

How to compete and win against Amazon



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Introduction

Ecommerce giant Amazon leads the way in shaping customer expectations in the retail industry. Whether you are a pure play brick-and-mortar store, an Ecommerce store, or operate on both fronts, Amazon has fundamentally changed the name of the game when it comes to what your shoppers want. Many retailers, however, continue to compete successfully and provide a superior customer experience. To compete (and win) against Amazon, you must make sure that you have a clear vision of who your customers are and what value your brand brings to them. From there, it becomes a question of experience—from navigating your store (whether physical or online), to customer service, to shipping options, to product quality—to keep your customers coming back for more.

Are you looking for ways to stand out in the crowd? In this white paper, we will explore tactics for retailers to keep up with Amazon, but we'll also uncover some of the ways you can differentiate your brand to truly compete with them.



Keeping stride with Amazon

There is no argument that Amazon revolutionized the Ecommerce space. You don't rise to such prominence without having mastered the art of retail and delivering what customers want. Retailers can learn a lot from Amazon—especially since, in the eyes of many consumers, they've set a new level of expectations. Benefits that used to be considered perks are now just the name of the game.

Membership and subscriptions

The most well-known of Amazon's services is Amazon Prime. Amazon Prime is a membership program that grants users access to free two-day shipping on over 50 million items, as long as you have a subscription for the reasonably affordable price of \$99 for the year (or \$50 per year for students). According to a 2017 survey by CPC Strategy, 44 percent of U.S. households have Amazon Prime.¹ That means that nearly half of all homes in America pay a fee to have access to free two-day shipping. Sure, perhaps some of those households were also drawn by the TV and video subscription services, but the convenience of free two-day shipping is far more of a draw. When you consider that nearly half of consumers have now grown accustomed to free two-day shipping on most products, you can see how important it is to offer quick and affordable (if not free) shipping options.

Amazon Prime Now is one of the company's most recent offerings through the Prime membership that allows customers to shop for over 25,000 items in 25 categories and get their goods delivered within two hours for free! Prime Now, which currently operates in 32 cities across America, delivers from early morning to late evening every day of the week. With Amazon Prime Now, even brick-and-mortar retailers need to step up their game. Two-day shipping is great, but it can't match the immediacy of running to the local convenience store or market to pick up an item that you need now. Amazon Prime Now is once again changing the game by offering delivery within a scheduled two-hour delivery window for free, or selecting one-hour delivery for an additional fee, within

select cities. So sure, that still may not be quick enough for something you truly need this minute—say a first aid item, or the missing ingredient to finish your meal—but how often does “now” not allow the flexibility of a two-hour time window? When the price stays competitive with the local stores that may sell the same item, whatever is lost in instantaneousness is made up for in convenience: rather than having to run out to the store, the item is delivered right to your doorstep.

We are not suggesting that every retailer can similarly offer a service like Amazon Prime Now. For any company smaller and less ubiquitous than Amazon (which, let's face it, is pretty much every other company), it would not be feasible from an economic or resource standpoint to expect same-day delivery within a short timeframe. There are options, however, that would allow you to provide the convenience of online ordering with pickup available in a short span of time. The buy online, pick-up in store (BOPIS) model has become quite popular and is largely in response to the prevalence and convenience of online shopping.

In addition to Prime, Amazon also offers video, magazine, and book subscriptions. While these subscriptions pose considerably less of a competitive threat for many retailers, they do work in building customer loyalty to the Amazon brand. When Amazon becomes the place for you to do everything from download a new book for your Kindle, to watching your favorite show, to stocking up on toilet paper, to buying a new mirror for your living room, consumers can easily start to think of it as the automatic go-to. Of course, not every retailer is poised to monopolize the market in the ways Amazon has, but it's worth considering what competitive differentiators your brand could take advantage of, or how you can become top of mind for your shoppers—at least for certain categories.

Free shipping

While they're well known for their free shipping, even Amazon doesn't offer free shipping on all orders. As a marketplace, there are many products that are not shipped directly from an Amazon warehouse or fulfillment center, so depending on which product a consumer selects, there may be associated shipping costs. Amazon does, however, offer free shipping—including two-day free shipping—to Amazon Prime users on all products shipped from their warehouses, and even from some approved vendors. Remember that Prime accounts have a fee associated with them, so including free shipping on orders doesn't have to come totally free of charge, but figuring out a model that allows you to offer free shipping options—at least to certain shoppers—helps you stay relevant and provide a shopping experience on-par with what customers can expect from Amazon.

Free returns

In addition to free shipping, Amazon also provides the option of free returns. While Zappos (acquired by Amazon in 2009) really led the way with this policy, Amazon quickly followed suit and that upped the ante for other retailers. After all, Zappos sells shoes; Amazon sells virtually everything. Providing the option of free returns for loyal or subscription customers is a way to ensure a positive customer experience and increase sales. The ability to return an item for free provides shoppers with a sense of relief that if they don't love the item, or need to buy it in two sizes, they can return it for no additional charge.

Personalization

One of the other areas where Amazon has raised the bar for other retailers is with their personalization. Amazon not only has a strong idea of customers' purchase history; they have developed a highly sophisticated algorithm to suggest other items consumers may like based on their previous choices. They expertly display items you may like based on both what you have searched and what you have bought. They also target individualized ads based on products you

searched or placed in your cart, but haven't yet bought. So, let's say you were looking for blenders because you are considering replacing yours—don't be surprised to get Amazon ads for the blender you searched and others like it when you navigate away from their site. With such personalized ads and suggested products, each user's experience is highly tailored by Amazon.

Assortment

Amazon presents more options than any retailer feasibly could. As a marketplace, rather than a store, they offer page upon page of choices for most every item. Customers tend to navigate to Amazon knowing that they will likely find whatever item they may be looking for, and that explains why nearly 40 percent of consumers start their product search on Amazon.² You could never offer the full assortment of goods that Amazon does, but being mindful of the types of products you offer and considering expanding it slightly can help you compete. If you are a clothing retailer, for example, of course someone won't go to your site to search for a grill, but they may come looking for specific styles of clothing, or a certain trend. You know your customers best, so you know what products they will like. Are there items that you don't currently offer that may appeal to your customer base? Could incorporating those products into your selection of goods affect the bottom line?

Nearly 40% of consumers start their product search on Amazon.

For some retailers, expanding their assortment would be good, but it's also possible that you already offer enough variety. As great as selection can be, there is such thing as too much of a good thing; and there are advantages to offering a curated selection of goods based on your brand and style. With its never-ending options, Amazon presents customers with the paradox of choice: too many possible choices can end up hindering a purchase. We will discuss this more as we talk about how to leverage a more limited assortment as a competitive advantage over Amazon.

Competitive pricing

It is very hard to compete with Amazon's pricing when you have a whole slew of additional costs and operate on a smaller business model than Amazon does. For brick-and-mortar stores, you have all the fees associated with running a storefront, and even for other online-only retailers, a smaller operation means higher prices throughout the whole supply chain. Since price is partially reflective of your business operating costs, it might be impossible to avoid having some higher price points than Amazon offers. Still, it's important to try to be as competitive as possible since Amazon's low prices are one of its big selling points.

Since Amazon has become so well-known for its competitive prices, about 18 percent of consumers do not even compare prices before buying a product—they go directly to Amazon and shop from there.³ That still means, however, that the majority of consumers do a price comparison, so being competitive counts! Sure, there are products that cannot be priced against Amazon, but if you have just a few goods or products that you can price more competitively, that can sometimes help to get people shopping with your brand. Then you can pair an unparalleled customer experience or loyalty perks with your great prices to position yourself to compete.

Sell your products on Amazon

We've all heard the old adage, "if you can't beat 'em, join 'em," and that can apply to Amazon, too. While many retailers would rather compete than sell their wares on Amazon, there are advantages to selling on the marketplace website. According to the FAQ from Amazon's site, "there are many reasons to sell on Amazon—from the hundreds of millions of Amazon customers who can see your products to the ability to start selling faster without the need to create a new standalone website."⁴ By selling your products on Amazon, you are competing within the marketplace, rather than against the marketplace, and guaranteeing that consumers who shop there exclusively (or almost exclusively) will come across your goods.

While there are benefits, there is also the obvious downside of the diminished margins you will earn by selling on Amazon. Amazon charges its vendors \$39.99 a month and additional selling fees for the Professional selling plan. For those who plan to sell fewer than 40 items a month, there is also an individual plan with no monthly subscription fee, but vendors pay \$.99 per item sold and other selling fees, depending on the category. Amazon also offers additional services including fulfillment to pick, pack, ship, and provide customer service. Those services are priced based on the size of the package and time of year.

In addition to the cuts in margin that retailers take by selling on Amazon, certain kinds of products perform better than others. For example, according to Volusion, the merchants who tend to perform well on Amazon are those who sell:

- Unique-to-them products
- Hobby or niche products
- Refurbished or used products

In the same breath, however, Volusion adds, "that said, the benefit of owning your store's URL and fully branded website cannot be overstated; this gives an extra level of credibility and authority, and visitors are more likely to remember you versus someone else."⁵ We agree. Having independence and creating a memorable brand experience is very important. If you are considering selling your products on Amazon, you can consider it as one of your selling channels, without limiting yourself from capturing a wider audience through your own website and other marketing efforts.

Beat them at their own game

While there's no doubt that Amazon is best at certain aspects of retail, they are not the best in every category. In fact, there are many pieces of the experience where Amazon currently is not leading the industry. When you consider that nearly 30 percent of consumers do not even shop on Amazon, it's easy to see that there is still plenty of opportunity to corner your piece of the market.⁶ And while their shipping policy and competitive prices aren't easy to beat, there are many areas where you can provide a superior experience that keeps your customers coming back.



Great customer service

While Amazon is good at delivering suggested products that relate to your interests thanks to their trusty algorithm, the actual buying process is nothing special. With all its emphasis on personalization, Amazon does not provide a customer experience that feels familiar. From the confirmation email to the follow-up survey on your satisfaction with the item, it lacks a personal touch. Amazon doesn't have a particularly distinct brand voice; you never get the sense that you are being contacted by an individual person; and their content strategy is basically just placing product ads everywhere. Amazon's customer service is polite and fairly efficient, but it never feels overly friendly. They do not make it easy for shoppers to reach a live person over the phone or using a chat feature. Going out of your way to ensure your customers love your brand and feel like they are getting more personal interactions from the people who represent your brand can go a long way in creating a customer experience that is superior to the one Amazon provides.

Effective marketing

Amazon ranks well on Google and does a great job retargeting ads, but their marketing leaves plenty of room for other brands to swoop in and establish themselves with the same consumer base. As mentioned before, Amazon doesn't capitalize on the value of content marketing, so in that space alone, you can take advantage of an opportunity to really connect with your customers. Particularly with millennials, there is an emphasis on an alignment in morals and values. Millennials would prefer to shop at brands with ethical missions, such as philanthropic and environmental causes. Think of a brand like TOMS who donate one pair of shoes for every pair that's purchased. Consumers are willing to pay a higher price for a product when they know their additional spend will have a meaningful impact on the world. It also makes for a genuinely compelling marketing story.

Even for brands that may not have the same dedication to giving as a company like TOMS, there are still effective marketing tactics that can help you stand apart. Consumers

respond well to emotion, and Amazon doesn't really establish an emotional connection with their shoppers. Your email copy and website content are two easy opportunities to create a more emotional experience for your consumers. Particularly if you sell more niche goods, you also may have a far more comprehensive offering, or a higher level of quality than what is available on Amazon. Use your marketing to highlight products that consumers may not be able to find other places. You can also market to different shopper segments with different tactics, providing targeted offers or discounts and creating customized landing pages to create a more tailored experience than the one-size-fits-all approach that Amazon takes.

Buy online, pick-up in store

For retailers that have Ecommerce sites as well as brick-and-mortar locations, the buy online, pick-up in store (BOPIS) model has become popular. BOPIS marries the convenience of online shopping with the immediacy of in-store purchasing. As consumers get more accustomed to shorter waits between order and receipt of their products from online shopping, BOPIS is a natural answer to significantly cut down the wait time—while saving you money on shipping! Of course, Amazon wouldn't miss out on the opportunity to capitalize on the combination of convenience and immediacy. Cue Amazon Prime Now.

Since offering free two-hour delivery is not an option for most other retailers, as it is with Prime Now, BOPIS is the next best way many retailers can compete with Amazon. Retailers must, however, keep very close track of their inventory to reliably provide BOPIS options to guarantee that every online purchase can be fulfilled in the store. To maximize the advantages of BOPIS, a store may consider offering within-the-hour pickup without a minimum order value to offset the order minimum and additional delivery fee that Prime Now requires. Retailers should also ensure a speedy in-store pick up. If a customer is opting for BOPIS, they most likely want to avoid the crowds and lines of the store. If you are a retailer located in one of the cities that Prime Now currently doesn't serve, or you sell goods that aren't among the current assortment of the subscription's product offerings, you have a huge opportunity to make the most of BOPIS and use it as a differentiator in the market.



The second impression is as important as the first

When it comes to building a loyal brand following, the second impression (and every subsequent one after) is just as important as the first. Pretty much every brand is mindful of making a good first impression on its customers, but sometimes, in the interactions that follow initial sale, they don't provide a consistent experience. If you are going to really dazzle your customers at the first impression, be prepared to keep dazzling them in each interaction thereafter. According to HelpScout Customer Service Facts, Quotes & Statistics, "it takes 12 positive experiences to make up for one unresolved issue or negative experience," which really emphasizes how critical it is to ensure that every interaction is as positive as possible.⁷ Some of the ways to ensure a consistently positive customer experience include well-trained customer service representatives and store employees, timely delivery, quick in-store checkout, and proactive communication should any issues arise.

"It takes 12 positive experiences to make up for one unresolved issue or negative experience."

Positive in-store experience

Although Amazon has plans to open more physical stores around the United States in addition to the eight bookstores it currently has in a few states across the country, it remains primarily an online retailer. For omnichannel retailers and pure play brick-and-mortar retailers, the in-store experience remains a way to stand out among the crowd and create an atmosphere and ambience that your customers enjoy. This can relate to how you set up your store, to the music you play, to how experiential you make the shopping experience. Take Nespresso as an example. Though you can buy the pods online (including on Amazon), the in-store experience—where you get a free espresso drink, have the ability to try new flavors, receive help from friendly and knowledgeable staff, and feel like you've stepped into a high-end, luxury store meets chic European café—is an attractive experience that may encourage more customers to visit the store, even at the cost of convenience.

Assortment

Amazon carries a lot of options of all kinds of goods, but there are some types of more niche, specialty merchandise that they don't carry. If you play in this niche space, capitalize on it. If Amazon does not carry the same sort of inventory as you do, you are uniquely positioned to win against the retail giant. Shoppers of all ages (yes, even millennials) appreciate quality and brand names—even if it comes with a higher price tag. If you are a recognizable brand name, or aspire to be one, that can carry a lot of weight in the marketplace and makes it easy for you to succeed.

As we mentioned earlier, a more limited assortment can paradoxically be a good thing. As shoppers are faced with seemingly infinite choices, it can be paralyzing and can lead to greater dissatisfaction with a selection, if one is ever made.⁸ It seems counterintuitive, right? We often think the more options we have, the better. But the issue with endless options is that it leaves a shopper second-guessing herself, wondering if maybe one of the other dresses would have been even more perfect, or if she got the best deal on that new grill. So from that perspective, having the right assortment of goods is far more important than having the widest selection of options.



Loyalty programs

While Amazon does provide subscriptions like Prime, the benefits are simply the free two-day shipping and access to Amazon TV. What perks can your loyalty program provide beyond these? Free gifts? Members-only discounts? First-access to certain goods and products? Special in-store events? Later holiday cutoffs? There are lots of ways to make your loyal customers feel appreciated and give them incentives to keep shopping with you.

One example of a successful loyalty program that has been adding value and offering its members with exclusive access to discounted goods is Costco. For years, Costco has cultivated a loyal following of members segmented into three tiers of their program: gold star, business, and executive. Members pay \$60 a year to be a part of the gold star and business levels, and \$120 for executive.⁹ In addition to granting access to the markdown mecca, the executive membership includes additional benefits such as an annual 2 percent reward on qualified purchases (up to \$1000), additional benefits and greater discounts on Costco Services, and extra perks for select Costco Travel products. Even with the costs of the membership program, 90 percent of sales come from returning customers, and Costco's loyalty program has 88 million members, and continues growing.¹⁰ And who could forget Costco's free samples? Another perk to shopping at the discount giant is knowing that you can pretty much eat your way through the store with free samples (and they don't even limit you to one of each).

Brand loyalty

Amazon is designed best for finding a good you want when you don't necessarily care what the brand is. Looking for a generic dresser for a good cost? Amazon's the place to go. Looking for a perfect necktie for your brand-aware brother? Not so much. Amazon doesn't give any brand preference and the only brand loyalty it consciously builds is for itself; not for any of the individual brands housed in its marketplace. So if you have a brand following, or are well on your way to building that loyalty, you can feel pretty assured that you will continue to attract and retain customers.

Just look at Bonobos, for example. Prior to the recent acquisition by Walmart, the retailer became the largest U.S. clothing brand ever launched over the web, and developed a very loyal brand following. They grew quickly because of the quality of their clothing and their exceptional customer service. The founders achieved success thanks to their meticulous attention to detail in creating exceptionally well-made, great-fitting pants. After they designed the perfect pants, they expanded their offering to include other quality clothing and spent their money on great customer service more than marketing campaigns. By keeping their existing customers happy, Bonobos built a solid reputation and a steady, devoted body of customers. The retailer's enthusiastic customer base promoted the brand through word-of-mouth—one of the most effective ways to build brand awareness.

Omnichannel experience

While there are stirrings of Amazon opening new storefronts, including their "smart" grocery stores like the pilot in Seattle, the potential advantages of a brick-and-mortar is still relatively uncharted territory for the retail behemoth. Achieving a strong omnichannel experience—so your loyal shoppers from stores can easily shop your Ecommerce site and receive a similar experience, is important. To successfully compete with Amazon, you need to make sure that your physical store locations provide shoppers with satisfactory experiences, and that the online shopping experience is equally pleasing and seamless. Retailers who effectively capitalize on the omnichannel experience, including the mobile experience, will thrive.

Most shoppers still prefer shopping on their desktops, but considering how to simplify the mobile experience should be a top priority for retailers across the board. The goal for omnichannel is to make it as seamless as possible. Making a purchase on your mobile website should be as effortless as it would be on the desktop or in-store. Considering how to remove friction from the process—including the collection of customer information—is critical to reducing cart abandonment and encouraging sales across all channels.

One retailer who is really succeeding at the omnichannel experience is Starbucks. While it may be unexpected that the coffee chain is dominating at omnichannel, Starbucks' reward app helps to create a seamless experience whether you order in-store or from the app. Coffee lovers can check and reload their card balance from their phone, on the website, or at the cash register, and any changes to the balance or the customer's profile update immediately, including reward earnings. Mobile ordering allows customers to order their favorite drink or food from the app and receive a time estimate for when their order will be ready. Whether using the app or ordering in-store, customers have the option of paying from their phone or using their rewards card.

Conclusion

Whether you're struggling to keep up with Amazon, or looking to compete more effectively with the retail giant, there are a number of aspects of your business that you could examine or position more effectively to help you stand out. Amazon has changed the name of the game in retail, but that doesn't mean that you can't find ways to beat them at their own game. Whether you offer superior products, better prices, phenomenal customer service, or great loyalty rewards for your best customers, there are lots of ways to differentiate yourself to help your store continue to attract shoppers and drive profits. As retail trends continue to evolve and customer demands continue to grow, retailers will have to keep getting more creative and elevating the shopping experience. Thinking ahead and figuring out how to invent new and better retail experiences will give you the opportunity to shape the future of the industry.

Data is the key to understanding your customers and providing the personalized shopping experience they have come to expect.

Experian helps our clients have confidence that they have accurate data they can trust.

[Learn more](#)

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