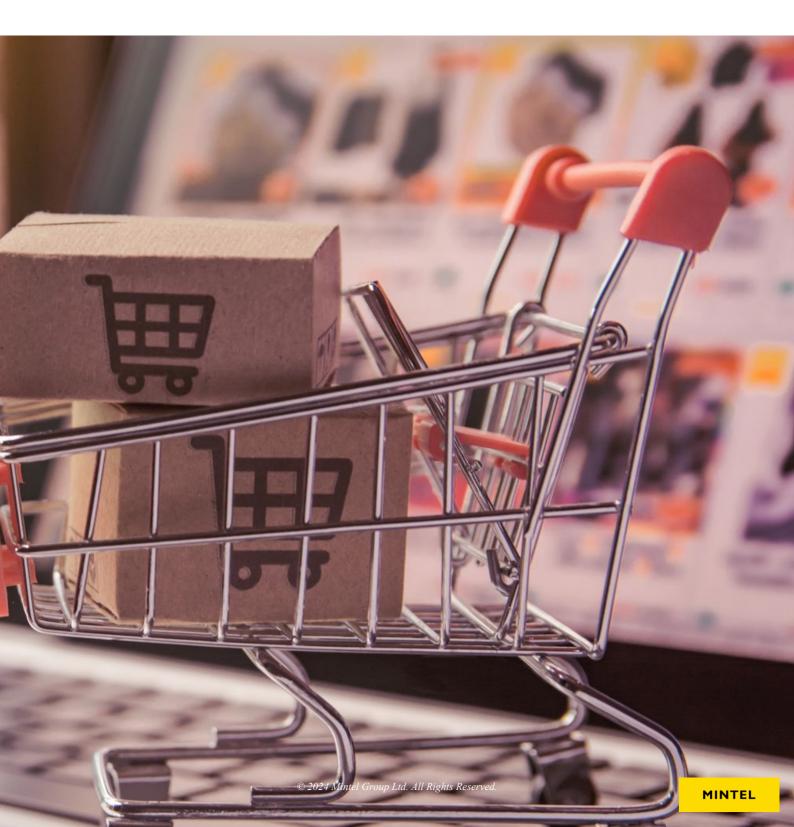
THE AMAZON EFFECT – US – 2023

Amazon is relentless in its pursuits to please customers. It continues to transform consumer expectations, disrupt industries and shape the future of retail.



Diana Smith, Associate Director, Client Advisor -Retail & eCommerce



The Amazon Effect - US - 2023

This report looks at the following areas:

- · Amazon's customer profile
- Prime membership overview
- How consumers perceive Amazon relative to other retailers
- Role of Amazon in consumers' shopping repertoires
- Consumer attitudes toward Amazon
- A review of select initiatives from the brand
- · Competitor strategies and opportunities



Amazon is relentless in its pursuits to please customers. It continues to transform consumer expectations, disrupt industries and shape the future of retail.

Overview

Amazon, the world's largest online retailer, has been navigating through challenges and adapting to changing consumer and seller expectations. Despite experiencing mind-blowing success amid the pandemic, the company has been strategically reassessing its workforce and priorities to align with current demands. While Amazon still posted sales gains in 2022, the rate of growth fell below prepandemic levels. 2023 has been a stronger year, indicating its efforts are paying off.

Inflation has profoundly impacted consumer shopping habits and preferences. Consumers are price-focused, leading them to explore alternative options rather than solely relying on Amazon's affordability. This has caused pressure to stay competitive.

Amazon must play defense as much as it plays offense. Legislative scrutiny poses a threat to the business, while competitors are becoming more adept at coexisting and seizing

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opportunities to challenge the retail giant. Amazon cannot take its dominance or its effects for granted, acknowledging that it doesn't lead in all areas of operation.

Amazon holds tremendous potential in shaping Al's advancement. It also has retained its "favorite retailer" status for nearly 80% of its shoppers. Its unequivocal consistency at delivering speed, selection, convenience and service will define its success for many years to come.

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Report Content

EXECUTIVE SUMMARY

- · What you need to know
- · Consumer trends: key takeaways
- · Opportunities for Amazon
- · Opportunities for Amazon (continued)

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 - Graph 2: online shopping frequency nets, 2023
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THE AMAZON EFFECT ON CONSUMERS

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 - Graph 40: attitudes related to brands that advertise on Amazon, by race and Hispanic origin, 2023
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- Amazon swiftly folds One Medical healthcare into Prime as well

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- Amazon's efforts with AI will likely influence consumers' attitudes toward AI
- Al-generated review summaries can save shoppers time
- Al tools help Amazon's sellers promote their brands
- AWS also embeds Al into new tools and services announced at re:Invent 2023

Private label

· Streamlining private label brands

THE AMAZON EFFECT ON COMPETITORS

Competitive strategies

- · Competitors feel pressured to hold their own sales during Amazon Prime events
- · Amazon Pharmacy and other efforts put Walgreens and CVS on alert
- · Drug store leaders show they're more than a pharmacy
- · CVS Health leans into the personalized services aspect
- · Walmart ramps up marketplace efforts...
- · ...and these efforts are well-timed
- Expect some price wars, not only on cost of goods but seller fees too
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- Netflix makes bold business decision, accepts vulnerability

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- · How can brands fend off the Amazon effect?
- Brands can look for the small cracks in Amazon's tough exterior
- · Opportunities to mitigate the Amazon effect

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- Sales data (continued)
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The Amazon Effect – US – 2023

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- Key driver analysis methodology (continued)
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