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**Amazon Increases Prime Membership by 25%,
Prime Members Discount Amazon Brand Engagement by 10%**

NEW YORK, NY, March 20, 2014 –Last Friday Amazon announced they were raising their annual Prime Membership fee by 25% to \$99.00. They say it's all about shipping costs and there were rumors of increases of as much as 50%, but the lower increase was, apparently, thought to be the price point that would upset the fewest number of members.

“Based on immediate Prime member reactions, they may have underestimated the negative effects of the increase,” said Robert Passikoff, founder and president of Brand Keys, Inc. (www.brandkeys.com), the New York-based brand engagement and customer loyalty research consultancy. “Consumer expectations are always on the increase, and when it comes to online retail, they operate in a ‘what-have-you-done-for-me-recently?’ paradigm. Price increases weren’t what Prime Members were expecting.”

In a survey conducted by Brand Keys March 14 -16, among 1,050 Amazon Prime members, metrics – independently validated as predictive of consumer behavior towards brands – showed that the Amazon brand took a blow to its normally high overall brand engagement and loyalty evaluations. Assessments among Prime Members (versus the category Ideal @100%) were down 10%, from 93% to 83%.

Key Emotional Engagement Take a Hit

Brand diagnostics showed that the price increase resulted in significantly negative effects to two important emotional engagement drivers for the Online Retail category: ‘Brand Reputation’ and ‘Brand Value.’ “When a brand misses the mark when it comes to consumers’ expectations, “expectation” quickly becomes ‘disenchantment,’ and based on these assessments. Prime Members seem really disenchanting with the Amazon brand right now,” said Passikoff.

“Hard as it is to believe, there was time when consumers ordered a product, they paid for shipping and if they weren’t happy, they paid to return it. It worked exactly like consumers expected it would,” noted Passikoff, “but today that seems like a distant era?”

In 2003 Brand Keys called it the ‘Zappos-ification of America,’ brand differentiation and consumer engagement à la free shipping and returns and speed of delivery. Zappos told consumers they’d receive their order in five days, but delivered in two. Consumers were pretty happy. “‘Delighted’ you might say,” said Passikoff. “And in order for other brands not to look as though they were lagging, they too offered free shipping and returns. This took various forms and offers, but in short order, consumers came to expect it, which is precisely the nature of delight, expectations, and brand engagement.”

For Amazon.com – #1 brand in the ‘Online Retailer’ category in Brand Keys Customer Loyalty Engagement Index as long as they have measured the category – it came in the form of Amazon Prime. For \$79 a year members received free two-day shipping and access to a raft of free streaming videos, exclusive content, and added-values like free e-book borrowing. “If people weren’t precisely delighted to pay, they were tolerably happy to get things fast and not pay extra. Estimates vary from category-to-category, but membership programs like these tend to attract consumers who spend more, sometimes significantly so. So it should work out for everyone, right?” said Passikoff.

There appear to be business-like justifications for Amazon’s decision, but as consumer decision-making is more emotional than rational, an explanation around increased shipping costs doesn’t seem to placate consumers. Another online rival, ShoppRunner.com, a site that guarantees two -day delivery from many of the retailers on their site, has already offered to waive its \$79 annual fee to anyone “disgruntled” by the Amazon price hike.

“Amazon should have expected that,” said Passikoff.

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