sara Lebow (15:21):

You do have to advertise on Amazon in order to get people to buy from your brand. How can those brand advertisers get people to buy with their brand in particular, instead of going to that other brand that's four cents cheaper on Prime Day?

Sarah Marzano (15:36):

I think this really gets to the importance of diversifying your advertising spend, and making sure that you're not concentrating all of your messaging low in the funnel, especially since we know consumers are planning their purchases really far in advance. So for advertisers, really thinking through how you can reach someone earlier in their planning process, we all as shoppers know that Prime Day is coming. So how can you get your message across again earlier in the game, and make sure you're part of that consideration set? Make sure you are one of the products that someone's got. Make sure you are that cheese grater that's sitting in the cart, just to bring it back.

Zak Stambor (16:11):

And I think it's also about taking advantage of all the opportunities out there during an event like Prime Day, where there's invite only deals, and limited items, and all those things that really drive somebody to say, "Okay. I can't wait. I'm just going to buy this now."

Sarah Marzano (16:29):

Don't put all your cheese graters in one basket.

Zak Stambor (16:32):

Oh my God.

Sara Lebow (16:32):

It would be nice if you're the cheese grater company to see that you're in someone's cart, and say, "Okay. Well that's a good opportunity to take 30 cents even off of that item." So I can say, "Here's a discount. I'm looking through my cart, and I'm inclined to buy that cheese grater." My parents are going to listen to this episode, and be unhappy with me. In the spirit of this podcast, I'm going to throw one extra question at you guys. So we can pretty much count on another Prime Day, quasi Prime Day event coming around October. That's what Amazon does now. What are you going to be watching for come the next Prime Day?

Sarah Marzano (17:07):

I think I'm going to be watching the competitive landscape again. I think it gets tough when we get into. I think this was the 10th year of Amazon Prime Day. It gets to the point where it's like talking about the holiday shopping timeframe, where there's not as much new stuff to talk about. So I'll be curious to see whether the competitive landscape is able to shake things up. Obviously, there's plenty going on in our broader political climate to influence consumer behavior, but I'm curious whether the holiday shopping timeframe is able to overcome some of that practicality that we see the consumer really focusing on, and if retailers are able to tap into some of that emotion, to incentivize maybe some of those bigger ticket purchases.

Zak Stambor (17:44):

I'm going to be looking at timing. The holiday season last year really kicked off on October 1st when Target launched its Target Circle Week, and that's super early. And I wonder if that will drive Amazon to adjust the timing of its Prime Big Deal Days, as well as if others also jump ahead of Amazon, and launch sales really, really early in the cycle, whether things will shake-

Sara Lebow (18:14):

Like September, or early October?

Zak Stambor (18:16):

Well, I think early October.

Sara Lebow (18:16):

Okay.

Zak Stambor (18:18):

Early October is insane. It's so early. Yeah.

Sara Lebow (18:22):

Yeah, and Sarah has a great point there that anything we're talking about in October, in November is impossible to predict in terms of how the markets will be behaving, how consumers will feel, what the vibes will be. It's impossible to predict what the vibes will be tomorrow. This is so generic election speak of me, but it's true. We don't know if people will be more cautious because of craziness, or more like, "YOLO. I'm spending all my money."

Sarah Marzano (18:46):

Caution to the wind? "I'm going to travel now pay later?"

Zak Stambor (18:49):

You do. I think I said this on the podcast at some point, you do see a tick up in spending every four years just about.

Sara Lebow (18:58):

Because it's a leap year, and people have one more extra day to spend.

Zak Stambor (19:02):

I think that's it. I think that's it. So I do think you probably will see a similar phenomenon this year, especially given all of the chaos that has ensued over the past week, if not few weeks.

Sara Lebow (19:14):

Yeah. Final question. Did you guys buy anything on Prime Day?

Sarah Marzano (19:17):

I did. I bought a big ticket item. I bought a travel stroller that I had been eyeing, and I had it in my cart. And I waited to see if it went on sale, and I made that purchase real quickly.

Sara Lebow (19:26):

Great. Travel now, stroll later.

Zak Stambor (19:29):

I also did, but I bought the most boring-

Sarah Marzano (19:33):

Garbage bags?

Zak Stambor (19:34):

... items. I did not buy garbage bags. No. I bought a hose nozzle, because my hose nozzle had broken, and I bought a reusable lunch bag, because my son just lost his reusable lunch bag.

Sarah Marzano (19:48):

Oh, practical.

Zak Stambor (19:49):

So those are the two things. Yeah.

Sara Lebow (19:50):

That's fair. Those are hard to keep track of. Okay. Well thank you both for discussing Prime Day with me today. Thank you, Sarah.

Sarah Marzano (19:58):

Thank you Sara.

Sara Lebow (19:59):

And thank you Zak.

Zak Stambor (20:01):

Yeah. Thanks for having me.

Sara Lebow (20:02):

Thank you to our listeners, and to Victoria who edits the podcast, and is a prime part of our team. We'll be back next Wednesday with another episode of Reimagining Retail, an eMarketer podcast. And tomorrow, join Marcus for another episode of the Behind the Numbers: Daily.