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# Amazon offers a 5% cash-back credit card to Prime members



BY DON DAVIS Editor in Chief

## Consumers who sign up also get a \$70 Amazon gift card.

The leading online retailer and top U.S. credit card issuer are teaming up to offer a new card aimed at further enhancing the Amazon.com Inc. Amazon Prime loyalty program.

Amazon, No. 1 in the [Internet Retailer 2016 Top 500](#), announced today a deal with J.P. Morgan Chase & Co. to offer the Amazon Prime Rewards Visa Signature Card exclusively to Prime members. Perks include 5% cash-back on Amazon purchases; 2% back on purchases at restaurants, gas stations and drugstores; 1% back on all other purchases; and no foreign transaction fees when the Visa card is used abroad. The cash-back rewards can only be applied to purchases at Amazon.com.

The 5% cash-back offer matches the 5% rebate Target Corp. (No. 22 in the Top 500) provides users of its [Redcard](#) for purchases at Target stores and at Target.com, says [Ken Paterson, vice president of research operations at Mercator Advisory Group](#), a payment consulting firm. "It's really trying to position Amazon as competitive in that environment," Paterson says.

He also thinks many Prime members will appreciate not paying foreign transaction fees when they use the card abroad. "They're positioning the product to address the interests of their strongest customers, who tend to be more affluent consumers who are likely to be travelers as well," Paterson says.

Chase, the largest U.S. issuer of credit cards, is aggressively seeking to offer cards to consumers who may carry over balances and pay interest, at a time when U.S. consumers are increasingly reluctant to revolve credit card debt, says [David Robertson, publisher and owner of payments industry publication The Nilson Report](#). The tens of millions of Prime members

good target, Robertson says. "You're talking about people who are buying mass-market products, looking for a good and who would be more inclined to buy something and pay it back over time," Robertson says.

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courage consumers to sign up, [Amazon is offering a \\$70 gift card](#) upon approval of an application for the new card.

Wells Fargo and Chase are also offering a credit card for consumers who are not members of Prime, offering 3% back on orders.

"These are great cards with fantastic offers," says Michael Moeser, director of the payments practice at Javelin Strategy & Research, a consulting firm. "The base card gives you a \$50 Amazon gift card and the Prime card gives you a \$70 Amazon gift card, which almost makes the Prime membership free for the first year. The cards come with no annual fees and significant enticement with 2% cash back on gas, drugstore and restaurant purchases, along with 1% cash everywhere else. Just comparing this to the Walmart card which gives you 3% on Walmart.com (1% in store) and 2% on Walmart gas, the Amazon card is a better deal overall." Wal-Mart Stores Inc. is No. 4 in the Top 500.

Moeser adds that he thinks the new credit card "is going to drive a lot of regular Amazon users to upgrade to Prime memberships and make the Prime membership more valuable for existing Prime customers. The seamless integration of reward points at checkout make the Amazon card much more useable and visible to customers."

Signing up consumers for Prime has been a big part of Amazon's strategy for the past decade, as Prime members spend far more on Amazon than others do. For a \$99 annual fee, Prime members receive free 2-day shipping on 40 million Prime-eligible items on Amazon, access to movies and TV shows through Prime Video, and same-day delivery in 29 cities and two-hour Prime Now delivery in more than 30 cities on a smaller selection of products.

"We are adding even more value to Prime by offering rewards on Amazon and everywhere else you shop," says Amazon vice president Max Bardon.

Paterson of Mercator Advisory Group notes that the new credit card is part of Amazon continually adding perks to Prime, which started out solely as a free-shipping program. "Prime is really becoming a package of benefits," he says. "It started out with free delivery, but now obviously it includes streaming video, the extra benefits of the card program and other benefits. It's not just free shipping, which is where it started out."

Amazon says there are "tens of millions of Prime members around the world," but has never released specific membership figures. Securities research firm Consumer Intelligence Research Partners LLC estimated in October that 65 million U.S. consumers were Prime members as of Sept. 30. CIRP estimates the average U.S. Prime member spend \$1,200 annually with Amazon, double the \$600 of other Amazon shoppers who do not belong to Prime.

Amazon previously has offered other co-branded credit cards bearing the logos of major card brands, and also has worked with credit card issuers in other ways. For example, Discover Financial Services allows cardholders to redeem their cashback rewards credits on Amazon.com, and cardholders that register their Discover card as a saved payment method on Amazon see the credits they have available to redeem on that transaction on the Amazon.com checkout page. There also is a separate entry in Discover's mobile app to allow consumers to redeem their cashback credits on Amazon.com.

The standard cashback reward on Discover cards is 1% of purchases, however the credit card company routinely runs limited-time 5% cashback promotions for purchases in select product categories and for purchases made on Amazon. Further, it has a credit card called "Discover it" that offers a \$75 statement credit after a new cardholder makes his first Amazon.com purchase using the card. Consumers can start the application process for the card on Amazon.

**TOPICS:** Amazon Prime, Amazon Prime Rewards Visa Signature Card, cashback rewards, cobranded credit cards, David Robertson The Nilson Report, Discover Card, J.P. Morgan Chase, Ken Paterson of Mercator Advisory Group, Michael Moeser Javelin Strategy & Research

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