

10.1: In the Spotlight

In February 2005, Amazon launched Amazon Prime, which offered unlimited two-day delivery for millions of items (Brown, 2023). At a time when consumers were accustomed to paying high shipping fees and experiencing slow service, the membership service—\$79 per year—offered a new alternative. It was a first-of-its-kind pricing structure that has sparked many companies to do the same. Today’s subscription services cover everything from toilet paper to dog toys. Amazon Prime is still arguably the most prevalent subscription service in history. In 2021, Amazon reported its Amazon Prime members had reached 200 million worldwide (Tatevosian, 2021).



Figure 10.1 Price is one of the marketing mix elements and a factor that impacts customer decisions. (credit: modification of work “Thrift Shop Helps Consumers, Community” by W. Wayne Marlow/USAGHumphreys/flickr, CC BY 2.0)

The membership, according to a public letter from Jeff Bezos, executive chair of the Amazon board, “takes the effort out of ordering; no minimum purchase and no consolidating orders. Two-day shipping becomes an everyday experience rather than an occasional indulgence” (Trap Nation, 2014).

Since its first offering in 2005, Amazon has raised its prices only three times—in 2014 to \$99 a year, in 2018 to \$119, and most recently to \$139/year (Sekar & Tindall, 2022). While rumbles in the market suggested that these price increases might drive away customers, Amazon has proven this was not true. The price increases through the years also included new benefits—Amazon Prime Video, Prime Pantry, Prime Reading, and many others. The company demonstrates that consumers are, in fact, willing to pay higher prices—so long as they can perceive value that is added to the increase in price.

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