

Reimagining Retail: Amazon's second Prime Day event and how it has informed our predictions for the holiday season

Audio

On today's podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss how Amazon's second Prime Day performed and whether it's really a holiday sale. Then for "Red-Hot Retail," our analysts give us some spicy predictions about the 2023 holiday season. Join our analyst Sara Lebow as she hosts director of Briefings Jeremy Goldman and analyst Zak Stambor.

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Episode Transcript:

Sara Lebow:

Join eMarketer on November 3rd for our next virtual event, Attention! Trends and Predictions for 2024. Our leading analysts and executives from brands like Pepsi, Colgate-Palmolive, and

Kendra Scott will explore trends like generative AI, retail media, and more to help professionals to plan for the year ahead. Visit insiderintelligence.com/events/summit to register today.

Hello, listeners. Today is Wednesday, October 25th. 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 is Amazon's second Prime Day event and what it says about the upcoming holiday season.

First, let's meet today's guests. Joining me for today's episode, we have senior director of briefings, Jeremy Goldman. Welcome back, Jeremy.

Jeremy Goldman:

Happy almost Halloween. That's why I am dressed as a scarecrow.

Sara Lebow:

Happy almost Halloween. Yeah, they can't see at home, but you're definitely not lying about that.

Jeremy Goldman:

You'll just have to trust me.

Sara Lebow:

And also joining us today is senior analyst, Zak Stambor. Welcome, Zak.

Zak Stambor:

Hey, Sara. Hey, Jeremy.

Sara Lebow:

Okay, let's get started with free sample, our did-you-know segment where I share a fun fact, tidbit, or question. Today's free sample is something I learned last week at Advertising Week New York during a session with our colleague Paul Verna and eBay VP and GM of Global Advertising, Alex Kazim. Do either of you know what the first item sold on eBay was?

Jeremy Goldman:

Garbage Pail Kids cards.

Sara Lebow:

You're wrong. That's not it. Any guest from you, Zak?

Zak Stambor:

Oh, a book?

Sara Lebow:

Not a book. The first item that was transacted on eBay was a broken laser pointer. When I looked this up to confirm it, not only does eBay confirm that the 1995 sale occurred for \$14.83, but they also have a video of the buyer, a man named Mark Frazier, talking about his purchase. Why did he buy it? Because he wanted to fix a laser pointer. So, good reason to buy a broken laser pointer.

Zak Stambor:

I have nothing to say about that.

Sara Lebow:

The thing about these segments is, I always get to the end of it and no one ever has anything to say about it.

Jeremy Goldman:

I will say, why can't you buy it? That was the best, like you couldn't find one for 14.82?

Sara Lebow:

Well, you couldn't, because where were you going to look, other eBay?

Jeremy Goldman:

Yeah, that's true.

Zak Stambor:

How much is a laser pointer? Is that a good deal?

Sara Lebow:

I didn't do laser pointer research for this. Let me put that out there. In the video interview with Mr. Frazier, he said that he wanted a laser pointer for going to conferences and presenting, but they cost a hundred to \$200, which doesn't sound right to me, but it's also not 19.95 right now. So he looked for one that he could refurbish himself. Someone told him about eBay, which is also bizarre because this was the first thing on there. But someone told him about eBay, he bought this broken laser pointer and he fixed it. And as of the 2015 article I read, he still had it. So there's your little tidbit of information.

Okay, now it's time for our next segment, Retail Me This, Retail Me That, where we discuss an interesting retail topic. Today's topic is Amazon's second Prime Day event and what it says about the upcoming holiday season. The three of us chatted about the holidays back in September when it was still 90 degrees in New York City and in Chicago. So now nearly two months later, we have a bit more data to sift through. Amazon had its second Prime Day event, Prime Big Deals Day, say that three times fast, earlier this month. The event aims to pull holiday spend forward and get folks spending with Amazon specifically. Zak, can you break down for us how this event went this year?

Zak Stambor:

Yeah, so I think for Amazon, it was undoubtedly a success. They said it exceeded expectations, it outpaced last year's results. We forecast that the event generated \$5.9 billion in US e-commerce sales, which would be like an 8% increase year over year. And even more notably, compared to just a random two-day period, the Amazon sales were up like 152% and 70% higher than the average two-day period over November and December. So they propped up an event. They sold a lot of stuff. So I think that's undoubtedly a success. One other interesting fact that I saw a few moments ago was that non-Amazon sales actually declined over that period.

Sara Lebow:

Oh, that's interesting.

Zak Stambor:

There's like a 4% year-over-year decline in online sales per Salesforce. So they propped up an event, they saw a big gain, everybody else saw sales fall. So I think that's pretty good.

Sara Lebow:

That's the opposite of your normal Prime Day, right? Doesn't Prime Day usually accelerate retail e-commerce in general?

Zak Stambor:

Right, yes. And it does often foster rival sales. This year, what was interesting online is, it also provoked or sparked rival sales, but they weren't necessarily in line with Amazon. Targets started at the very first day of October, and sales are all over the place. Wayfair's is a few weeks after Amazon sale. So everybody is propping up sales in October, pushing the holiday season earlier, but not necessarily in line with Amazon.

Jeremy Goldman:

Which by the way, if you think about it, it kind of makes sense because you've seen definitely a lot of sales in response to this. Of course, they knew it was coming. In fairness, a lot of retailers were going to be pushing their sales earlier no matter what. But the interesting thing is, of course, it's just difficult when you're being reactive to somebody else's strategy, it's difficult to do as good of a job as they did.

The other thing I'll say is we're right in the thick of the holiday season, or maybe we're not quite in the thick of it, it's like we're getting there, and I think the early returns seem to suggest that this was good for Amazon. But it'll be also interesting to see, are they just pushing their sales earlier into the season and how well do they do throughout the rest of the season? I think that that's TBD obviously.

Sara Lebow:

Yeah, and it's kind of difficult to compare because this is only technically the second year Amazon has done this. They've had later Prime Days before because there was this little pandemic. But yeah, I mean there's not a ton to compare this event to.

Talking more about how people bought during the event, the average order size during the October Prime Day event was around \$53. That's according to numerator. That puts it lower than July's Prime Day sale, but higher than last October. Lower order sizes means to me that people probably weren't buying those big ticket gifts. That begs the question, is October Prime Day really a holiday sale or is it just a sale that takes place in October?

Zak Stambor:

I think it's both. I think they sell a lot of Crest 3D white strips. They sell Cottonelle toilet paper, which is what I bought during the event.

Sara Lebow:

Me too.

Zak Stambor:

But they also sell a lot of gifts. They sell AirPods and they sell Barbie play sets and they sell Catan board games. So they sell a whole lot of just stuff. Some of it is gifts, and some is just the stuff that you buy day in and day out, and that's what drives a big number in the end.

Sara Lebow:

And who's to say those Crest white strips aren't a gift? One year, all I got was a stapler because it was all I asked for.

Jeremy Goldman:

Okay, I just need to advise you next time you ask for stuff. But I think that, I'm glad Zak mentioned that, it's this untold story about the holiday season, is that it inspires people to buy a lot of stuff that they don't necessarily plan on gifting, but it's for themselves. Sometimes it's just little, not quite gifts, but just random things, like the Crest white strips, that they wanted to splurge on.

Sara Lebow:

Yeah. I mean, we talk about this some self-gifting. That's definitely a big thing. This is really speculative, but it's something that feels like it doesn't go away so much with inflation. You might be cutting back, but you still need stuff. And at the end of the year, when you're sort of taking stock of how much you've spent in the year and how much you might have that you didn't expect to have, it might be that time to buy those AirPods for yourself, not me, as they continue to sit in my cart. But, other people.

Zak Stambor:

I think that's right. I think people go to Amazon, they see there's a sale, they get that little nudge because it's like \$2 cheaper than it usually is, or just a few dollars cheaper, and that's all

they need to just click and buy. And that ultimately drives, like I said, the big result that they did see.

Sara Lebow:

Speaking of inflation, I mean it is still high. It's cooled off some, but it's still high. And a lot of people still have the big ticket items they bought a couple years ago. We talked on the Costco episode about how I'm still using my Costco TV, so this might not be the season for really expensive holiday gifts. But we see food and beverage holiday sales increase by 8%. We're seeing health and personal care sales increase by 6%. That's all according to our forecast. Can you tell me more about which categories you both are watching this holiday season? Jeremy, why don't you take that one first?

Jeremy Goldman:

Yeah, I think one thing, and we even discussed this offline beforehand, that there are things that are outside of the general categories that we've covered here, such as experiences that people are going to be spending a lot of money on. So I'm not going to talk about that now because Sara said not to. But what I will say is that certain things that are adjacent to experiences, particularly food and beverage being one example, things that empower experiences, like really festive holiday meals, those are categories that more and more people are able to convince themselves to take a chance on a product that they hadn't ever tried before. And people are, again, they're so comfortable with returning, so you can easily see buying something sight unseen and then returning it if it's not something that you actually wind up wanting. So I think food and beverage is definitely one to watch.

Zak Stambor:

And then there's a whole host of experience adjacent sort of categories, which there's apparel, there's health and personal care. Those are things that you buy when you are making plans to go to a nice meal, to go on a trip, that sort of thing. So that's another area that you might see stronger sales.

Sara Lebow:

That makes sense. And then let's talk more about e-commerce specifically. Unsurprisingly, e-commerce holiday sales have been on something of a journey. Growth was really high in 2020 for obvious reason and in 2021. It's slowed to 6% last year. And then this year, e-commerce

holiday sales growth will return to double digits at 11% according to our forecast. Zak, can you tell me more about this trend?

Zak Stambor:

Yeah, so I think to understand where e-commerce sits within the broader ecosystem, you really have to zoom out and look at, back in 2019, e-commerce is only 14.1% of holiday sales. This year it's almost 20%, I think it's 19.3%. So its share of overall sales has grown quite a bit over the past few years. Even if year to year, there were these smaller gains, those smaller gains were off of a pretty high number.

Sara Lebow:

Yeah. That 40% gain in 2020, I mean it really can't be negated, that those gains didn't go away even if growth slowed a little after that.

Zak Stambor:

Yeah, and what's really interesting is, this year the share of e-commerce sales is actually going to be higher than 2020 when you really had few options to go into a store.

Sara Lebow:

Yeah. Yeah, that's a really great point. Okay, before we jump into the second half, question for both of you. Have either of you started your holiday shopping yet?

Zak Stambor:

Absolutely not.

Jeremy Goldman:

I'm starting to look at new staplers to get you, but I haven't really pulled the trigger yet.

Sara Lebow:

I don't know where that stapler ended up going. I got that in high school, and I haven't seen it since. I've gotten some really practical holiday gifts. I got a pillow one year that I still use. I got dried mango at one point. Dried mango is great. Can't say no to that.

Zak Stambor:

Is it from Costco?

Sara Lebow:

I don't know where it was from, but I'm sure my mom will text me after she listens to this and let me know.

Okay, now it's time for our next segment, Red-Hot Retail. This is our guests' opportunity to give us their very specific and potentially risky predictions on a topic. The predictions can be mild, medium, spicy, or extra hot. The higher the spice level, the riskier the prediction. In our previous holiday episode in September, Jeremy and Zak told me they thought it would be a good season for buy now, pay later, which has rung true so far. With that prediction coming true, I'm excited to hear what four more predictions you both have for the 2023 holiday season. Jeremy and Zak will tell me what spice level to expect, and then they will share their prediction. Zak, why don't you kick us off with a spice level and a prediction?

Zak Stambor:

Okay. I have a fairly mild prediction, and that's that the e-commerce disruptors that are somewhat China adjacent, if not Chinese, Temu, Shein, TikTok Shop, are going to grab a lot of share by offering super cheap stuff, marketing their cheap stuff all over the place and driving a lot of people to just click and buy. These companies have really big ambitions. They have big budgets to advertise a lot. I mean, everywhere I look I see Temu ads. They're willing to spend just to grab the share and build these connections with consumers. So I think they're going to manage to do that.

Sara Lebow:

Yeah, a year ago when Temu sort of felt like it was still this emerging player, I remember I looked on their website at their holiday deals. I was really surprised to find that they weren't just a fashion website, but that they also had these incredibly cheap consumer electronics. And I think that's what will really drive holiday sales, is I have those AirPods sitting in my cart for who knows how long, but if I want really cheap headphones, I might look to a Temu. I probably will not because I think they might fall apart immediately, but another consumer might.

Zak Stambor:

Right. They might fall apart, but they're also only \$5 and so it's okay if they last a week.

Jeremy Goldman:

Eventually you'll do subscribe and save with Temu to get one every two weeks to replace the ones that-

Sara Lebow:

Or it'll be like that laser pointer where I can just learn how to fix them up myself. Jeremy, why don't you give us our next spice level next prediction?

Jeremy Goldman:

Absolutely. I would say spice level, this might be slightly above habanero, but not at the level of a ghost pepper.

Zak Stambor:

Oof.

Sara Lebow:

Okay.

Zak Stambor:

I think that there's so many retailers who are very excited to sell that they might forget about profitability to some extent. And I say that because one of the top ways to sell is on marketplaces, of course, and people are going to be spending a lot of money on retail media ads this year. As a result, that's going to eat into margins. And you will find a number of brands that think they did better than they actually did when they realized how much all of those incremental retail media dollars ate into their overall profitability this holiday season.

Sara Lebow:

This is a really fascinating prediction to me because from the most cynical brands we hear, retail media is a toll, it's a tax. It's the cost of listing yourself on a marketplace. And that might be true for some search ads, but in theory, you should have this budget for marketing that doesn't necessarily change just because now we're looking at retail media. In practice though, you might have your brand marketers sitting in a different room than your folks who are interested in merchandise. You might have all these teams sitting in different rooms spending different amounts of money without realizing how it adds up.

Zak Stambor:

And there's so many options out there for where you can spend those dollars that that's where you can get lost. You're allocating this amount to this platform, this amount to this platform, and then you lose sight of the end goal.

Sara Lebow:

Yeah, most retailers that advertise on more than one site advertise on as many as six, I think, and it can be even higher to 20. So definitely agree with that. It's no secret that I am excited about where retail media is headed. I'm excited to see these campaigns get more creative, higher in the funnel, but it definitely is also getting more expensive. I don't know that it's getting more expensive yet, but it could as inventory starts to become more scarce. Zak, why don't you give us our next spice level next prediction?

Zak Stambor:

Okay, I'm going to go medium here, and I'm going to say Walmart will emerge as the big winner this holiday season full stop. Walmart has had a really good year. They've ridden cheap groceries to build a lot of connections with higher income consumers who are now in the Walmart ecosystem. They're thinking about Walmart, maybe they bought a Walmart+ membership, and they are going to benefit from that this holiday season. And they also have really low prices. So Walmart obviously has a very big customer base, but that customer base is even bigger than it ever was. They also have the ability to leverage their stores for click and collect, and they have just a super vast selection of stuff, just like Amazon, thanks to their online marketplace. So I think they're going to do really well this holiday season.

Sara Lebow:

Something I'm watching at Walmart is the potential of their app. Target's app is something that we know to drive sales both out of store and in store. I heard someone say at Adweek that as many as 60 or 75% of target shoppers in store are also on the app or on the website. Walmart's app doesn't have that same loyal user experience as Target. I wonder what sort of steps that they're going to take. They've definitely taken improvement steps recently to keep that app improving and keep those folks loyal.

Zak Stambor:

It is interesting, the Target app, I mean, you need to engage with it to get all of the discounts available to you, so that's why you have it open in the store. Walmart doesn't have the same sort of functionality. That said, you can use it to navigate the store, which to me is a bit of a challenge because I rarely go to a Walmart. But yeah, I think there's a lot of opportunity to make the app more engaging and more interesting, that the more engaging, the more time people spend with it, the more they'll end up spending.

Jeremy Goldman:

By the way, this goes full circle to the point we were saying before about certain categories like grocery and staplers and such, where people are just randomly making these extra purchases during holiday. And part of that is because Amazon, let's say, has done a really great job of just increasing your time spent within their app. So you say, "What the heck?" And you make some ancillary purchases that you weren't going to. And I think the same thing is an opportunity for the Walmarts and Targets of the world for sure.

Sara Lebow:

Yeah, this is probably teasing something that we'll talk about in the future, but those impulsive buys that you get in store, you don't get as much on the app because you're not seeing the chocolate in the checkout line. So it'll be interesting in the future to see how your Amazons and other e-commerce retailers incentivize that sort of behavior.

Zak Stambor:

That's always been a challenge online, and it's a challenge that has not really been solved.

Sara Lebow:

Jeremy, why don't you give us our last spice level last prediction?

Jeremy Goldman:

I want to say this is in between a jalapeno and a poblano. Clearly, I know a little bit more of-

Sara Lebow:

It's mild?

Jeremy Goldman:

Yeah, that's mild. I was going to say, okay, so clearly I know more than both you guys about the Scoville way of delegating, but that's okay. No, this is more mild because I think that this just is a trend that we've seen over a few years now. But if you look at the Cyber Five that everybody loves to talk about, and I'm sure we will be talking about, and if you look to see just the amount of dollars that are being spent within those days as a percentage of total holiday retail e-commerce sales, a few years ago it was about 20%, and this year it is going to be down to 15.8% per our forecast.

Really just to go full circle, having these early holiday sales just captures a lot more of the sales that you can get from people early on and reduces your uncertainty as a retailer. But does it make people spend more in the end? Probably, but it also means that people have less money to spend when you get around to these major holiday events of the Cyber Five. So ultimately, it's just becoming less and less important. It's still, they're not insignificant because it's 15.8% of all total holiday retail e-comm sales over a five-day period.

Sara Lebow:

Right.

Zak Stambor:

And those are going to be like the biggest in sales days of the holiday season, even though their overall importance is diminished.

Sara Lebow:

So are we ever going to enter a post Cyber Five holiday season?

Zak Stambor:

No, I don't think so. I think having specific events that drive people to spend, and the Cyber Five has the benefit of their tight-knit around Thanksgiving, and so everyone associates spending with them. They'll just always be there. As the season stretches from October into January, they'll still be there. They'll always be there, and they'll always be important.

Jeremy Goldman:

Mm-hmm.

Sara Lebow:

Yeah, definitely agree with you. I think as long as we have Thanksgiving, we will have the Black Friday and the Cyber Five. Okay, that is all we have time for today, so thank you for joining me, Zak.

Zak Stambor:

Yeah, thanks for having me.

Sara Lebow:

And thank you, Jeremy.

Jeremy Goldman:

Great to be with you, guys.

Sara Lebow:

Please give us a rating and review wherever you listen to podcasts and follow us on Instagram at [@BehindTheNumbers_Podcast](#). Thank you to our listeners and to Victoria who jingle bell rocks at editing the podcast. We'll be back next Wednesday with another episode of Reimagining Retail, an eMarketer podcast. Tomorrow, join Marcus for another episode of the Behind the Numbers Daily.