

Amazon, Inc.

Long-time Prime Members Are Just Prime Members

CIRP has shown that Prime members are better Amazon.com customers compared to others. Overall, they spend about twice as much as non-members, by purchasing from Amazon.com much more frequently.

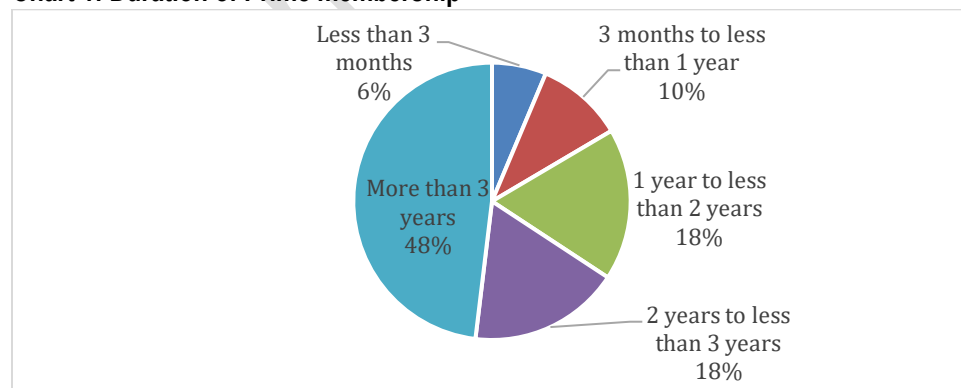
Here we analyze how duration of Prime membership affects customer behavior. We find that the length of Prime membership does not necessarily make a customer a better Amazon customer or spend more money overall. Long-duration Prime members shop more frequently at Amazon.com compared to other Prime members. Yet, these long-duration Prime members also spend somewhat less per visit.

Earlier CIRP showed that Prime members demonstrate extremely high renewal rates, especially after two years of membership. The renewal rate for Prime members that have a membership for at least two years has exceeded 95% for the last several years. It seems that Amazon benefits from long-duration Prime members' extreme loyalty, which in turn makes the Prime member behaviors more permanent. However, the value of an individual Prime member does not seem to grow over time.

We base this analysis on our quarterly survey of US Amazon.com customers for the twelve months ending September 2021, covering 1,308 Amazon Prime members.

Almost half of Prime members have had a membership for three years or longer (Chart 1).

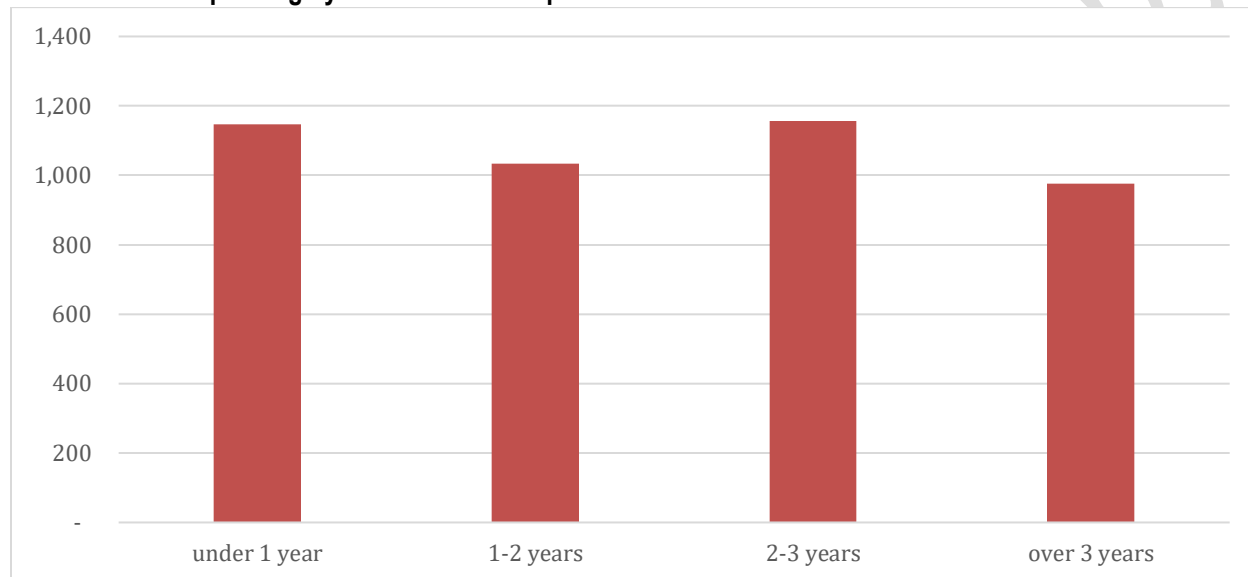
Chart 1: Duration of Prime membership



Only 6% of members report joining in the past three months, most likely using a 30-day free trial. 16% of members have had a membership for one year or less, within the usual one-year period before the first opportunity to renew annual membership.

Annual spending of Prime members declines slightly as Prime membership duration increases. Members with a membership for one year or less spend an average of about \$1,200 per year. Customers who have been Prime members the longest, for three years or more, spend about \$1,000 per year. (Chart 2).

Chart 2: Annual spending by Prime membership duration

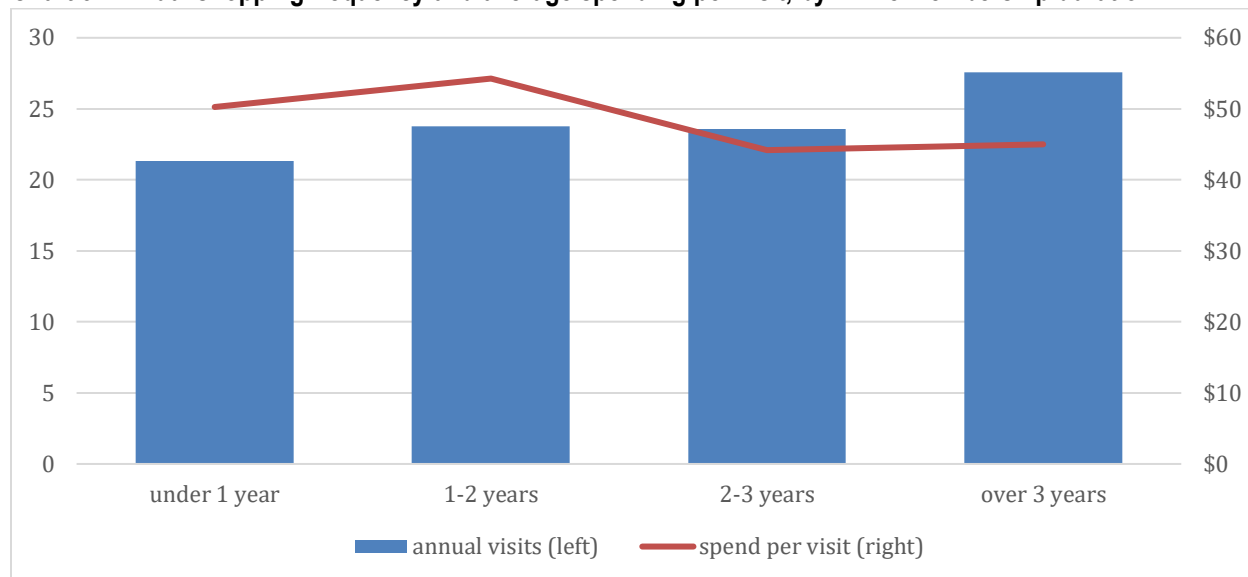


We analyze two components of annual spending, shopping frequency and average transaction size. We find the longer customers have a Prime membership, the more frequently they shop. Yet, they also spend less per order (Chart 3).

Customers that have a Prime membership for one year or less shop at Amazon.com an average of 21 times per year. This increases to an average of 28 times per year for Prime members who have a membership for three years or more.

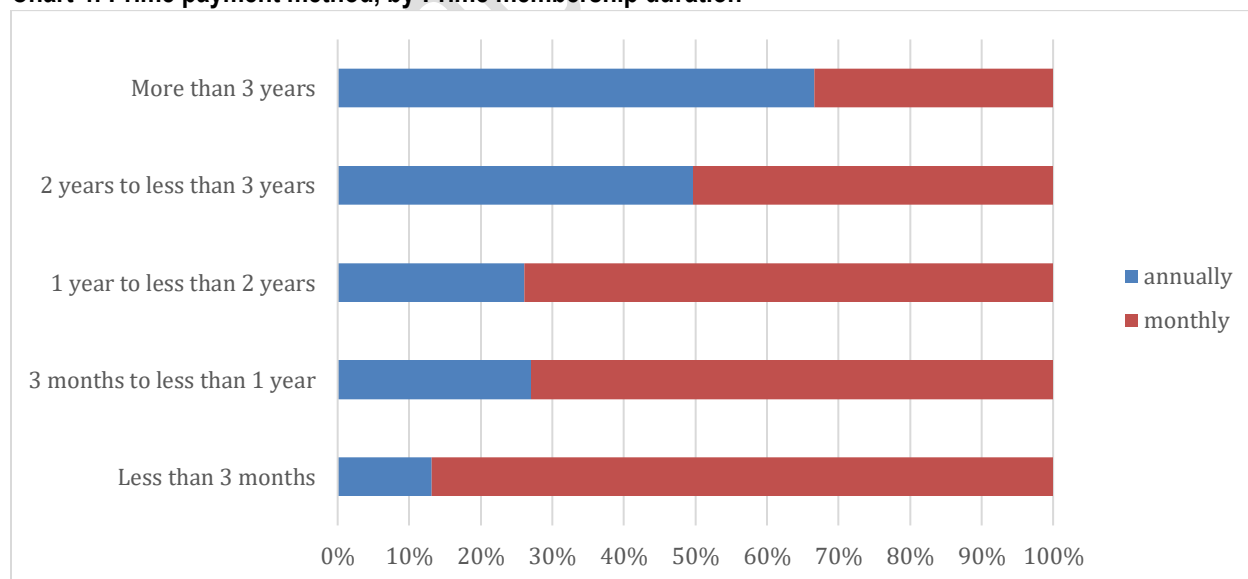
In contrast, spending per visit declines as Prime membership duration increases. Customers with a Prime membership for one year or less spend an average of \$50 per visit, compared to an average of \$45 per visit for customers with a Prime membership of three years or longer.

Chart 3: Annual shopping frequency and average spending per visit, by Prime membership duration



It is something of a surprise that Amazon Prime customers do not become more productive shoppers over time. That said, they are still an highly valuable asset to Amazon. Their loyalty is critical to Amazon maintaining and growing its share of retail sales. The fact that they continue to shop at Amazon and are not lured away to other retailers is a foundation of Amazon's retail sales growth. This commitment to Amazon is also evident in their membership payment status. While more than three-quarters of first year members pay for their membership monthly, and can therefore quit at any time, two-thirds of three-year or longer members pay for their membership annually (Chart 4).

Chart 4: Prime payment method, by Prime membership duration



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