

# Fact Sheet: Amazon's Market Power

Amazon is a behemoth in the world of e-commerce, raising concerns about its monopoly power and its impact on competition in the market. Among many other practices, Amazon has maintained control over third-party sellers who do business on its platform through restrictive logistics contracts and fees, locked consumers within its own ecosystem through programs like Amazon Prime, held consumer prices higher across all of e-commerce, exploited workers through terrible warehouse conditions, and extracted excessive subsidies from governments for data centers and warehouses.

The Federal Trade Commission (FTC) is at the forefront of addressing these concerns and is widely expected to file a lawsuit against Amazon for alleged anticompetitive conduct related to the company's logistics program, Fulfillment by Amazon, and pricing practices by third-party sellers on its platform.

This fact sheet aims to summarize aspects of Amazon's monopoly power, setting the record straight on its growth over time, the controversies surrounding its business practices, and some of the implications for consumers and the broader marketplace.

## Amazon's Current Market Position

**Acquisition Count:** In reaching its current size, Amazon has made at least [122](#) acquisitions in the past two decades.

### **Market Share:**

- **More than 55%** of product searches online [start](#) on Amazon
- **Amazon controls 32% of cloud computing**, the same as Microsoft Azure and Google Cloud [combined](#).
  - With this position, Amazon [can leverage Amazon Web Services](#) (AWS) to benefit its other business segments. For example, in 2020, in exchange for Amazon carrying its HBO Max Service on Amazon Fire TV.

**Market Capitalization:** Amazon is valued at \$1.46 trillion [as of](#) Sept. 2023

### Gross Annual Income (in millions):

2018	2019	2020	2021	2022
\$93,731	\$114,986	\$152,757	\$197,478	\$225,152

(Source [WSJ](#))

### Latest Financials:

- **Stock Buybacks:** Amazon has spent \$3.3 billion on buybacks in 2023 so far, and spent \$6 billion in 2022.
- **11% increase** in net sales this past year (trailing twelve months, \$485.9B Q2 2022 and \$538B Q2 2023)
- **16% increase** in operating income (\$15.3B in Q2 2022 and \$17.7B in Q2 2023)
- **74% increase** in operating cash flow (\$25.6B in Q2 2022 and \$61.8B in Q2 2023)
- **50% increase** in customers ordering same day delivery compared to Q1 2022 (~26 million customers ordered items with Same-Day Delivery in the Q1 2023)

### Harms of Amazon

**Prime Membership:** As Amazon has become more dominant, it has consistently raised prices for its services. Most recently, Prime Membership [increased](#) from \$119 to \$139 in February 2022 (up from \$99 in 2014).

### Harms to Independent Sellers:

- Amazon now takes **more than an average 50% cut** of each merchant sale - Amazon third-party seller fees have risen for six years in a row, squeezing their margins.
  - According to their earnings report, Amazon [earns](#) fixed fees, a percentage of sales, per-unit activity fees, interest, or some combination thereof, from its seller programs.

YEAR	AMAZON'S AVERAGE % CUT OF EACH SALE
2016	35.2%
2017	40%
2018	43%
2019	45.7%

2020	45.8%
2021	48%
2022	51.8%

(Source:[Bloomberg](#))

### **Harms to Local Economy:**

- The average warehouse worker [makes](#) \$32,000, which is significantly less than what governments give to Amazon for each job on average – \$44,300
- A 2022 study [found](#) that the entrance of an Amazon warehouse into a community drops retail worker pay by 2.4% and lowers retail workers’ pay for up to 100 miles away from the warehouse.
- With the entrance of an Amazon warehouse, sales at nearby retail stores decrease by 4 percent and employment [drops](#) by 2.1 percent.
- Despite these harms, Amazon has been able to extract more than \$6.3 billion in tax breaks and subsidies [from](#) state and local governments since 2000.

### **Amazon’s History of Antitrust Violations and Anticompetitive Behavior:**

**2019:** Amazon once maintained “most-favored nation” clauses in their contracts with third-party sellers, prohibiting them from offering their products on any other website at a lower price than what was offered on Amazon. Amazon formally [ended](#) the practice in 2019. A 2022 California state antitrust [suit](#) charged that Amazon has not stopped this practice and is still retaliating against these sellers.

**2020:** As its footprint expanded in smart-home systems, Amazon employees and competitors [claimed](#) Amazon blocked rival smart-home product sellers from buying key ad placements on Amazon.com, cementing its advantages over them.

**2021:** Amazon has a large in-house brand called Amazon Basics that competes directly with third party sellers on the Amazon marketplace. Despite testifying to Congress that it did not use third-party seller data to inform the development of these in-house products, former Amazon employees [claimed](#) otherwise.

**2022:** [Price Fixing](#); Amazon was sued by Washington State AG for its “Sold by Amazon” program that guaranteed sellers a minimum price while offering an upside if an algorithm determined that customers would pay more. This scheme eliminated

any competitive effects. Amazon paid a \$2.25 million settlement and shut down the program.

**2023:** FTC [sued](#) Amazon for its deceptive subscription process that is internally called “Iliad Flow.” The FTC found that Amazon tricked consumers into enrolling in automatically-renewing Prime subscriptions while knowingly making it difficult to cancel.