

Sustainability at Amazon

15.913/915 Sustainability Lab
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Project Objective:

The goal of the project was to help Amazon uncover insights about millennial and gen-z Indian consumers' attitudes towards sustainability and the effect on purchase preferences in order to provide Amazon with information that will help establish innovative products or programs geared toward its sustainability-minded consumers in the rapidly growing Indian market. To assist Amazon, we sought to answer the following research questions:

Part I: What are e-Commerce/consumer purchasing behaviors of young Indian consumers? What is the size and potential of this market?

Part II: How do Indians understand and define sustainability? What are young Indian consumer attitudes about environmental sustainability issues?

Part III: What are young Indians' aspirations for the future and how will cultural values and attitudes on sustainability affect e-Commerce behavior, especially as wealth grows?

Methodology and Findings:

Focusing primarily on secondary research, our team explored existing studies on the topic of sustainability, millennials and generation z preferences in the U.S. versus India, as well as evidence on attitudes of experts on climate change. After narrowing the scope to include environmental concerns among Millennial consumers in India only, we found the following insights:

- o Market is large and poised for growth, led by young consumers
- o Population is 65% rural, but 70% of income is generated in cities
- o Vegetarianism and wedding spending highlight unique culture-driven spending behavior, with significant differences from U.S., especially regarding food
- o Significant challenges to e-Commerce penetration exist including: poor infrastructure and cash on demand being primary form of payment
- o Climate change is perceived as the biggest global issue by Indians while North America and Western Europe consider ISIS as the biggest global threat
- o "Green" is associated with "natural" or "herbal" and the market for organic and natural products has been growing at 25-30%
- o Young Indians are more socially responsible and environmentally aware than prior generations
- o Indian consumers more likely to purchase eco-friendly or "green" products, all other things being equal
- o Inconclusive whether or not young consumers are willing to pay a premium
- o Limited evidence for relationship between national income and environmentalism.
- o Consumption behavior in most categories will change with income, with a few notable exceptions - preferences around meat consumption and local goods will remain sustainable.
- o India has a long history of CSR and Indians believe companies (especially foreign ones) have a duty towards society that is legally enforceable and increasingly focused on the environment.

Next Steps for Amazon

In light of the quality of available research on Indian consumers' attitudes about sustainability, the reliability and validity of the conclusions may not be an adequate foundation for immediate action. We believe further analysis is required and Amazon is in a unique position to take advantage of its expansive consumer purchasing data:

Matched pairs back test on past sales

Find a pair of similar products, with identical prices and customer reviews. One product in the pair must be clearly superior in some dimension of sustainability. Analyze proportions of sales of that product to the overall category in neighborhoods with different income or age levels. Repeat analysis among both Indian and U.S. consumers to compare and contrast findings.

Experiment option 1

Study effect of Amazon-branded packaging waste vs non-branded packaging waste on willingness to purchase on Amazon. Study design could have respondents enter past a trash-filled street, with branded trash intentionally placed in their path. Respondents would be told the study is about eCommerce and remuneration would money towards an eCommerce website of their choice. Objective: Determine whether or not there are negative effects to branded waste considering Indian consumers' concerns about inadequate waste management.

Experiment option 2

For a single item, A/B test versions of the sales page with sustainability messaging or information placed more prominently (such as natural, organic, or local advertisements Indian-made) and evaluate two effects: the information effect on sales of equally priced items, and then separately, the price effect, or elasticity of demand as price is increased for the "sustainable" version.