



# AMAZON DISCOUNT STRATEGY REPORT

# COMPANY BACKGROUND & EXECUTIVE SUMMARY



## EXECUTIVE SUMMARY

### COMPANY BACKGROUND

Amazon is one of the largest e-commerce platforms, offering a wide range of products with frequent discounts and promotions. However, despite providing significant discounts across various categories, data suggests that higher discounts do not always result in better customer satisfaction. Some products with bigger discounts still receive lower ratings, which raises important questions about customer perception, product quality, and purchasing behavior.

Additionally, Amazon wants to optimize its discount strategies for high-ticket items (expensive products) and ensure that customers are satisfied with their purchases. They also need insights into which product categories benefit the most from discounts and how customer feedback can help improve overall sales and shopping experiences.

The relationship between discount percentages, sales volume, and customer ratings in several categories is examined in this paper. The findings demonstrate that discounts work for Electronics and Computer & Accessories, since both categories have seen strong sales volume as a result of their successful discounts. Conversely, other categories—like Home & Kitchen, Office Products, and Others—do not live up to expectations and do not see any increase in sales.

Discounts have less effect on customer satisfaction variables, according to the correlation research, which indicates that other factors like product quality, customer service, delivery time, and product brand would have a greater influence on customer contentment. Furthermore, discounts are not the primary factor driving consumer purchasing of valuable goods. Reviews from customers who have purchased inexpensive goods further highlight how crucial both product quality and cost are to consumer happiness.

To put it briefly, Amazon's discount approach is increasing sales pretty effectively, but in order to maximise profitability and customer pleasure, more adjustments and investments in product quality are required.

# REPORT OVERVIEW

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Number of items in the report

**1,462**

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Highest price items after discount

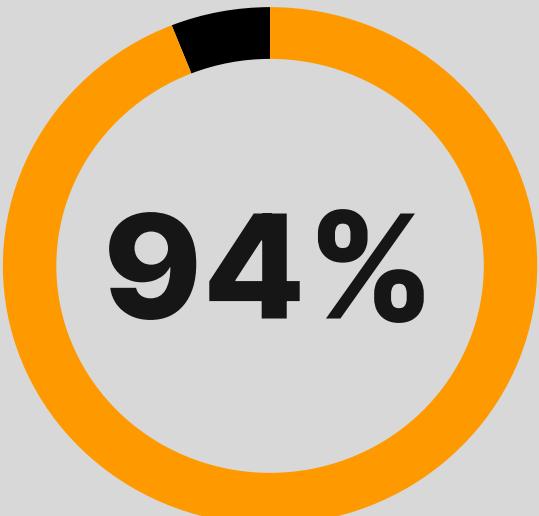
**₹77,990**

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Lowest price items after discount

**₹39**

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**94%**

Highest discount percentage  
for an item

The report takes data from Amazon with 1,462 products. The highest product after discount is worth ₹77,990 and the lowest is worth ₹39. Also, the highest discount percentage for a product is 94%. Along with the participation of 26,765,385 customers, the highest product score is 5 and the lowest score is 2.

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**26,765,385**

customers contribute to rating

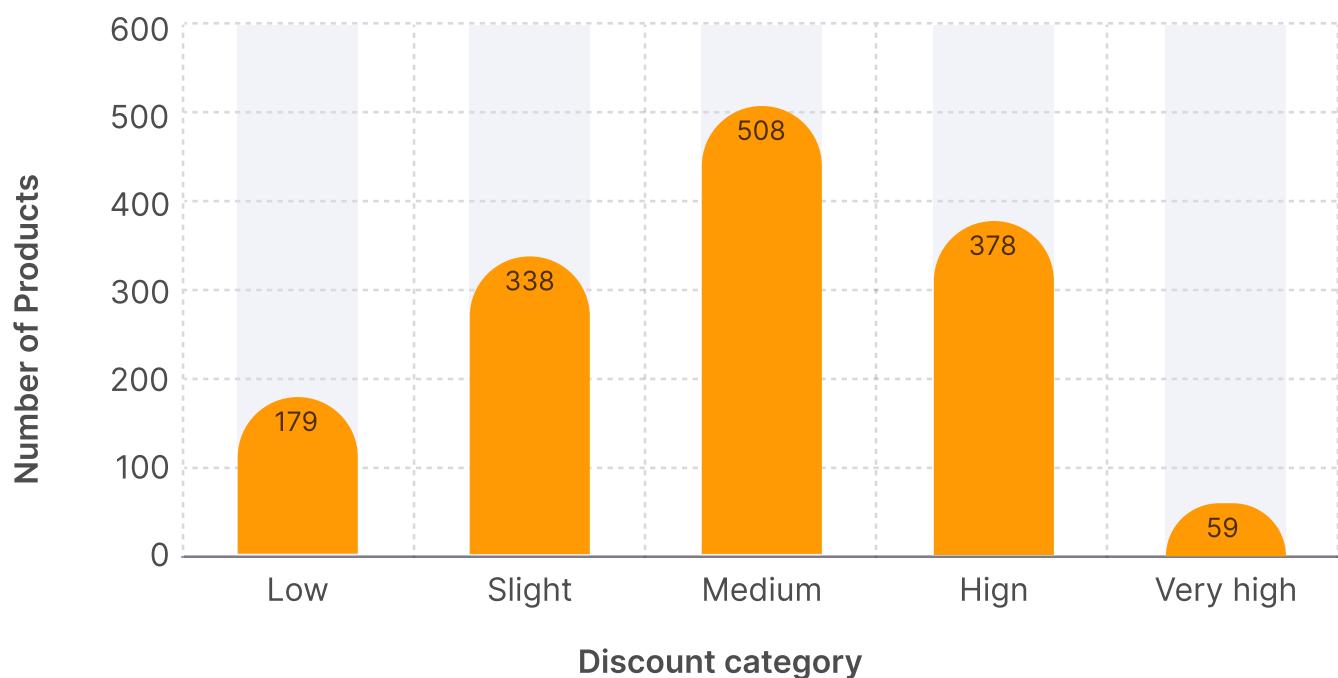


# DISCOUNT DISTRIBUTION

The Medium range (40% to 60%) is the most beneficial, particularly when the volume of purchases exceeds the percentages offered by other categories. This implies that sales greatly increase within this sweet spot, most likely as a result of a strong perceived value that encourages more transactions than in other ranges. For instance, a 50% discount might strike the perfect balance to increase sales.

Sales volume marginally declines but stays relatively stable in the high discount sector (60–80%) and the slight discount segment (20–40%). Although it doesn't have the peak impact, the 20–40% range maintains a steady effect and can seem too low to encourage significant purchases. Similar to this, discounts of 60–80% remain consistent but may lose some of their appeal if quality issues or a diminished perception of profitability arise. Both continue to have a consistent, albeit diminished, impact on sales.

Figure 1: Distribution of discount categories on Amazon Product

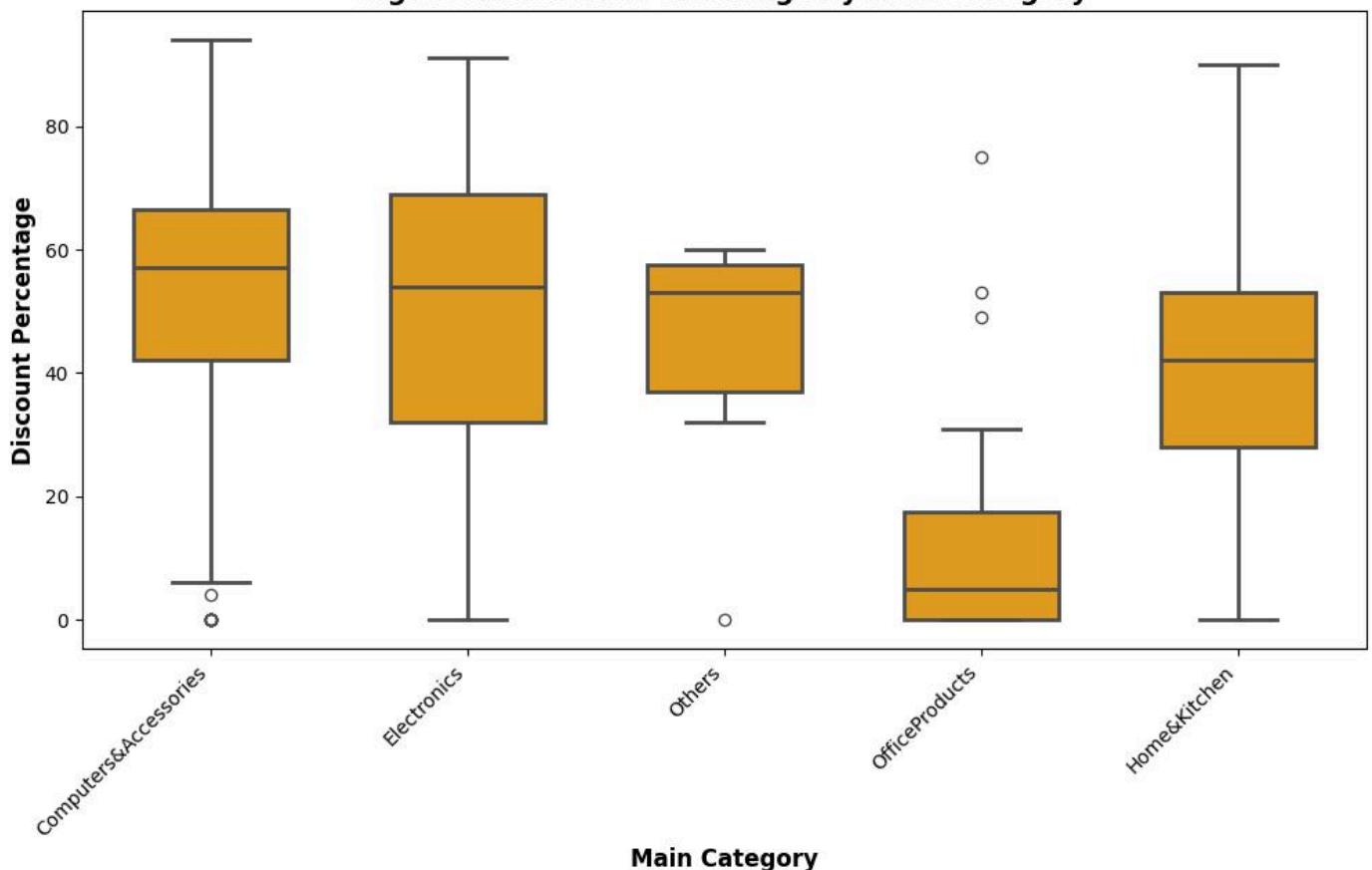


The influence of the remaining categories, which are probably below 20% and above 80%, is limited by a steep decline in sales volume. While discounts exceeding 80% may cause scepticism and reduce consumer interest, those under 20% may seem inconsequential.

Therefore, if item-specific variances are disregarded, discounts ranging from 20% to 80% are successful, peaking at 40% to 60%, where they significantly increase sales volume. A strategic focus for optimising impact is provided by this range.

# DISCOUNT DISTRIBUTION

**Figure 2:Discount Percentage by Main Category**



When employing discounts in the medium sector, Amazon's primary product categories have comparable sales volume affects, most likely between 40% and 60%, according to the boxplot chart. This range is frequently used on the majority of products, and it consistently produces positive results in industries like electronics and clothing, indicating that it's a dependable tactic for increasing sales. This is probably reflected in the boxplot by using similar medians or spreads.

Office products, on the other hand, exhibit a weaker response. Their influence on total sales volume is negligible because they only make up 31 items, which is a very small portion of Amazon's inventory.

Trends are dominated by larger categories with thousands of items, whereas office supplies like staplers don't have the scale to change the trend. For them, the chart can have a flatter impact. The tiny quantity of office products means that their limited influence does not change the success of the larger plan, even though the medium discount category drives sales across most categories.

# CORRELATION BETWEEN DISCOUNTS AND RATINGS

Figure 3: Scatter Plot of Discount vs. Rating with Regression Line

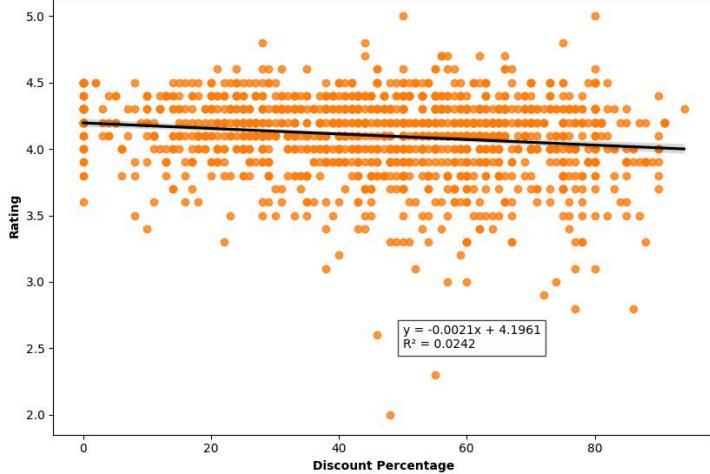
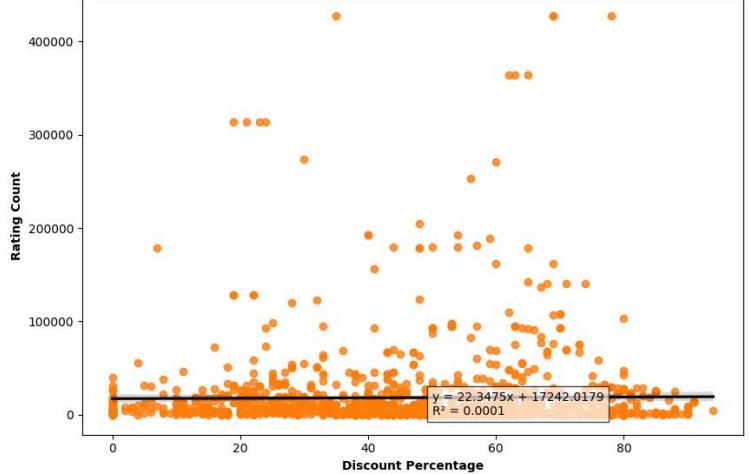


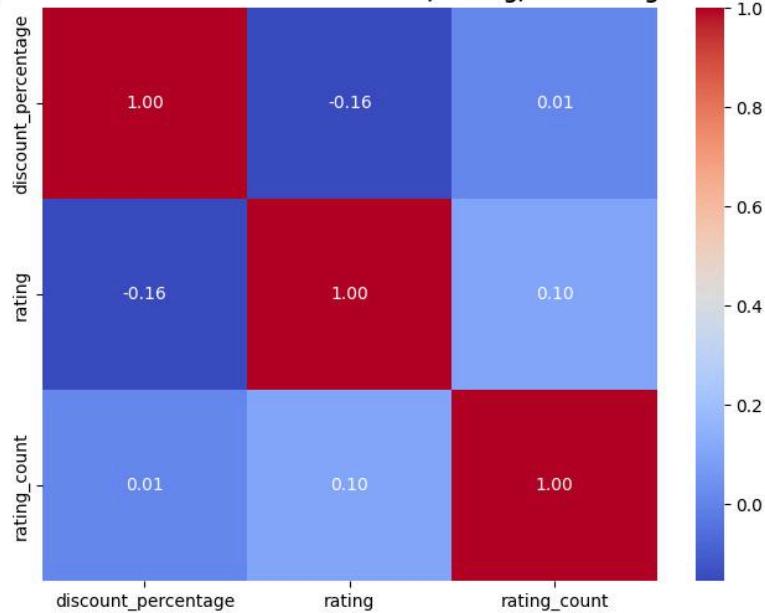
Figure 4: Scatter Plot of Discount vs. Rating Count with Regression Line



The correlation matrix in Figure 5 indicates a weak relationship between discount percentages and customer metrics, with ratings showing a -0.16 connection and rating counts showing an almost zero 0.01 correlation. This implies discounts have little effect on how customers view products or their likelihood of rating them, pointing at low influence over perception or involvement.

Scatter plots comparing discounts and feedback in Figures 3 and 4 show the same pattern. With  $R^2$  values of 0.0242 (discounts vs. ratings) and 0.0001 (discounts vs. rating counts), both show regression lines that are almost flat, suggesting that changes in discounts hardly affect ratings or review volumes. The flat slopes and limited explanatory power imply that steep or modest discounts have little effect on trends in customer feedback. When taken as a whole, these measurements and images suggest that discounts don't significantly influence customer satisfaction or review activity. Discounts probably have less of an impact on consumers' thoughts and behaviours while making purchasing decisions than other elements like product quality, brand trust, or user experience. This suggests that price reductions are not the only factor influencing consumer behaviour and reactions after a purchase.

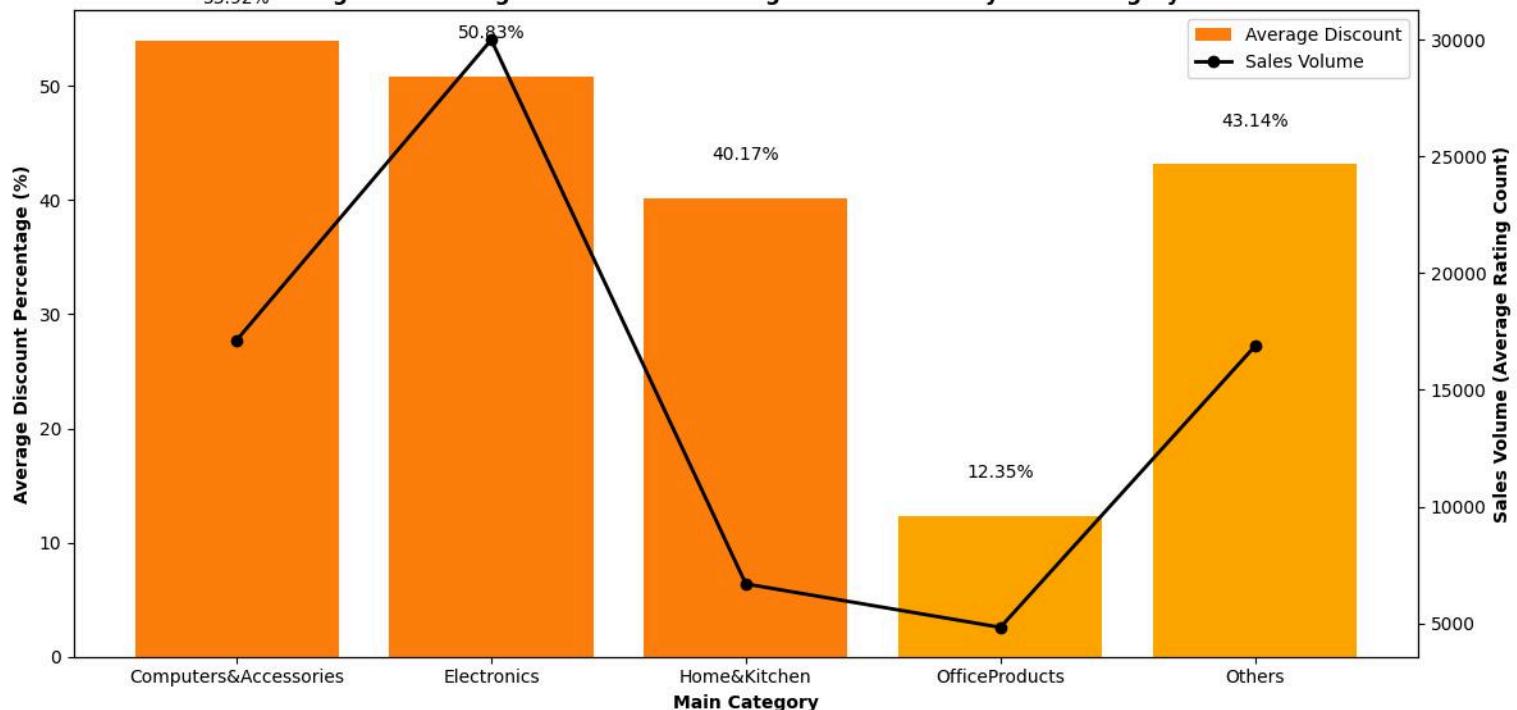
Figure 5: Correlation Matrix of Discount, Rating, and Rating Count



# RELATIONSHIP BETWEEN DISCOUNT AND SALE VOLUMN

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**Figure 6: Average Discount and Average Sales Volume by Main Category**



Due in significant part to its modest product selection (only 31 products), the Office Products category has the lowest sales volume and the lowest discount %.

Electronics and Computers & Accessories, on the other hand, both use larger discount percentages, which is indicative of their wider range of products. However, despite equal pricing, Computers & Accessories' sales are approximately half that of Electronics, which reaches a healthy sales volume. This discrepancy implies that performance is influenced by variables other than discounts.

Despite having a larger selection, Home & Kitchen, which is in the consistent 20% to 80% discount area, too has trouble and records a startlingly low sales volume that is comparable to Office Products. Despite having less accurate statistics, the Others category, which is made up of a number of smaller subcategories, nonetheless matches Computers & Accessories in terms of sales volume, demonstrating resilience.

This indicates that, even with advantageous discount levels, Home & Kitchen performs noticeably worse than other categories. Its inability to turn discounts into larger sales, in contrast to its competitors, is probably caused by non-discount variables like poor product quality, bad customer service, or delivery problems or brand perception rather than by pricing.

# HIGH TICKET ITEMS

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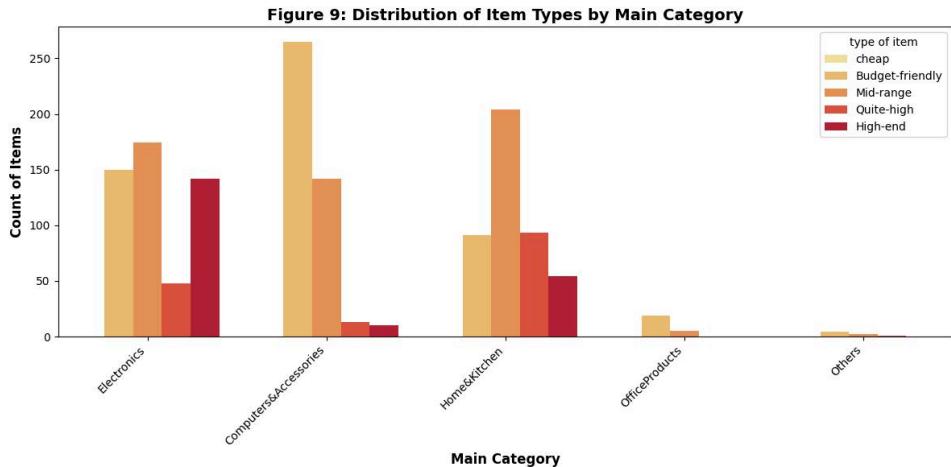
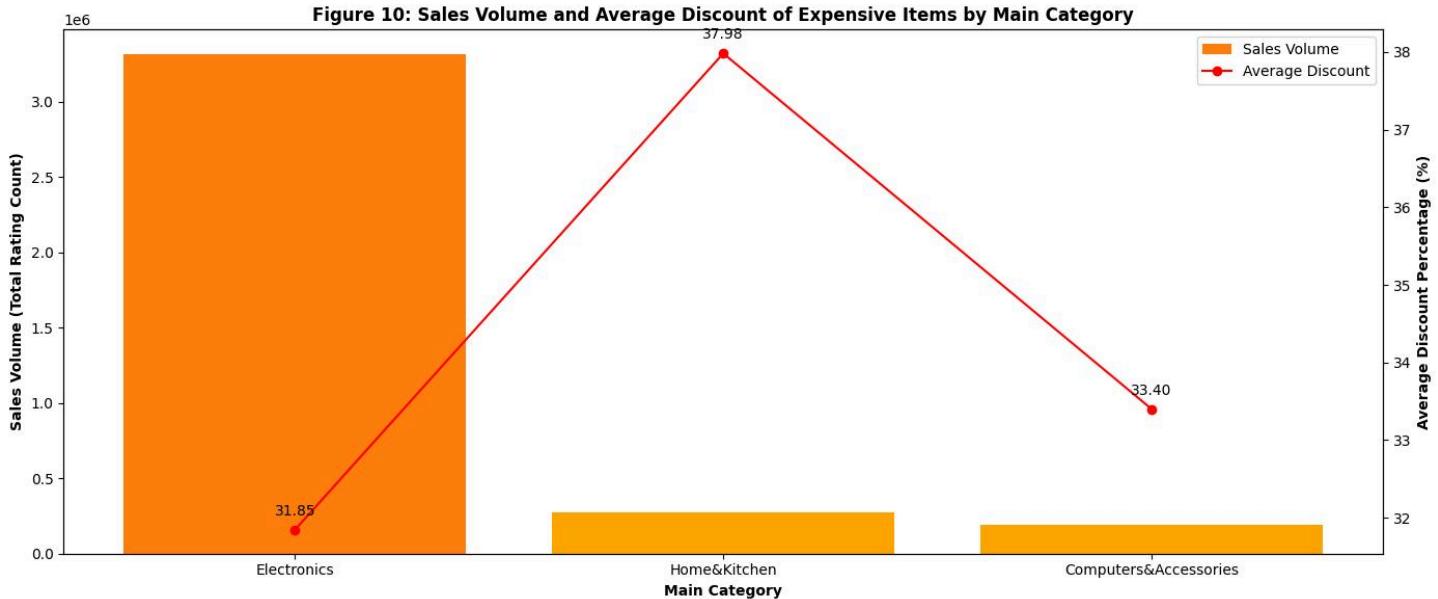


Figure 9 highlights the Electronics category's dominance in premium offers by showing that high-end products—those costing more than \$5,000—are mostly focused in this area. Furthermore, albeit to a lesser degree, high-end items are also seen in Home & Kitchen and Computers & Accessories, suggesting that luxury or speciality goods are present in both markets.

Additional information is included in Figure 10, which shows that there is an uneven distribution of discounts on these luxury goods. In particular, Electronics achieves a good sales volume even though it has the lowest discount rate of the three (31.8%), indicating that variables such as product demand or brand attractiveness outweigh reliance on discounts. Home & Kitchen, on the other hand, has the largest discount rate, averaging 37.98%, but its sales volume only equals that of Computers & Accessories, which has a more moderate discount level of 33.40%.



This discrepancy shows that discounts are applied unevenly across various categories, with Home & Kitchen being the most misaligned. Its strong pricing doesn't result in proportionate sales gains, which suggests underlying problems that lessen the effectiveness of its approach. These problems might be poor product quality, low customer trust, or inefficient marketing. It is obvious that changes are required, particularly for Home & Kitchen, in order to improve competitiveness in comparison to Electronics and Computers & Accessories and better match discounts with sales results.

# CUSTOMER FEEDBACK

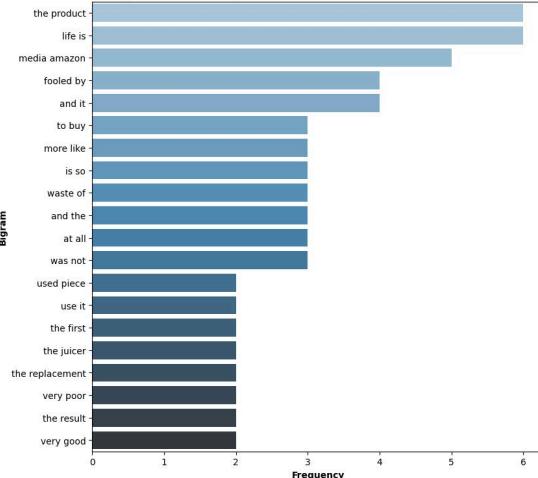
Figure 11: Word Cloud of Most Common Words in Reviews under 3



Customer feedback

When combined, these findings show that poor quality, not insufficient discounts, is the main cause of low consumer satisfaction with all items, but particularly with Home & Kitchen. This is made worse by Home & Kitchen's poor marketing, which overhypes items, leaving customers disappointed and generating a lot of bad reviews. Dissatisfaction stems from this twofold failure, which overshadows any possible pricing benefits: poor quality and misleading promotion.

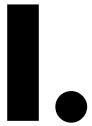
Figure 12: Top 20 Bigrams in Low-Rated Reviews in Home & Kitchen



The word cloud provides a more complex picture when examining Figure 12, which focusses on low-rated items in the Home & Kitchen category. In addition to terms that criticise low quality, such as "very poor" and "life is" (presumably shorthand for short product lifespan), there is a noticeable rise in terms associated with deceptive marketing, such as "media amazon," "fooled by," and "waste of." These imply that, in addition to tangible flaws, a discrepancy between claimed promises and actual performance is the root cause of customer annoyance. Words like "waste of" convey a sense of remorse over purchases that don't live up to expectations, while "fooled by" suggests misleading promotions—possibly overstated promises on Amazon's site.

# RECOMMENDATION

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## OPTIMIZE DISCOUNTS FOR PRODUCTS WITH HIGH SALES VOLUME

Products from Electronic and Computer & Accessories are of great interest to customers due to their diverse product range and good discount policies

However, Amazon also needs to adjust its discount strategy for more suitable products, especially high value items of the above 2 categories, to achieve better profits



## IMPROVE PRODUCT QUALITY OF LOW QUALITIES ITEMS

Amazon's discount strategy is being implemented quite carefully, but improving satisfaction levels also needs more attention so that customers can return to Amazon.

Low rated products, especially from Home & Kitchen, need to tighten quality management better when, from the above analysis, Home & Kitchen has a good priority in the discount strategy but does not bring about growth in revenue and has a low rating from customer experience.



## NEED TO ADJUST THE DISCOUNT STRATEGY FOR LESS ATTRACTIVE PRODUCTS

Office Products have low diversity and the product price is at the mid-to-low range, so the application of discounts for small items also needs to be adjusted

It is possible to apply a bundled purchase strategy when many products are combined together or decoy effect to promote revenue growth when selling more wholesale.



**THANK YOU**