Amazon Buy with Prime report

Deloitte value assessment

Market Trends Giving Rise to Third-Party Commerce Partners

As customer acquisition costs continue to rise and return on ad spend declines, brands are facing pressure to get creative with their marketing spend.[1] Today's consumers leverage multiple channels to purchase goods, and retailers need to be ready to meet their customers wherever they are on their shopping journey. Retailers are continuing to expand the number of channels they sell on, especially through social media platforms and third-party marketplaces.

The proliferation of channels could create challenges for retailers to deliver consistent and seamless experiences. Deloitte's 2024 Retail Industry Outlook focused on the importance of retailers placing greater emphasis on loyalty through experiences, personalization, and trust.[2]

The report explains, "a cohesive, consistent omni-experience is often lacking, potentially eroding trust," with three in four customers saying they are more loyal to stores with consistent customer experiences.[3] This includes meeting customer needs quickly and easily throughout every stage of the shopping journey.

Customer expectations around convenience continue to climb, and they want to be able to buy practically anything, 24/7, at a competitive price. Rapid fulfillment has conditioned shoppers to expect product delivery to their home in one to two days and many consumers make purchase decisions based on delivery time. Meeting customer expectations for delivery speed often requires considerable changes to companies' technology, processes, and partnerships. It is even more challenging for DTC brands, requiring them to rely on third-party logistics services. If the customer does not like an item or it does not fit, they expect generous return policies to be in place, but returns are becoming one of the greatest and most costly supply chain challenges companies are facing.[4] According to Deloitte's retail practice, "retailers should embrace returns and exchanges, making them a marketable capability by simplifying them for all customers."[5] 84% of surveyed shoppers say they read the return policy before making a purchase, with 44% of those shoppers looking for a substitute product or retailer if they do not like the policy. A good return policy can result in customer conversion with more than nine in ten customers more likely to purchase from an online retailer with free returns and stating that the ease of returns influences their decision to shop with that retailer again.[6]

The combination of increasing customer expectations and the challenges retailers are facing to meet those expectations is giving rise to third-party commerce partners in the form of alternate payment methods, fulfillment and return services, and other solutions across the end-to-end customer journey.

Transforming the Shopping Journey with Amazon and Buy with Prime

Reaching new audiences and simplifying logistics is not easy, so a growing number of leading brands are turning to Buy with Prime for a suite of ecommerce solutions. It takes the best of what Amazon has built on Amazon.com and offers those ecommerce and fulfillment solutions for businesses' channels off of Amazon.

Buy with Prime is a lever to help DTC retailers meet their growth goals in 2025. Buy with Prime and Amazon's suite of ecommerce solutions can enable four long-term benefits:

- **Revenue Uplift**: Merchants can optimize their site for conversion by providing shoppers with delivery estimates, customer reviews, fast, free delivery, and a trusted checkout experience.

- **Reduced Customer Acquisition Costs (CAC)**: Merchants can improve their return on ad spend (ROAS) with solutions like Amazon DSP for Buy with Prime, as well as marketing Prime delivery speeds, easy returns, and customer support.

- **Improved Customer Lifetime Value (CLV)**: Merchants can improve their CLV by remarketing to high intent shoppers and Prime members who are more likely to buy again when the Prime delivery, returns, and support experience are offered.

- **Improved Efficiency**: Merchants can improve cost and time savings through Amazon's ownership of fulfillment, customer service, and returns and a single pool of inventory for fulfilling orders across channels, including on and off Amazon.

We see these benefits come to life across the customer journey by examining the features and capabilities available to merchants in each phase as shown in the chart below.

Buy with Prime and Amazon's suite of solutions span the entire customer journey, impacting a broad set of stakeholders and goals across different parts of the organization. Merchants considering utilizing these services need to work across cross-functional leaders to gain buy-in from each business unit. Stakeholders should think about the holistic benefit of Buy with Prime across their channels (e.g., DTC, marketplace, etc.) and the overall customer journey, instead of focusing on the impact for one channel, function, or stage of the shopping experience. This requires stakeholders within an organization to align on overall priorities rather than functional priorities to put the customer first.

Benefits By Shopping Stage

Discovery

As customer acquisition costs continue to rise and return on ad spend declines, brands are facing pressure to get creative with their marketing spend. [7] This suite of solutions improves customer discovery by 1) marketing with the trust of Prime, 2) using the Amazon demand-side platform (DSP) and other advertising solutions, and 3) engaging with an audience of over 200 million Prime members. [8]

Based on ongoing interactions with marketing leaders, we understand that rising customer acquisition costs are a concern, and that leaders are increasingly focused on loyalty and customer retention. Buy with Prime capabilities in the discovery phase can help marketing leaders deploy differentiated advertising strategies to reach new audiences, improve their ROAS, lower customer acquisition costs, and therefore increase profitability potential. The average ROAS for an ecommerce retailer can vary depending on the industry, the effectiveness of the advertising campaigns, and the platforms used. However, a common ROAS benchmark for ecommerce retailers is a 4:1 ratio.[9] More than 80% of merchants who have used Amazon DSP for Buy with Prime reported exceeding their ROAS goals. [10] For example, a cosmetics and skincare brand experienced a 12.8x combined ROAS across Amazon.com and their own website, Wyze, a smart home technology company saw a >20x ROAS across their website and Amazon.com, and a drinkware company experienced a combined ROAS of 4.4x across multiple sites.

	DISCOVERY	EVALUATION	PURCHASE	FULFILLMENT	POST PURCHASE
Features & Capabilities	• Marketing the trust of Prime • Amazon DSP for Buy with Prime • Engagement with Prime members • Google shopping and TikTok Ads	• Ratings & reviews from Amazon • Buy with Prime delivery estimates	• Buy with Prime checkout experience[1]	• Amazon Multi-Channel Fulfillment • Fast, free delivery • Single pool of inventory	• 24/7 customer support • Order and return management • Easy & free returns[2] • Receive customer info
Benefits	+ Reduced Customer Acquisition Costs	+ Revenue Uplift	+ Revenue Uplift + Improved Customer Lifetime Value	+ Revenue Uplift + Improved Customer Lifetime Value + Improved Efficiency	+ Improved Customer Lifetime Value + Improved Efficiency
Chief Marketing Officer	●	◑	○	○	◑
Chief Digital Officer	◑	●	●	◑	●
Chief Supply Chain Officer	○	○	○	●	◑
Chief Finance Officer	○	○	●	○	◑
Chief Information / Technology Officer	○	○	○	◑	○

Most Relevant Stakeholders

[1]Buy with Prime payment and checkout experience vary based on the integration
[2]Free returns are only available on eligible orders

Evaluation

Aside from price, free and fast delivery are the top two factors that encourage customers to buy direct from a brand. [11] For example, Amazon Multi-Channel Fulfilment (MCF), which powers delivery for Buy with Prime, also offers delivery estimates on certain search engines and social media apps to provide customers with a transparent delivery time on the product page as they are considering a purchase. MCF enables retailers to increase their fulfillment rates and overall reliability, with >97% on-time delivery rate, deliveries made seven days a week. [12] We have heard from DTC leaders that providing an estimated delivery date that is both rapid and accurate is critical for improving conversion but can be challenging due to inventory accuracy and network optimization. Free returns can lead to higher conversion rates and increased sales, with 96% of consumers saying they are more likely to buy from online merchants that offer free returns. [13] Buy with Prime merchants can also add ratings and customer reviews from Amazon.com directly on their site. As customers are 63% more likely to trust and buy from a company with reviews, this feature allows brands to leverage the social proof they have built for their products on Amazon.com directly on their ecommerce site.[14]

Buy with Prime helps DTC leaders deliver digital solutions that respond to customer needs, providing greater transparency during the evaluation phase of the customer journey and improving DTC revenue.

Purchase

Delivering a quick and seamless checkout experience is often top of mind for ecommerce leaders as it is the final hurdle to reach conversion. The seamless experience during checkout **drives conversion and revenue uplift** and encourages customers to buy again, **increasing customer lifetime value**. Based on A/B testing results from 167 merchants, merchants experienced a 16% increase in revenue per shopper transaction when Buy with Prime was a purchase option.[15] The revenue uplift driven by Buy with Prime can help both the Chief Digital Officer and the Chief Financial Officer deliver on their top-line growth goals.

Fulfillment

Merchants have **achieved greater efficiency and lowered their operating costs** by leveraging Amazon's infrastructure for reliable fulfillment. From collaborating with supply chain leaders, we understand retailers are trying to balance fast fulfillment with the profitability of their fulfillment operations. In the last 12 months, MCF has served over 300,000 businesses and has delivered over 73 million products to customers around the world. Amazon's fulfillment network provides scale, reliability, and speed, with average "click-to-door" speeds that are over 50% faster than other retailers.[16] Buy with Prime orders are stored, picked, packed, and shipped by Amazon Multi-Channel Fulfillment (MCF), a third-party logistics solution that helps power Buy with Prime. MCF provides support across all ecommerce channels, including brand websites, ecommerce marketplaces, and social media stores. Merchants can realize **operational efficiencies and cost savings** by maintaining a single pool of inventory that can help merchants fulfill Amazon.com and DTC orders, including those from a merchant's site, social channels, and other marketplaces.

A unified inventory pool allows supply chain managers to decrease out-of-stock situations and enhance inventory turnover. Amazon sellers who use both MCF and Fulfillment by Amazon (FBA) reduced out-of-stock rates by 13% and improved inventory turnover by 24%, on average. [17] Buy with Prime's fulfillment capabilities can minimize the need for supply chain and operational leaders to invest in establishing their own infrastructure that would be required to meet customer expectations. Amazon's suite of solutions in the fulfillment space can also help merchants consolidate their use of third-party logistics providers across warehousing, shipping, and returns. The ability to consolidate inventory across channels is also pertinent to the CIO/CTO as it can help simplify their technology stack by reducing the variations of flows of data.

Post Purchase

There are two aspects of the post purchase capabilities that can help operations leaders reduce overhead costs. The first is having Amazon manage returns, including shipping, receiving, and grading of returned merchandise. While supply chain leaders have expressed that reverse logistics is becoming an increasingly large and complex part of their operations, offering customer-friendly return policies is critical for building shopper loyalty. Returns are a part of the Prime Service fee, so there is not an incremental cost to merchants to have Amazon manage their returns, **generating cost savings** for the business. Consequently, merchants dealing in SKUs within categories known for higher return rates—like apparel and footwear—are likely to see more significant cost savings. The second feature is Buy with Prime Assist, which can help merchants decrease customer support inquiries about deliveries and returns. According to a Deloitte Digital survey, the average cost per assisted contact in the retail industry is $6 and likely to rise in the future.[18] Even if the cost per assisted contact remains the same or increases, **merchants can reduce their overall cost per interaction** by utilizing Buy with Prime Assist to offer 24/7 live chat support to customers for Buy with Prime orders. For example, if a merchant generates 50K orders per month on their DTC site with 20% of those orders (10K orders) transacting through Buy with Prime, at a 20% Customer Support Contact to Order Ratio, the merchant will experience a 2K reduction in customer contacts now handled by Buy with Prime. With a $6 average cost per assisted contact, this results in a monthly value of $12K for merchants.

While a merchant's return policy has a positive impact on purchasing behavior, there are logistical complexities and costs associated with offering these return services. According to Deloitte research, returns represent at least 10% of retailers' supply chain costs and a return can cost merchants at least $0.15-$0.30 for every dollar in returned merchandise.[19, 20] One component of this is the transit time back to shelf, which represents a significant cost and lost opportunity to sell. Breaking it down into the individual cost components, the average shipping and label costs for returns are estimated to be between $7-$9 per return.[21] On average, discount and liquidation costs can total 13-71% and processing can cost 6-5% of the price of returned products.[22] Those costs can add up when the average online return rate is somewhere between 6-24%.[23] Working out the potential value of returns can be challenging, so we've provided an example.

If a merchant generates 50K orders per month on their DTC site with 20% of those orders (10K orders) transacting through Buy with Prime, at a 6-24% online return rate, Buy with Prime will handle 1,760-3,000 returns for that merchant per month. With returns costing $0.15-$0.30 for every dollar in returned merchandise, for merchandise valued between $20-$160, having Amazon handle the merchant's Buy with Prime returns nets out to a monthly value of $5.3K-$144K.

The potential value of Amazon handling returns is therefore twofold – the first is driving topline growth by offering free returns to customers to increase conversion, and the second is driving bottom line growth through operational efficiency in merchants' reverse logistics operations. Merchants can expect to save costs in proportion to the volume of returns Amazon handles through Buy with Prime. Since returns are a part of the Prime Service Fee (PSF), there is not an incremental cost for each return, so it could be more valuable to merchants in categories with higher returns like apparel, shoes, accessories, electronic, or health and beauty.

The capabilities in this phase of the customer journey are also relevant to merchants' Chief Marketing Officers. Buy with Prime's order management and tracking and free returns encourage customer conversion and repeat purchases, improving Customer Lifetime Value. Chief Marketing Officers can also focus on building relationships with an audience of millions of Prime members who tend to be highly affluent, active, and more likely to buy again when Prime is offered[24], further improving their *Customer Lifetime Value* metric.

Technology Implementation

Buy with Prime offers a variety of integration options depending on the ecommerce service provider a merchant uses. Options include the Buy with Prime app for Shopify, direct API integration with Salesforce Commerce Cloud, widget implementation, and a custom integration. Each option varies in its flexibility, customization, and duration to implement. The level of effort for implementation varies based on the integration option and size of the merchant, however, it can generally be completed in 2-4 sprints. They also offer custom integrations and implementation timelines may vary. Businesses that do not already have inventory in Amazon fulfillment centers will need to ship the relevant items to Amazon, which can add time to launch the solution

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Case studies

Buy with Prime has proven successful with merchants in the marketplace. Below are five examples that highlight "**Buy with Prime**" success stories:

Cosmetics & Skincare Brand
The company's adoption of Buy with Prime led to a 60% increase in shopper conversion, 40% increase in sales per visitor, 12.8x combined ROAS across Amazon.com and bareMinerals.com, and 5-7 business days of extra selling time during peak holiday periods.

Brand of Phones & Watches for Kids & Teens
Since adding Buy with Prime to their ecommerce site, the company has seen a reduction in overall costs for fulfillment and customer service. It has also seen an increase a 45% increase in shopper conversion, 25% increase in revenue, and $1.3M net proceeds growth.

Casual Shoe Brand
The shoe brand launched a display ad campaign using the Amazon DSP solution for Buy with Prime to remarket to engaged shoppers, resulting in 15.3X ROAS.

Wyze (Smart Home Products Company)
The company received about 50,000 Buy with Prime orders in the first five months of 2023, representing 20% of website orders. As MCF fulfills 75% of the ecommerce site orders, the company was able to consolidate its inventory into fewer locations, resulting in fewer split shipments and therefore lower shipping costs.

iPad Case Designer
With more than 2 million cases sold on Amazon.com and over 75,000 Amazon Reviews (87% five-star reviews), the brand has been able to add those reviews to the same products on their DTC site – extending that social proof to boost credibility.

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Endnotes

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