

EXAMINING THE COST OF AMAZON.COM'S SUCCESS USING THE TRIPLE  
BOTTOM LINE

By

Ian Chan

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Dr. Michelle Lane, Committee Chair

Dr. David Sleeth-Keppler, Committee Member

Dr. David Sleeth-Keppler, Graduate Coordinator

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## **Abstract**

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Ian Chan

Amazon is a very successful online retailing company. Their sustainability practices are highly questionable, yet their success only seems to grow. Since the focus of the MBA is on sustainability, it is of interest to apply sustainability theory to Amazon, which maintains its success in a more environmentally conscious and more socially responsible world. The project therefore seeks to explore how sustainability affects Amazon's success, and if sustainability has any implications for Amazon today and in the future.

In order to do this, the paper will examine Amazon's biggest shortcomings, which are related to environmental reporting and employee mistreatment. Then it will be shown how Amazon is successful even though they show deficiencies in environmental and social sustainability. It will then be shown how Amazon makes up for its deficiencies with competitive practices, customer satisfaction and long-term investment. A comparison to Zappos, a similar company will be made to explore possible improvements for Amazon in the future.

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## Introduction

Amazon is an interesting company to apply sustainability theory to, especially the triple bottom line. According to the triple bottom line, companies should measure impacts on people, profits and the planet, the three Ps. In other words tracking and exhibiting, social responsibility, making money and practicing environmental responsibility regarding the earth, and giving them equal priority. The triple-bottom line is the basis of sustainability, often referred to as the three pillars of sustainability. Amazon is an interesting case to apply this to, because it appears uniquely unsustainable in many ways yet still very sustainable in others.

Amazon is a multinational online retail store founded by Jeff Bezos. Amazon was founded as an online book store, but today sells most items you can think of, from headphones, to cleaning supplies, computers to food. Today, Amazon is the largest online retail store with no single large competitor, save for Ebay and more recently Alibaba. Rather than compete with just one store, Amazon competes with all of them, including but not limited to Walmart, Target, Macy's, and Barnes & Noble. The sheer variety of items that Amazon sells, makes them extraordinarily popular with consumers. Without a doubt they are one of the most successful retailers in the world.

Even though Amazon has been successful in the retail industry, they have deficiencies in sustainability. In terms of people, Amazon has been accused of questionable social responsibility in regards to the treatment of its employees (Gunther,

2012). In examining the 'Profit' pillar, Amazon's profits have always been weak or nonexistent, especially from the years prior to 2003 (Amazon, 2003). Finally, for the 'Planet' pillar, there has been a lack of transparency in regards to Amazon's impact on the planet. These inadequacies create the basis for conducting this study.

But why look at Amazon and the three Ps? Sustainability argues that businesses do not perform well when the three Ps, are neglected. Not just business, but the world in general is more environmentally conscious and socially responsible than it has ever been. "Today, 65% of Americans are willing to switch to a brand associated with a good cause if price and quality are relatively equal. And 66% percent participate in at least one social cause – generated boycott each year (Sanders, 2008, p.4). What can be seen at Amazon is success in spite of negligence of sustainable business practice, a contradiction to sustainable business theory.

However in the course of the study, much of the evidence of sustainability deficiency is found on the social side, rather than the environmental side. Although there is evidence on the environmental side, this is due to neglecting reporting, not necessarily improper environmental sustainability practices. This makes a truly objective view harder to find.

Although neglecting sustainability would have negative effects on its own, there are other factors that come into play. Business environment conditions such as the internet and aggressive business practices in response to the opportunities brought about by the internet play an important role as well. Therefore competitive practices in addition

to sustainability will be taken into account in examining Amazon's success, and a comparison will be made to Zappos, a company similar to Amazon to see where improvements might be made.

## **Method**

The project will be a literature review. Literature sources will be about Amazon's sustainability and competitive practices. Sources will include books, academic journals, employee personal experiences, criticisms, and financial news. The sources will then be related back to the triple-bottom line, the three Ps of sustainability, People, Profit and Planet. After the literature has been reviewed, it will be interpreted and conclusions about Amazon and sustainability will be drawn from the review.

First, the review will open with employee and customer issues, forming the social component of sustainability. It is necessary to look at these first, because these are areas where the largest impacts are visible. By large it is meant that these are the most talked about. Next it is necessary to look at how Amazon has successfully disrupted the retail market. This gives insight to their competitive practices and how much this factors in versus sustainability practices. Thirdly, Amazon's approach to profits and its perceived importance of long-term profits will be outlined to show how this affects their success. After sustainability and competitiveness are examined, a comparison to a similar company, Zappos will be made to show where Amazon might make improvements in the future.

## Literature Review

### Disregard For The Employee

Opening with the social aspect of sustainability, this review will first talk about Amazon's treatment of its employees. Amazon has been widely criticized on the way they treat their employees. In the US, Amazon has been criticized on the working conditions in over 40 of its facilities, and has gotten to the point where the US supreme court is getting involved (Soper, 2014). It is important to note that Amazon believes in good customer service, and it is widely regarded that happier employees would provide better service (Taylor, 2014). Despite that, both customer service employees and warehouse employees are subject to questionable treatment. This will be elaborated on further with more examples.

Poor treatment of customer service staff has understandably made them the target of labor unions. "One union is targeting Amazon customer service reps, who complain of long hours, subpar pay, and hourly quotas of customer e-mails they must respond to, piecework-style – not to mention options under water" (Bernstein & Hof, 2000, p. 86). When this happened in 2000, Amazon responded quickly, as most large companies do not like labor unions. Unionized workers often push for increased pay, seniority based layoffs and occasionally strike, all things potentially costly to the company. This has motivated Amazon to suppress labor unions, which it has done successfully since the company was started 1994 (Kopytoff, 2014). In the case of Amazon's customer service

department, the solution to the union issue was simple, close the customer service department. In the past, four hundred of Amazon's customer service employees were approached by the Communication Workers of America Union. Amazon eventually shut down their call centers to cut costs during the internet boom. On top of this, distribution of anti-union handouts and training managers to detect early stages of union organization also occurred (Kopytoff, 2014).

Amazon puts forth much effort in the suppression of unions. As a result of the attempted unionization, call centers are no longer located in the US. As early as 2001, Amazon had already started outsourcing to places like new Daksh.com in New Delhi, India (Wagner, 2001). Any Amazon customer who has dealt with customer service lately will notice their representatives do not always have a western name. It is interesting to recognize, because a former employee, Kirk Sheldon mentions that Amazon is so against unions because it introduces an outside entity to the company, yet Amazon is willing to hire outside entities, contractors, in other countries (Wagner, 2001). The difference, as outside organizations, between unions and contractors is they affect employees. Unions for example could provide job security, while contractors could alert the employee he might be replaced.

In addition to the unhappy former customer service staff, Amazon warehouse staff have also had their share of problems. Warehouse workers are different from customer service representatives in that their job cannot be outsourced. Any problems occurring in a warehouse will have to be dealt with locally sooner or later. One of the main issues warehouse workers have with Amazon is that they are undercompensated when

compared to others. For example, as of 2013, a Walmart warehouse worker makes about \$40,000 a year, whereas an Amazon warehouse worker would make \$24,030 (Fox, 2013). Amazon paying their workers less is not a recent occurrence, but a historical one. Amazon has paid lower wages and given fewer benefits compared to unionized workers, and although they get stock options, they are still given fewer options than a representative would get (Bernstein & Hof, 2000, p.88). According to a Glassdoor report, on average an Amazon worker makes \$13 an hour which is 15% below the national average (Glassdoor, 2015).

The added difficulty of being unable to replace these workers has meant that Amazon has had to put more effort into fighting their unionization. Union spokesperson Joh Carr in an email wrote, “The workers at Amazon faced intense pressure from managers and anti-union consultants hired to suppress this organizing drive” (Kopytoff, 2014). Although unionization was suppressed successfully, Amazon still was not able to meet outside expectations to treat its workers better. “The company, which employs more than 50,000 people, has also been assailed for mistreating workers in its warehouses. A 2011 investigation into working conditions at a Pennsylvania warehouse by The Morning Call newspaper found that workers were ‘forced to endure brutal heat inside the sprawling warehouse and were pushed to work at a pace many could not sustain’. Some workers were carried from the building on stretchers when the heat topped 100F” (Gunther, 2012). This is surprisingly recent. Amazon was also quite stingy when it came to installing an air-conditioner as well. “In one famous incident, Amazon hired

paramedics to revive heat-sick employees at a Pennsylvania warehouse rather than buy an air-conditioning unit” (Foer, 2014).

Unions generally form to solve problems like the air-conditioner issue at Amazon fulfillment centers. With unionization declining throughout the United States, the Economic Policy Institute has pointed out growing inequalities particularly in wages, which was observed between Amazon and Walmart. Lower levels of unionization today weaken employee’s bargaining strength for better wages, benefits and working conditions (Mishel, 2012). Wages and working conditions are some of the issues faced by Amazon’s staff.

Union blocking, low wages and unsafe work environments have all been evidenced at Amazon. While fighting unionization is common among many large corporations, other evidences of social irresponsibility toward employees has been observed as well. Unfair compensation and physical endangerment for example. Despite the observations, patrons continue to return to Amazon. The next section will take a look at who those patrons are and look at their reasons for coming back.

### **The Value Of The Customer**

Here the review will try to examine why customers favor Amazon and keep coming back. The primary goal of Amazon’s business is to satisfy the customer, thus developing a trusting relationship between retailer and consumer. This is significant to the study, because the resulting trust with the consumer creates social capital. Social capital is a big part of social sustainability which is part of the people aspect of the three

Ps. John Elkington, the man who coined the term 'triple-bottom line' (the 3 Ps) said "building trust represents one of the most vital investments we can make in social capital creation" (Elkington, 1998, p. 242). It is also important to emphasize that out of all stakeholder groups, Amazon has put the most emphasis on the relationship it has with customers. In examining many articles, there is much more devoted to what Amazon is doing to pleasing customers, rather than employees or shareholders. The trust Amazon has built with consumers is arguably its greatest asset, which has made it so successful.

Early in Amazon's existence, making the customer happy has always made them more successful. Jeff "Bezos attributes Amazon's success to three big ideas: Put the customer first; Invent; and be patient" (Cohan, 2013). Customers are always at the top of Amazon's priorities. "[...] The key component that enabled Amazon to grow so much is the focus on what Bezos thought was the most important cog in the wheel – the customer. Amazon's entire approach was, and remains, put together with just one goal in mind – to make the customer happy" (Hariharan, 2013). For close to two decades customer centricity has driven Amazon's success. Even when profiting, Amazon puts effort into investing in the consumer. "Rather than pocketing the profits from this creation, Amazon has plowed revenue into bettering itself-into the construction of well-placed fulfillment centers that further hasten the arrival of its packages, into technologies that attempt to read our acquisitive minds and aptly suggest our next purchase" (Foer, 2014). Even if it lowers profits, Amazon makes its best effort to satisfy customers through customer service, and lower prices.

One of the ways Amazon has sought to better serve customers is through its original roots as a book seller. Amazon revolutionizes book selling by digitizing books allowing them to be delivered instantly (Wasserman, 2012, p.14). Amazon changed the way readers consume literature, by offering titles digitally. “Consumers have developed such a high preference for the easily accessible kindle, which allows them to consume and read their content from one device (Zara, 2013). Many titles are offered at lower cost, and without the cost of keeping inventory or shipping, because they are all available for digital download online. Not only does this make books easier to sell, it also makes them easily accessible and easier to consume.

Amazon takes customer service seriously. Amazon as led the online industry in customer service from the beginning (Parker, 2012). Bad online customer experiences discourage potential repeat purchasers. Amazon guarantees every order, offering timely delivery, along with timely refunds or replacements if needed. Good customer experiences builds the trust that brings customers back. Amazon itself says, “We believe that our ability to establish and maintain long-term relationships with customers and to encourage repeat visits and purchases depends on the strength of customer service operations” (Amazon.com, 2003, p.4). Amazon has a firm grasp on its customer service quality and its importance to the business as a whole.

One way Amazon demonstrates this grasp is through their ability to anticipate demand and listen to their customers. Amazon has always been forward thinking, always thinking about the next step. Jeff Bezos wanted to build a lasting company with a future. Even with the large stock Amazon had in the beginning, only 10% of its storage space

was being used. They anticipated that e-commerce would grow, and it did (Quittner, 1999). Amazon, sixteen years ago was preparing for the large retailer it would become today. Even before 1999, when Amazon only sold books, Amazon was quite responsive to consumer demand. This demand came in the form of a large volume of requests from existing customers, asking for more products such as music, DVDs and other electronics (Vries, 2005). Today in the year 2015 it's hard to name something Amazon does not sell. Amazon's willingness to bring its patrons what they want has taken them far in such a way that it sets a standard. Amazon's influence has grown to the point, where consumers are not willing to do business with a company unless their customer service is at least as good as Amazon's (Schmidt, 2014, p.10). Amazon changed what is expected from an online customer service experience.

It is not just through offering a wide array of products that Amazon serves its customers well, but its ability to actually deliver those products reliably that makes Amazon so successful. The reliability of Amazon is a critical part of its success. Amazon consistently makes sure that its products reach their customer, and in a timely manner as well. "Amazon has had a decade to build up trust that it will deliver orders on time and cheaply enough to keep customers coming back" (Vries, 2005). When a customer buys from Amazon they know that their purchases are guaranteed to be fulfilled at no extra cost, even if something goes wrong. "If prices are equal, buying Amazon can make sense: The company protects most purchases made with an Amazon account by its a-to-z Guarantee, which basically promises refunds for all charges (including shipping) if the item doesn't arrive or is "materially different" than described" (Arar, 2007, p.39). The

ability to guarantee satisfaction has given Amazon a big reputational advantage in the retail industry. And they have been improving in more recent years by actually making deliveries themselves, most noticeably by using drone delivery systems. “Taking control of delivery could allow Amazon to better control consumer experiences” (Schmidt, 2014, p.10). Something for investors and customers to look for in the future.

Apart from customer service, the other thing Amazon does well, that competitors have trouble copying are lowering prices. Prices are the next big lead Amazon has on competitors after its superb customer service. One of the biggest problems for any consumer is their limited spending resources, or a tight wallet. A good customer-centric company will “[...] pick the right customer problem to solve-one that causes the customer pain and that no other companies are trying to solve” (Cohan, 2013). The problem that Amazon has chosen to solve is high prices. Among retailers Amazon has some of the slimmest margins, meaning that they drive prices as low as possible. Consumers like low prices, which is why consumers like Amazon. Annie Lowrey states: “Amazon relentlessly drives down prices for goods and services and delivers them fast and cheap. It ploughs its profits into price cuts and innovation rather than putting them in the hands of its investors. That benefits millions of families – full stop,” (Chambers, 2014). Among Amazon’s other stakeholders, such as investors, one is more highly benefited and focused on, and that is the consumer. Amazon empowers consumers by giving them the best price possible, something many consumers could not do on their own. Amazon says that, “when we negotiate with suppliers, we are doing so on behalf of customers” (Valby, 2014, p.18). This negotiation is a part of the service and satisfaction

Amazon strives to give its consumers. When Amazon fails to negotiate that lowest price they want to give their consumers, they find alternative means to bring those low prices. So even if Amazon cannot sell the consumer what they want, they will still guide the consumer to the lowest price, even if they will not be able to sell to that consumer directly. That dedication to consumers secures future revenue, and sustains the success of the company.

The customer centric goals of satisfaction, providing the best customer service and prices are important to highlight. Meeting these goals is an ongoing, unending effort that is not without difficulty. Sustained loyalty is difficult to maintain, especially in the retail markets of the post 2009 financial crisis. People have become incredibly price sensitive. Customers take their time to shop around for the best deal and will choose the best price over a loyal relationship with one retailer (Goodfellow, 2012). Consumers now have different expectations, such as consistently getting the lowest price, thanks to Amazon. They cannot lose track of this, or else more sales will go to third party sellers, cutting into Amazon's revenues. So far this has only been a problem for Amazon's competitors. For example, toy store owner Michael Rosenberg experience states: "I couldn't compete with Amazon," he said. "They're selling it so close to cost, and with free shipping, that I can't compete against that" (Zara, 2013). Only other sellers that can sell their wares so close to cost would be a threat to Amazon.

Social backlash from small store owners like Michael Rosenberg demonstrate the effectiveness of Amazon's price competitive strategy. This backlash is a consequence of the disruption they have caused in their success as a retailer. Take for example, Amazon's

price-comparison promotion during the 2011 holiday season, where Amazon made clever use of the internet. Amazon created a smartphone “Price Check app” that customers could use while doing their in-store holiday shopping. If a customer scanned an item, they got a \$5 rebate, which made retailers angry. It was seen as unfair, but it made use of Amazon’s key strength, not having a physical store (Zara, 2013). Amazon is not well-liked by its competitors. Even if Amazon is painted in a negative light, as long as the consumer’s view of Amazon is unhindered, then any disruptive social backlash is meaningless theoretically. However, those from the vendor point of view are persistent in their effort to make their plight visible. They try to get the consumer to empathize with them, saying, “IN CONFRONTING WHAT TO DO ABOUT AMAZON, first we have to realize our own complicity” (Foer, 2014). Vendors like to point out the fault of the consumer that Amazon does well, while their businesses fail. They use words like complicity, implying that consumers are wrong. Wrong for seeking out low prices and convenience. While proving that statement is beyond the scope of the project, Amazon has made no such judgement about the consumer. At this point though it is interesting to point out, that while Amazon would choose to empathize with the customer, while some of Amazon’s competitors would have the consumer empathize with them instead. This shows a difference in focus and mindset, which could potentially be one of Amazon’s defining success factors. Either way, this demonstrates that the power in the retail industry truly lies with the consumer. Amazon recognizes this, and that is a big part of its success.

Amazon even tries to integrate the consumer's opinions directly by allowing them to share their own feedback with other customers. "Amazon has tried to control the environmental impact by allowing its customers to take control over the partners' appraisal with reviews and voting" (Gao & Student 7680680, 2011). This can be seen with vendor and product reviews and ratings. Consumers can use Amazon to research quality, and choose the most popular products for themselves. Just another example of how Amazon listens to customers and provides them with better service.

Social impact is only one of three aspects of sustainability. Based on previous discussion, Amazon is not a champion of social sustainability, but it was able to identify a very specific aspect of it to focus on. Through customer service, Amazon demonstrates the highest quality of service a customer should expect from an online retailer. Taking care of customers definitely has short and long term implications in regards to Amazon's success now and in the future. But it should be gleaned from this section that Amazon did not need to focus on all aspects of social sustainability to be successful. They were able to operate and meet customer needs even with a reputation for an unhappy workforce. The next section will look at the effects Amazon has had in retail and give insight into their competitive practices.

### **Disruption Of The Retail Market**

Even with sustainability as the chosen focus of the study, to look at the causes of Amazon's success, its competitive practices cannot be ignored. Amazon's competitiveness is evident in the way they heavily disrupted the retail market. Amazon

has enjoyed much success as a result. This section will highlight Amazon's success through the disruption they caused in the retail sector as a result of their competitive methods.

As a consequence of Amazon's success, there has been a lot of disruption in the retail market and industry as a whole. Amazon's new standards affect those of their competitors. They have grown to the point where they are setting the bar for what good customer service is (Schmidt, 2014, p.10). Amazon's standard of doing business affects the way competitors do business as well. This has strategically put Amazon a step ahead of their brick-and-mortar competitors (Vries, 2005). Amazon has been so successful at taking business away from its competitors that some would liken Amazon to a monopoly. New Republic's Franklin Foer states: "Today's monopolies, he says, have very different strategies than the bygone companies of JP Morgan's US Steel. Instead, they use their profits and dominance to seemingly work for the consumer by driving down prices – but at high cost to workers and competitors" (Chambers, 2014). The cost has disrupted small and large businesses alike. Amazon does business at the expense of its own workers, as seen in how they mistreat their employees. Despite Amazon's social sustainability shortcomings, a company that causes so much disruption must be doing something right.

Trying to catch up to Amazon is a daunting task. "Analysts say Amazon has won over the masses with its vast selection, a brand name everyone knows, a site that's easy to navigate and a reputation for reliability" (Vries, 2005). Amazon's victories in the retail industry does not stop other retailers from trying. Walmart, indisputably one of the world's biggest brick-and-mortar retailers has tried to catch up Amazon, but to no avail.

“Trouble is, e-commerce makes up just 2% of Wal-Mart’s sales. “It is still going to be a very small part of the company for a long time,” says Northcoast Research analyst Chuck Cerankowsky” (Derousseau, 2014). It is hard for even large and well established corporations to match Amazon’s competitive sway and power.

Many businesses have not been as fortunate as Walmart. Smaller businesses suffer largely at the hands of a new consumer practice referred to as ‘show rooming’. “Showrooming, of course, refers to the now-standard practice of testing out an item in a brick-and-mortar shop only to purchase it for a cheaper price online. When Rosenberg explained to his customers that the practice was putting him out of business, he said the younger ones knew exactly what he was talking about. Some denied doing it, but he said he always knew the ones who did” (Zara, 2013). This means that brick-and-mortars essentially perform a free service for customers, without getting any sales. This is one way in which Amazon uses the internet to drive its sales.

The situations escalates more from there. Amazon for some has become the one-stop-shop location, meaning some consumers ignore brick-and-mortars entirely. An example comes from Keller, a luggage store owner, who got most of his business through google searches. Customers started to use Amazon exclusively to shop, rather than use Google, which contributed to the decline of his business (Zara, 2013). Being ignored by your customers can be disrupting to one’s business. Amazon has achieved with retail, what Google has achieved with search engines. “Today, Amazon so dominates the marketplace that it feels free to bulldoze the competition, dictating terms to suppliers and customers alike. With respect to publishing and bookselling, Amazon is increasingly a

vertically integrated company, at once a bookseller, a reviewer even a publisher, and as such it poses a uniquely disturbing threat” (Wasserman, 2014, p.6). Aside from other retailers, Amazon has especially become a big threat to the publishing industry. The book sellers left behind fighting against Amazon exist in one of the most competitive environments books have ever seen.

The publishing industry is arguably one of the most heavily affected by Amazon’s progressive business practices. Digital books are a fairly recent concept to many of us, but Amazon CEO Jeff Bezos caught on to the idea early. “Bezos knew that two national distributors, Ingram Book Group and Baker & Taylor, had warehouses holding about 400,000 titles and in the late 1980s had begun converting their inventory list from microfiche to a digital format accessible by computer” (Wasserman, 2012, p.13). As early as the 1980s, Jeff Bezos knew he eventually wanted to sell books in digital format in the future. This has resulted in the closure of many bookstores. “The death toll tells the tale. Two decades ago, there were about 4,000 independent bookstores in the United States; only about 1,900 remain” (Wasserman, 2012, p.13). This is a big disruption in the book business, all caused by Amazon.

Amazon’s success in disrupting the whole book industry has the total attention of authors and publishers. Hatchette author James Patterson states: “[Amazon] wants to control bookselling book buying, and even book publishing, and that is a national tragedy” which he stated at the BookExpo America convention in New York City (Valby, 2014, p.18). The comments of James Patterson are not happy about Amazon’s involvement in books and neither is the rest of the book industry. Even in other countries

such as the UK and Germany, publishers are asking for competition inquiries because of its dominance in the book market (Bond, 2014).

Since Amazon is the largest seller of hardcopy books and e-books, they have power in negotiating wholesale deals and licensing agreements (Foer, 2014, p.20). When the Independent Publishers Group refused Amazon's demands for bigger discounts, Amazon took down 5,000 of the Independent's digital titles. This came across as a shock amongst publishers (Wasserman, 2012, p.20). Amazon's immense bargaining power demonstrates its competitive position, which makes them hard to negotiate with. It is hard to negotiate terms, when Amazon has the position of the largest distributor of books, 67% of the e-book market, and 41% of the total book market belongs to Amazon (Foer, 2014). Amazon's bargaining power and control over distribution of books are primary factors that make it competitive in the book market.

Amazon's competitive strategies of price cutting have enabled them to absorb costs. The large scale of their operations, lets Amazon use books as loss leaders to boost sales (Millinot, 2014). Eventually kindle sales would outpace hard cover books (Wasserman, 2012, p.17). The popularity of e-books with consumers is a critical part of Amazon's success in the book market.

Even with the numbers against them, publishers and other retailers remain defiant. Amazon is not doing a bad thing offering so many books at reasonable prices. However they are doing this at the expense of content creators: authors and publishers (Wasserman, 2014, p.8). Authors and publishers find Amazon to be treating them unfairly, undercutting their business. This caused authors numbering over a thousand to

petition Amazon to cease its tactics in one of its dealings with publisher Hachette (Bond, 2014). Notable authors involved in the petition include Malcolm Gladwell, Donna Tartt and Stephen King. The reason behind this, is because Amazon is assuming what looks like vertical control of the book industry (Wasserman, 2012, p.21). Fighting back while being under Amazon's terms will not be easy. Amazon forces publishers to put 5-7% of their gross sales into a marketing development fund (Foer, 2014). The cut into sales will make things harder on publishers. Foer likens Amazon to a monopoly, and suggests they should be treated like one. This is because of a perceived possibility of an unsustainable future, where Amazon holds enormous cultural influence through literature. Foer proposes a necessity for more regulations, which would be difficult to achieve (Foer, 2014).

Some competitors are doing their best to combat Amazon. One notable example is being carried out by one of Amazon's former employees, Hariharan. He wants to provide "online retailers with price-tracking services", that would allow competitors to make quick pricing decisions in response to Amazon (Mac, 2014, p.10). This would give other retailers the same edge that Amazon has in terms of the information it has. The information that it has about consumers and how to sell products better. As an example, RadioShack could use Boomerang to sell televisions. Boomerang would check prices at other locations and sales volumes of the particular television being sold. This information could then be used to select the best price to sell the television at (Mac, 2014). It cannot be said with certainty how effective this will be. The company used in the example, RadioShack declared bankruptcy in early 2015.

The purpose of showing the disruption Amazon is causing in its own industry, is to not only illustrate its successfulness, but to attribute much of its success to its competitive practices. Customers and competitors alike can tell how competitive Amazon is. Once that is established, it can then be highlighted that Amazon is a very competitive business even in a more environmentally conscious, socially responsible world. Sustainability suggests that companies that are less than sustainable should not be able to attain the same success that more sustainable companies do. In spite of this Amazon's shortcomings with employees, it is arguably number one in online retail. Amazon still has one more competitive practice that ties in with one of the three Ps, Profits.

### **Perceptions Of Profit And Value**

Coming to the second of the three Ps to be mentioned, Profit, it should be noted that this plays a role equal to people and planet. Sustainability theory knows that there can be no business without profits. Therefore it is worth noting Amazon's unique approach to profits.

Profits are seldom spoken of and talking about them is not encouraged at Amazon. "Silence ruled the day at Amazon. The PR department inculcated us with the belief that the press should never be trusted and that the outside world – with its emphasis on "profitability" and "balance sheets" – was evil and never to be listened to" (Daisey, 2002, p. 69). Profitability, that is, seeing profitability right now, is not an emphasis, as seen when Amazon had its first profitable quarter. "But much to the puzzlement of Wall Street, Bezos said this was a mistake, as he hadn't intended to make a profit for another

couple of years. This was the first indication that unlike many so-called dot com entrepreneurs he wasn't looking for a speedy cash-out, but was in fact, working against a much longer time-line" (Parker, 2012). Amazon prefers to look at the long term, rather than short term in its view on profits.

Long-term profitability, especially the way Amazon sees it, is not something that is normally paid attention to. Past reactions from investors in response to reporting non-profitability can prove this. "They badly underestimated it last week after the Seattle-based 'Net giant reported a 73% drop in quarterly profit. The huge drop was a direct result of spending on new fulfillment centers and other infrastructure, which, of course, are essential components of long-term growth. But it's the here-and-now that Wall Street cares about, so the market immediately whacked the stock by 16%, to below \$200" (DeFotis, 2011). In Amazon's view, "here-and-now" is of lesser importance compared to the long term.

Amazon has built a reputation for investing in its future. "Amazon's sales continue to grow, but its investments in new products and services are growing faster" (Lashinsky, 2014, p.74). Those investments usually come out of Amazon's profits, making them seem less profitable. Recently investors are learning to recognize this, which has confused a market that is used to focusing on the short-term. "Sometimes, it's difficult to figure what Wall Street and investors are thinking. Amazon, which on Jan. 29 reported that it netted a loss in fiscal 2014 and also revealed that its fourth-quarter profit slipped, nonetheless saw its stock price improve 12 percent in after-hours trading"

(Preimesberger, 2015). This is evidence that investors are trying to understand how Amazon spends its profits.

Despite the better awareness of Amazon investing within itself, investors still do not fully understand Amazon. Investment bank B. Riley's Tilgshman states, "Having covered Amazon for the better part of 10 years, we are accustomed to the investment cycles inherent in the company's model. However, we are finding no end to the company's spending this time around as losses mount, estimate revisions continue to be downward-biased, and as mid-term returns remain uncertain." (Ray, 2014). These gaps between Wall Street investors' views and Amazon's financial practice show a departure from traditional views on financial success. Through continuous reinvestment, Amazon keeps proving that present stock price means nothing. John Elkington uses a quote from Skandia saying, "Our responsibility is to turn the future into an asset" (Elkington, 1998, p.91). Amazon's future is one of its most self-valued assets. In the next section, the study will explore one of Amazon's historically, according to information found, less valued assets, responsibility for environmental impact.

### **On Environmental Issues**

The last of the three Ps to be covered is Planet, which largely focuses on environmental impact. Sustainability strategists would suggest that measuring and reducing environmental impact is good, while not measuring and not reducing is bad. If Amazon is judged by how much it measures, there is much to question. It is difficult to ascertain what kind environmental impact Amazon has because there is less to be found.

Getting transparent information on Amazon's sustainability track record is not easy. "Just try to find Amazon's sustainability report. You can't. There's no such thing. As far as anyone can tell, Amazon has made little or no effort to measure, disclose or improve its performance when it comes to the environment, workplace issues, diversity charitable giving or political activity. This puts it behind rivals such as Walmart and Best Buy, technology giants Microsoft and Google and logistics and shipping firms UPS and FedEx" (Gunther, 2012). More businesses are adopting sustainability oriented practices and reporting on them, making them more attractive to do business with, invest in, or work for. This is especially true with the internet creating generally easier access to information. Amazon is continually criticized for a lack of abundance of information it provides. Amazon does not file any of the widely recognized sustainability reports, such as the well-established Carbon Disclosure project (Gunther 2012). Climate Counts and Greenpeace rank Amazon lower on their lists of sustainable companies (Makower, 2014). From the NGO perspective it is not fitting for an industry leader to be a sustainability laggard, which is what they are saying about Amazon. Looking specifically at Amazon's data centers, Greenpeace ranks Amazon behind other large tech firms such as Yahoo!, Dell, Google and Facebook (Gunther, 2012).

The above examples portray Amazon as the target of a name and shame campaign, a coercion tactic. Sometimes coercion elicits some reaction. For example, Amazon after being pressured by Greenpeace in 2015, said it would invest \$150 million into a solar farm to power one of its large data centers (Grady, 2015). Data centers use a large amount of energy and a solar farm would reduce the amount of energy used that

comes from fossil fuel. In addition, Amazon is also installing infrastructure in its data centers in Seattle that would harness heat generated by data centers and use it to heat corporate offices (Sverdlik, 2014). Even though these commendable actions are being disclosed Amazon is still missing what big NGOs like Greenpeace are looking for. That is full disclosure of total environmental impact.

Even though there is criticism, Amazon remains popular among consumers. This is largely a result of their good track record for customer satisfaction. Even so, it is important to scrutinize whether or not withholding environmental sustainability information is good for Amazon, and to explore the consequences of doing so. Amazon tries to control what information about it becomes public (Daisey, 2002, p.68). Amazon exercises great control over its public image to control stakeholder perceptions, which are reflected in the stock price. An example of this can be seen in a statement made by Amazon's board in response to Calvert Investments. In this instance, Amazon blocked a motion by Calvert, an investment firm known for its socially responsible practices, for better sustainability reporting. Amazon considered such reporting to be inefficient (Pailthorp, 2011).

Mike Daisey, former employee of Amazon, suggests that sustainability reporting gives Amazon less control of its public perceptions. He says, "by clinging to its own definitions of what it was, and then not sharing those definitions with anyone else, Amazon became the only arbiter of its own success or failure" (Daisey, 2002, p. 66). Amazon makes itself the controller of its own fate by controlling the information about itself. It then begs the question of whether or not there is anything to hide.

So far this has not had any negative impact on Amazon's sales or reputation. Amazon's lack of corporate responsibility has not hurt their bottom lines (Gunther, 2012). That does not mean there is no potential for corporate responsibility to make a difference.

More transparency on environmental impact would be a step closer to environmental sustainability. Take for example the Kindle e-reader one of Amazon's products. It's difficult to measure Amazon's overall environmental impact, but a single product is easier. Environmental consulting firm Cleantech, measures that Kindles generate 168kg of carbon, while a book generates 7.5kg (Kaiser, 2010). With these impacts, a reader would break even after buying twenty-three e-books. An avid reader, someone who reads hundreds of books would greatly cut down carbon emissions by using a Kindle. That's not including the chemicals and water required to produce a book. Although these calculations were not made by Amazon, reporting with exact numbers like this is what NGOs and watch dogs would like to see from them.

The internet is a great tool for business, and harnessing information, but it is a double edged sword. Free and widely available information can lead to advocacy, and make Amazon's operations visible to the outside world. Customer, Amazon's critical stakeholder, seldom realize or question this. There is the possibility that if customers do started pressuring Amazon to report its environmental impact, Amazon would have to comply (Gunther, 2012). If it didn't it may lose business otherwise. Whether or not a lack of environmental sustainability will hurt Amazon now or in the near future is unclear. So far, and judging from the information available, it makes little difference. In the next

section the study will look at an example and opportunity presented by another company, Zappos that could potentially change and make a difference at Amazon.

## **Zappos**

Comparing the sustainability practices of Zappos and Amazon makes sense because they are similar in a number of ways. For example, they both started off selling a single product type, books for Amazon and shoes for Zappos. And slowly they both expanded to sell more than their original offering, even though Zappos has mostly stayed within the realm of apparel. In fact they were similar enough that Amazon CEO Jeff Bezos made an offer to acquire Zappos in 2009, and Zappos CEO Tony Hsieh agreed. Even though they are similar in their purpose and function, they are dissimilar in many ways, especially at the management level. Jeff acquired Zappos, because of his respect for Zappos' management culture and has already implemented one of Zappos' practices in Amazon. It is for this reason that Zappos continues to operate on its own, despite being a subsidiary of Amazon. The rest of this section will cover Zappos' sustainability practices and compare it to Amazon's in order to offer suggestions and possible improvements.

First some of Zappos' social responsibility will be examined, starting with workplace culture. Zappos has adopted a much more informal management style. There are no formal teams and titles, but everyone still has a role. Zappos employees are "all partners, each with an agreed role and duty to support others whose work overlaps" their own (Hill, 2014). Everyone is expected to be open with one another in order to mitigate

tension and maximize productivity (Hill, 2014). This informal environment is the opposite of Amazon, where workers are not only unhappy as seen in previous sections, but micromanaged as well. For example, engineers working on Amazon's Fire Phone product stated that Jeff Bezos was the unofficial product manager and that he micromanaged its design (Colt, 2015). This is something that Zappos' management structure tries to avoid. That being said, not having a structured hierarchy is different and this does not work for everyone.

With many unhappy workers, as seen earlier, Amazon also has come to the conclusion that their jobs may not be suitable for everyone either. This is why Amazon adopted Zappos' practice of paying employees to quit. Zappos has a program called 'The Offer', which offers anywhere between \$100 to a one month's salary to quit (Taylor, 2014). This is a method for dealing with unhappy staff. Zappos is a unique culture, and Tony Hsieh makes this offer out of the understanding that the culture is not for everyone. Jeff Bezos as well believes that an employee at the company who is not happy to be there is not healthy for the company (Taylor, 2014). Something that is healthy for companies, as shown by Zappos, is some community involvement.

Zappos has a take on community which also ties into social responsibility as well as environmental impact. For example, Zappos partnered with the U.S. Department of Energy, to build electric vehicle charging stations on its LEED Gold certified campus in Las Vegas (energy.gov, 2013). Zappos does not just try to give to the community through setting up one of these stations, but it tries to blend with the community it is in as well. Zappos' Las Vegas campus is open to the public, and this fits with one of their core

values to build open and honest relationships (Samarasekera, 2013). This contrasts with Amazon's practice of being more closed, and tightly controlling information as seen in earlier observations by Mike Daisey. There is still one more difference between Zappos and Amazon that was not so positive for Zappos.

Whereas Amazon has always been short on profits, it has never been crippled in its operations because of it. Zappos had financial trouble that could have damaged it. During the 2009 financial crisis, Zappos was reliant on a \$100 million line of credit from the banks, which had strict revenue targets (Hsieh, 2010). The insecurity from this situation is what led to Zappos accepting Amazon's buyout deal. Bottom line profits are also one of the three Ps of sustainability so this cannot be ignored, even though Zappos has shown good approaches concerning the other two Ps, People and Planet.

In summary, on the social side of sustainability both are good retailers with happy customers. However, one stark difference is the happiness of their workers. Amazon's are less happy while Zappos' are happier. Zappos shows off its environmental impact not only by acting, but allowing the public onto its campuses. This is a step forward in transparency over Amazon. However one shortcoming in which Amazon beats Zappos is on the profitability side. Amazon has always managed its finances well, whereas Zappos needed saving and were eventually bought by Amazon.

## Discussion

Amazon has shown some poor social responsibility in its treatment of employees. When employees argue for better wages and fairer treatment they are met with resistance. Long hours and lower wages compared to competitors like Walmart for the same type of work are reasons for perceived mistreatment. Some feel the need to seek external support in the form of unions. One of the few solutions Amazon has implemented is to adopt Zappos' idea of paying employees to quit, rather than deal with the complaints. It is not just the social aspects that Amazon is lacking.

On the environmental side of sustainability, Amazon's environmental impact reporting is not transparent. NGOs that collect data on carbon emissions, and carbon footprint data shame Amazon as being environmentally irresponsible. However, actually proving they are environmentally unsustainable is difficult because of the lack of reporting. At the same time it could still be argued that Amazon is being sustainable in some ways, for example using Kindle e-readers to reduce the number of paper books being sold. It is hard to actually tell using the information gathered in the review because of limited reporting.

Even though there is a lack of sustainability in the social and environmental aspects, there is an aspect of social responsibility that Amazon has gotten right. Even though Amazon has a bad record with employees, it is the opposite with customers. Amazon demonstrates creation of social capital in its approach to customer service. The way they build a relationship with customers, ensuring they keep coming back is an

excellent example. Also a good demonstration of financial sustainability is the reinvesting of profits in projects that ensure future revenue growth. Even though Amazon does these things very well, there is still much left to be desired.

There are some aspects of sustainability that Amazon does right and others that it does wrong. Amazon is good with its finances and shows little interest in short-term greed, instead opting to view things in the long run.

This shows that Amazon is not a perfect example of sustainability, but the parts that it does right, very specifically its customer service, and its approach to profits are what makes it successful. Also what makes Amazon successful are its opportunistic and competitive strategies.

### **Limitations & Suggestions for Further Research**

One of the bigger limitations of the study was relating to information on environmental sustainability. Part of the intention of the study was to collect as much information on Amazon's sustainability as possible to analyze. However the amount of environmental impact information fell short. Therefore a suggestion for further research into the subject is to delve deeper into Amazon's environmental impact and find more objective, and standardized information about what they are doing for the planet. Also partnering with government organizations

## Conclusion

The intent of the study is to find out if this means anything in the long run. It has been established that Amazon has a good image and reputation with its customers, which form perhaps the company's key stakeholder group. Transparency with environmental data has not affected this. The way Amazon treats its workers has not affected Amazon's image either. Amazon's financial sense in chasing longer term goals shows in their success, even though not directly in the eyes of consumers. Where Amazon is lacking in sustainability does not influence any perspectives that can influence their business.

That still does not mean there is no room for improvement. Amazon has raised the bar and set many standards in its industry. Although Amazon is in a dominant position it may be hard to view them in a more vulnerable one. This is to say that, one day another company may set an industry standard that even Amazon might have trouble meeting. Sustainability continues to grow in relevance and it would be better to set standards rather than keep up with new ones.

Therefore there must still be something Amazon can change about itself sustainability-wise, that could improve its business and image in the long run. One of those things focusing on making its employees happier, and giving them less reason to unionize instead of merely suppressing unionization. This could be done by revamping the culture to be friendlier the way Zappos' is, while addressing the concerns employees have. It would be a step forward in environmental sustainability if Amazon could conform to standard environmental impact reporting or somehow make its impacts

public. Also, partnering with other organizations for sustainability projects the way Zappos partnered with the U.S. Department of Energy could help Amazon to be more environmentally sustainable as well. Amazon may not see reporting as being in its best interest, but they could still benefit from outside expertise and the publicity of taking on or sponsoring a sustainability project. These actions together would bring Amazon a step forward in being more sustainable.

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