

## Amazon Announces a Record Third Annual Prime Day



Source: amazon.com

- 1) Amazon announced that its third annual Prime Day shopping event, which ran for 30 hours, was the biggest day in Amazon history in terms of revenue, surpassing Black Friday and Cyber Monday.
- 2) The company announced that orders increased by 60% over the corresponding 30-hour period a year ago and that orders from Prime members increased by more than 50% over the prior year.
- 3) These figures build on those from last year's Prime Day, which Amazon reported generated 60% more orders worldwide and 50% plus more orders in the US than its inaugural Prime Day did in 2015.
- 4) The Echo Dot was the best-selling Amazon device as well as the best-selling device by any manufacturer. Sales of other Amazon devices such as the Echo, Fire tablets and Kindle e-readers also set records.
- 5) Estimates for total revenues generated over the day ranged from \$1 billion to \$2.2 billion. The \$1 billion figure represents three times Amazon's average daily sales.
- 6) Prime Day helps increase the ranks of key Prime members, who spend nearly twice as much annually as non-Prime members. It also generates consumer enthusiasm during the summer doldrums and allows the unloading of some slow-selling merchandise.

### Amazon's Announcement

On July 12, Amazon announced that its third annual Prime Day shopping event was the biggest day in Amazon history in terms of revenue, with sales surpassing those of Black Friday and Cyber Monday. In 2017, Prime Day actually started at 9:00 p.m., PDT, the day before and ran for a total of 30 hours.

Amazon made comments that suggest the following:

- Total orders grew by more than 60% over the corresponding 30-hour period last year.
- Tens of millions of Prime members made purchases, and their orders increased by 50% year over year.

As a reminder, these figures build on those from last year's Prime Day: Amazon reported that orders grew by 60% worldwide on Prime Day 2016 and by more than 50% in the US.

Amazon's consumer electronics products were heavily discounted, and the company commented that the Echo Dot was the best-selling Amazon device as well as the best-

selling device by any manufacturer. The price for the Echo speaker was reduced to \$89.99. Sales of other Amazon devices such as the Echo, Fire tablets and Kindle e-readers also set records.

Amazon’s deal for the Element 55-Inch 4K Ultra HD Smart LED TV was the best-selling TV deal in Amazon’s history.

The table below lists the top-selling products by country/region.

**Figure 1. Top-Selling Products on Prime Day 2017, by Country/Region**

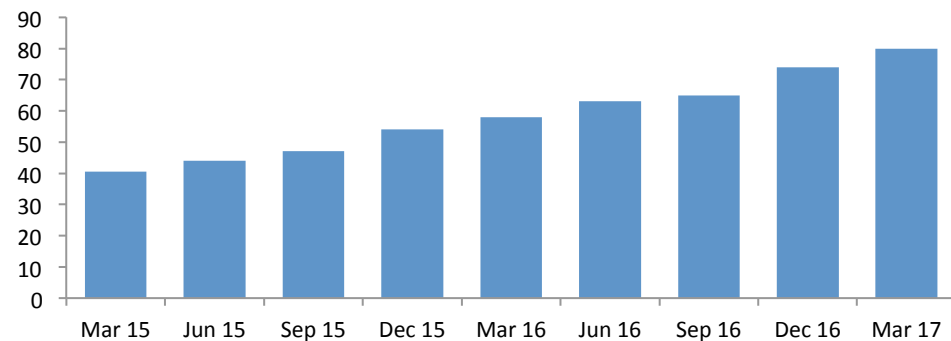
Country/Region	Products
Canada	Multiuse programmable pressure cooker, AmazonBasics AA rechargeable batteries
China	Fisher-Price Soothe & Glow Seahorse, <i>Sapiens: A Brief History of Humankind</i> plus <i>Homo Deus: A Brief History of Tomorrow</i> set
France and Belgium	PlayStation Plus membership, <i>Game of Thrones</i> Blu-ray
Germany and Austria	PlayStation Plus membership, SodaStream
India	OnePlus 5 phone, Seagate portable external drive
Italy	All in One Max tablets, espresso machine
Japan	Whey protein, bottled water
Mexico	AmazonBasics Apple Lightning to USB cable, Nintendo Switch
Spain	USB 3.0 flash drive, Moto G Plus smartphone, Lenovo Ideapad 310 laptop
UK	Wi-Fi smart plug, Sony PlayStation 4
US	Pressure cooker, DNA and ancestry test

Source: Amazon

**What It Means**

In addition to serving as a means to drive sales during the summer doldrums and possibly close out some slow-selling products, Amazon Prime Day is also a clever way to get new customers to sign up for Prime membership. Prime members are a key driving force behind Amazon’s spectacular growth. They are likely less price sensitive than nonmembers (as they are placing Prime orders so as to “get their money’s worth” for their \$99 annual subscription) and they spend \$1,300 annually, versus \$700 for non-Prime members, according to Statista. The graph below shows the estimated number of Prime members, according to Consumer Intelligence Research Partners. The firm estimates that there were 80 million members in March 2017, up 38% from 58 million a year earlier.

**Figure 2. Estimated Number of Amazon Prime Members (Mil.)**



Source: Consumer Intelligence Research Partners



Estimates for Amazon's revenue during the 30-hour Prime Day period ranged from \$1 billion (according to Cowen, J.P. Morgan and others) to \$2.2 billion (according to *Internet Retailer*). The \$1 billion figure is three times Amazon's average daily sales, according to Bloomberg.

#### Comparison to Other Shopping Holidays

Although Prime Day reportedly generated greater sales for Amazon than Black Friday or Cyber Monday did, it is much smaller than other recently invented shopping holidays. For example:

- **Alibaba's Singles' Day festival** on November 11, 2016, generated total gross market value of \$17.8 billion.
- **JD.com's annual shopping festival** generated sales of \$17.6 billion during the first 18 days of June this year.

#### Other Retailers' Responses

Other retailers responded to Prime Day with deals of their own:

- **Best Buy** offered up to 40% off major appliances through July 12 and \$500 off Samsung 4K televisions.
- **Google** offered its Google Home speaker and Chromecast streaming device for \$99.99 on eBay.
- **Macy's** advertised up to 60% off "everything summer" on its website.
- **Sears** announced a "Summer Splash" promotion, offering online-only deals on products such as kitchen appliances and women's jeans.
- **Toys "R" Us** offered 20% off everything on its website.
- **Walmart** offered deals on electronics, including drones, phones, tablets and televisions.

#### Conclusion

Amazon Prime Day serves as a clever marketing event that draws attention and adds members to its Prime program in the middle of summer, when consumers are more likely to be thinking about summer vacations than shopping. The greatest discounts were on Amazon's own consumer electronics products, which use Amazon content and offer features exclusively to Prime members. These members are extremely important to Amazon, as they are relatively price insensitive and spend nearly twice as much on Amazon annually as non-Prime members do.



FLASH REPORT

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**Deborah Weinswig, CPA**

Managing Director  
Fung Global Retail & Technology  
New York: 917.655.6790  
Hong Kong: 852.6119.1779  
China: 86.186.1420.3016  
deborahweinswig@fung1937.com

**John Harmon, CFA**

Senior Analyst

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**Hong Kong:**

8th Floor, LiFung Tower  
888 Cheung Sha Wan Road, Kowloon  
Hong Kong  
Tel: 852 2300 4406

**London:**

242–246 Marylebone Road  
London, NW1 6JQ  
United Kingdom  
Tel: 44 (0)20 7616 8988

**New York:**

1359 Broadway, 18th Floor  
New York, NY 10018  
Tel: 646 839 7017

**[FungGlobalRetailTech.com](http://FungGlobalRetailTech.com)**