

A 'muted' Prime Day? Enthusiasm for Amazon's big sale may be fading

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As customers put the final touches on their Amazon Prime Day shopping list, some analysts and researchers are cautioning the e-commerce retailer's biggest sale might not bring the same flood of customers and cash as it has in the past.

It comes down to the usual suspects: inflation, competition and profitability.

"This year, it's a little less promotion, discounts are not as steep," said Melissa Burdick, who works with sellers who advertise on the e-commerce platform through her software company Pacvue.

Amazon could see a "more muted benefit" from Prime Day this year "given the challenging macro backdrop," analysts Doug Anmuth and Bryan Smilek from JPMorgan Chase wrote in a memo Monday, pointing to supply chain disruptions, a tight labor market, inflation and a decrease in [consumer spending](#).

Competitors might be catching up, luring customers with promises of low prices on inventory they're looking to get rid of, said Seema Shah, senior director of research and analytics at digital intelligence platform Similarweb.

The average price per unit—a measurement of units sold and revenue brought in—fell roughly 1% at Target in the past year, according to Similarweb. Walmart saw its rate increase in the low single-digits. Amazon's increase was in the midteens.

In June, Walmart and Target saw a 4% increase in the number of units sold. Amazon saw a 2% decline.

"You're going to see Target have their own type of deal" in response to Amazon's Prime Days, Shah said. "It doesn't mean it'll be the same exact products or that Amazon's is so much larger, but still people have a limited set of dollars so where are you going to spend?"

"I certainly think [Prime Day will be] positive," she said. "I just don't think it'll be as strong."

Amazon declined to comment for this article. This year's Prime Day will feature deals up to 79% off across electronics, tech devices, toys, beauty, fashion and home, it said in a news release. The 48-hour event started at 3 a.m. Tuesday.

Leading up to the big day, consumers didn't search for information about Prime Day on Google as often as they did in past years, according to data from the [search engine](#) that tracks what people are looking for online.

After launching Prime Day in 2015, search traffic dipped in 2016 and then rose steadily, peaking in 2018. It fell again in 2019, 2020 and 2021.

"Prime Day 2022 seems to have less hype going in than previous years," the JP Morgan analysts wrote.

Still, they expect Amazon will see revenue from Prime Day increase 5% year over year, from \$5.3 billion in 2021 to \$5.6 billion in 2022.

Amazon will continue to reap those financial rewards after the discounts end, the analysts wrote, expecting more third-party sellers to sign up to sell their products on the e-commerce platform and more customers to subscribe to Prime after the discounts end.

JP Morgan estimates Prime subscriptions will increase 13% this year, bringing its total to 270 million subscribers globally.

Amazon raised the price of a Prime membership this spring—from \$12.99 to \$14.99 per month—to offset rising expenses related to inflation, transportation and wages. Since then, it hopes to entice customers with more benefits for the subscription, including the expansion of one-day shipping and access to more entertainment like Thursday Night Football. Most recently, it announced Prime members in the U.S. would also get free access to the meal delivery service Grubhub

for a year.

"Prime Day is about growing Prime," Pacvue's Burdick said.

In her role at Pacvue, Burdick helps companies optimize and automate the bidding process for ad dollars. In other words, it helps them understand how much they should spend to get their ad and product in front of the most eyeballs.

Leading up to Prime Day this year, Amazon encouraged sellers to spend more on advertising and launched a new tool to offer recommendations on how much they should budget for the discount days.

Amazon also hired influencers to promote Prime Day on [social media](#), hoping to make inroads in the "live shopping" category, Burdick said.

This is the first Prime Day since Amazon's leadership shake-up of its retail division. Dave Clark, who took over Amazon's worldwide consumer division in January 2021, resigned from the post in June. Doug Herrington, a 17-year Amazon veteran who helped launch Amazon Fresh and led the company's North American Consumer Business, is taking over to cover Amazon's online and physical stores, marketplace for third-party sellers and Prime subscriptions.

Herrington is not the typical Amazon leader, according to Burdick, who worked at Amazon for 10 years before founding Pacvue. He's quiet and calm and "takes it all in" before acting, she said.

Burdick remembers when she started at Amazon, "everything was breaking," customers were complaining, and laundry detergent would leak all over consumers' purchases. Herrington sent a team of about 80 employees to a fulfillment center to see how products moved through their warehouse, identify where things weren't working and then come

back to corporate headquarters to make improvements.

Burdick coined the hands-on problem-solving philosophy "eat your own dog food," meaning the employees had to go experience the problems themselves to help find a solution.

Amazon did not respond to questions about whether the leadership change would impact its Prime Day strategy or how it would handle some of the pressures that analysts worry could slow down revenue growth for the company.

Already, Amazon is gearing up for its next big deal this year: a second Prime deal day planned for October. The company is asking sellers on its platforms to submit bids for advertising this month, Burdick said.

Now, it's up to Target and Walmart to decide if they will follow suit, she said, adding their own deals that will push the start of Christmas shopping into September.

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