

West Point
(Undergraduate)
Member Information

Name	Year	Major
Annalise C. Callaghan	2023	International Affairs & Law
Patrick M. Elter	2023	Economics & Arabic
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Advisor: MAJ Roberto Santos and Dr. Graham Parsons

Topic: Big Data and Personalized Prices: Should Amazon use AI-enhanced algorithms to price discriminate?

Audience: Amazon's Board of Directors

Executive Summary

As the ecommerce company with the largest market share in the American economy, Amazon's business policies have a tremendous effect on the welfare and lifestyle of American consumers. In the era of big data, the exponentially improving capabilities of Artificial Intelligence (AI) and Machine Learning Algorithms (MLA) call into question new business practices by ecommerce companies like Amazon, such as algorithmic price discrimination. All forms of price discrimination involve a firm selling the same good to different customers for different prices. Now, Amazon has the ability to use AI-enhanced MLA to price discriminate more efficiently than ever before in history.

After reflecting on this topic's financial, legal, and ethical dimensions, our team has developed several recommendations for how Amazon and other similar companies should act under the circumstances described in this case. Our first recommendation is for Amazon to be transparent about what factors their algorithms use to set different prices. They should also seek to differentiate between legitimate and illegitimate reasons to discriminate (geography vs race or gender). Public transparency not only helps to avoid the use of unethical discrimination but can help their bottom line by avoiding scandals like that the one in 2000. Additionally, our team believes that Amazon should tell their customers when they are collecting data on them and must get their consent before doing so, in order to do so ethically. We believe that Amazon must take these steps in order to remain in order to develop ethical business practices and to reassure customers, and we will argue that this will help Amazon's bottom line.