



# Amazon

A Prime example of paid membership  
loyalty programmes



## The year is 2002...

Amazon is competing against the digital goliath that is eBay. Currently users pay \$9.48 for two-day delivery on any order in the US. This means overly expensive delivery costs for business customers who order frequently. The solution? Super Saver Shipping; a perk available to all customers that provided free shipping on orders over \$99, but with the drawback of extended delivery times. This had been trialled effectively over the previous 2 years with free holiday period shipping on orders over \$100. The price of this perk would drop over the coming months to \$49 and then to \$25.

### There were 2 issues with this solution:



It was still relatively inaccessible for most users who were purchasing small orders of 1 or 2 items. This was especially an issue with 1-click ordering of single items.



This service increased the delivery time of orders. This could be up to 10 days potentially if Super Saver shipping was used.

2004 rolls around and Charles Ward, a principal engineer at Amazon was frustrated with the service, mainly for the reasons above. He poses the following solution to his fellow developers:

***“Wouldn’t it be great if customers just gave us a chunk of change at the beginning of the year and we calculated zero for their shipping charges the rest of that year?”***

Amazon Chief Jeff Bezos had already started to consider this problem, so Charles’ idea lands well with the boss. Jeff wanted more focus on increasing the speed of shipping though, so his teams came up with the initial concept of Prime; A 1 day half-price or 2 day free delivery service with a membership fee. This is codenamed: Futurama. Released in 2005, Amazon Prime was a key player in propelling the business to far outperform its competitors.

# 20 years later and...

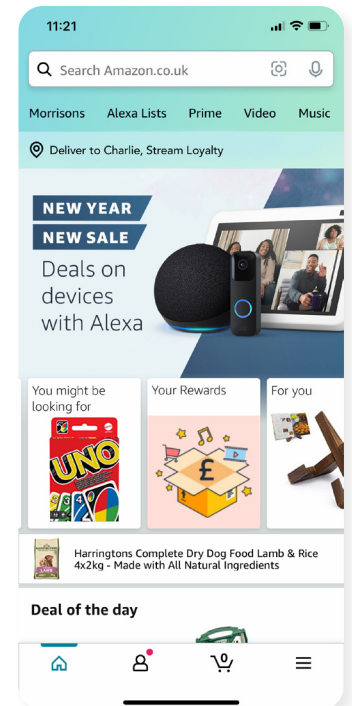
This would go on to evolve into the Amazon Prime programme so many of us currently use. Of course, this has gone beyond just rapid delivery, with Prime Video, Music Prime, Prime Reading and Prime Gaming included in the price.

## Prime loyalty mechanics

Amazon have perfected a system that encourages loyalty from their customers, almost a reliance (*I'm speaking from experience here!*). Let's look at a few of the techniques they use:

## Expanding their offering

1. Amazon have always been able to identify and invest in the right emerging markets. With a massive financial capital backing them, the e-commerce giant was able to almost match Netflix's content spend (\$17bn for Netflix in 2022 and \$15bn for Amazon). They have been trying to match Netflix's dominance in the streaming world and they have already invested £1bn in UK movie and tv production. They have also announced plans to spend \$1.5 billion a year on movies destined for cinema releases. This will facilitate the production of 12 to 15 movies a year.
2. They have also invested in music streaming with their Amazon Music Prime offering, however they haven't been able to capture as much market share in this space, due to the unconquerable giant that is Spotify. They hold 13%, behind Apple Music's 15% and Spotify's 31%.
3. Prime Reading allows members to read a huge library of books digitally for free, all included in the cost of membership.
4. Through Kindle's direct publishing Amazon helps self-publishing authors by printing soft and hardback copies upon order of their books.



## Using UI to remind customers of the benefits they receive by being members

1. By clearly displaying which products are eligible for Prime 1-day delivery, users are drawn to these as the most suitable option when searching for items to buy on Amazon. They are masters of using their UI to direct their customers to interact with their site in the desired ways. This is also used to affect customer purchasing habits.
2. The overall UI of Amazon's site has improved massively over the last 5 years, with easy access to each of their services.
3. They are able to use their other products to push the Prime benefits and services, especially any Alexa powered products.





## Reminding customers of the benefits they receive

1. When viewing your Prime subscription settings (possibly to unsubscribe), your profile clearly reminds you of the benefits you have seen from using Prime services.

### Your benefit usage

PRIME BENEFITS USED: **PAST 12 MONTHS** | PAST 30 DAYS



52

Packages shipped at no extra cost with Prime Delivery



802

Movies and TV shows watched with Prime Video



94

Songs listened to with Music Prime



## Pricing

1. By making Prime cheaper than Netflix (at least in the UK, in the US you pay for Prime video separately), it immediately seems like an amazing value service. Similar style content to Netflix, for less money and you get free, fast shipping on most products? – It seems like a no-brainer, right?
2. Starting in 2017, Prime Student allows people in education to benefit from half-price Prime services. This service also provides exclusive discounts on textbooks/stationery. This is a great example of diversifying your offering to different segments of your customer base to give them the most value.

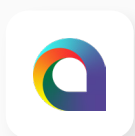


## Summary

In conclusion, whatever your thoughts are on paid membership programmes, it is easy to see how popular they can be given their benefits to the end customers. Benefits that arguably, a business can only afford to provide with the income from the membership costs. Amazon has capitalised on this better than anyone else, mainly due to their ability to evolve quickly as the world changes.

You definitely don't need to be the number 2 business in the Fortune 500 list to make a paid-membership loyalty programme work. You just need to have confidence and stay knowledgeable about your customer's needs and issues. This allows you to update your offerings to keep the value of the membership obvious.

One of the most important ways you need to keep your programme up-to-date is to ensure you are practicing and promoting sustainability and utilising eco-friendly offerings. We will undoubtedly see more green delivery options from Amazon, with electric delivery vehicles and drone delivery already being used.



**For more advice** on running a paid membership programme, contact us and see how our LoyaltyStream software can you help grow loyalty from your customers or employees.

# About the Author



## Charlie McMann

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With 5 years of experience in CX research, Charlie has a passion for ensuring customers get the most out of his programmes. Having always worked on global projects, he enjoys travelling and the challenges of working with different markets.

**We love talking about all things loyalty –  
if you fancy a loyalty chat, we'd love to hear from you!**

## About Stream

Stream are passionate about loyalty – we are the experts after all!

As a tech-enabled consultancy, we seek to understand your business challenges and your audience and work with you to craft a loyalty solution that delivers value. We are both consultants and implementers and use our extensive expertise and software capability to deliver proven, lasting results.

Loyalty is not 'one size fits all' and our team of commercial experts work to ensure that your loyalty strategy is right for you.

Whether you need to increase revenue, grow breadth of spend, or create a referrer programme, we have the experience to help sculpt the right solution. Our proprietary loyalty software- LoyaltyStream® helps to: retain customers, change buying behaviours, build brand loyalty and drive referrals.

Our LoyaltyStream® software is deployed globally, helping our clients to build trust that delivers brand loyalty and commercial rewards.

We guarantee to be able to help you Keep, Grow and Win customers for life.



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