2022 Independent Business Survey
Snapshot: Amazon Marketplace Sellers
March 2022
Summary

In January 2022, the Institute for Local Self-Reliance surveyed 908 small, independent businesses across the U.S.

Among these 908 businesses, 94 reported being third-party sellers on Amazon’s Marketplace. We asked this subset of respondents a series of questions about selling online and their experiences with Amazon. This report presents their responses. (Findings from the full survey are available on ILSR’s website.)

Key findings:

- **74% of respondents believe that Amazon’s algorithms are unfair** and favor Amazon’s own products over those of sellers.

- **74% disagreed that the fees Amazon charges sellers are reasonable**, with 43% strongly disagreeing.

- **69% reported that it has become harder to succeed on the platform**, 62% said it was not possible to build a successful brand on Amazon.

continued →
Given these problems, why do small businesses continue selling on Amazon?

- **When we asked sellers why they sell on Amazon, 63% of respondents said there was no viable alternative.** They have a point: Amazon captures the majority of online shopping traffic.

Perhaps most telling of all, **55% of Marketplace sellers said they would not feel comfortable speaking out about Amazon's treatment of sellers.** “Amazon can be extremely punitive in its dealings with its independent sellers,” one explained.

We also asked sellers about the **policies they believe would improve the survival and success of independent businesses.** These topped the list:

- Ending subsidies and tax breaks for big business
- Breaking up and/or regulating Amazon
- Strengthening antitrust policy and enforcement
How We Conducted the Survey

The survey was conducted online in January 2022. We circulated the survey to the members of more than a dozen small business organizations and distributed it through several online forums and networks for entrepreneurs. Participating organizations included:

Alliance for Pharmacy Compounding
American Booksellers Association
American Independent Business Alliance
American Specialty Toy Retailing Association
Cambridge Local First
Independent Office Products and Furniture Dealers Association
Local First Arizona
Louisville Independent Business Alliance
National Sporting Goods Association
North American Hardware and Paint Association
Shop Local Raleigh
StayLocal, an Initiative of Urban Conservancy
The Local Crowd Monadnock
About the Marketplace Sellers Who Responded

As noted in the Summary, this report presents findings from a subset of small businesses that responded to a broader survey. This subset is made up of 94 respondents who reported selling on Amazon’s Marketplace. (Findings from the full survey are available on ILSR’s website.)

This snapshot of Marketplace sellers includes a mix of web-only retailers and brick-and-mortar businesses that sell online. It includes both current Amazon sellers and businesses that used to sell on Amazon.

Respondents reported a range of different business sizes, from small, one-person operations to companies with more than $10 million in annual sales.

Almost all of these businesses said they operate their own e-commerce sites and a majority reported selling on platforms other than Amazon. However, most depend on Amazon’s Marketplace for the bulk of their online sales.
Which best describes why you sell on Amazon?

- There’s no viable alternative; it’s the only way to reach most online shoppers. 63%
- It’s a great opportunity; selling on Amazon is a good way to grow a business. 15%
- Other 22%
Which best describes why you sell on Amazon?

“[We] feel hogtied to use Amazon as a vehicle to sell since they control so much of the market.”
- retailer in New Hampshire

“Nearly everyone seems to make Amazon their first choice [for online shopping].”
- retailer in Georgia

“I seem to have to. It’s frustrating and I am trying to use it less and less, but it is the only place for some customers.”
- retailer in St. Louis

“We were completely dependent on Amazon for many years, and as their venue has become more and more manipulated and undermining for the independent used book trade, we have been trying to shift customers to other venues like ABE (owned by Amazon, purchased with conditions that make it continue to be viable for sellers .... Amazon controls every aspect of our transactions. We will continue to do business with Amazon for the sake of customers, who need books and don’t know about other venues.”
- bookstore in Minnesota
Do you agree or disagree with the following?

Amazon communicates clearly about its Marketplace seller policies and provides ample notice of changes.

Amazon does a good job policing unscrupulous and fraudulent Marketplace sellers.

Amazon only suspends Marketplace seller accounts for just cause.

Amazon's algorithms are neutral; they do not favor Amazon's own products over those of Marketplace sellers.

Amazon’s customer return policy is fair to Marketplace sellers.

Overall, the fees Amazon charges Marketplace sellers (referral, advertising, FBA, etc.) are fair and reasonable.

When I have questions or problems, Amazon responds promptly and effectively.

You can build a successful brand on Amazon.
Do you agree or disagree with the following? (detailed results from previous chart)

<table>
<thead>
<tr>
<th>Statement</th>
<th>STRONGLY DISAGREE</th>
<th>DISAGREE</th>
<th>NEITHER</th>
<th>AGREE</th>
<th>STRONGLY AGREE</th>
<th>NO RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon’s algorithms are neutral; they do not favor Amazon’s own products over those of other Marketplace sellers.</td>
<td>56%</td>
<td>18%</td>
<td>6%</td>
<td>2%</td>
<td>1%</td>
<td>17%</td>
</tr>
<tr>
<td>Overall, the fees Amazon charges Marketplace sellers (referral, advertising, FBA, etc.) are fair and reasonable.</td>
<td>43%</td>
<td>31%</td>
<td>10%</td>
<td>6%</td>
<td>1%</td>
<td>9%</td>
</tr>
<tr>
<td>Amazon does a good job policing unscrupulous and fraudulent Marketplace sellers.</td>
<td>38%</td>
<td>30%</td>
<td>15%</td>
<td>4%</td>
<td>1%</td>
<td>12%</td>
</tr>
<tr>
<td>When I have questions or problems, Amazon responds promptly and effectively.</td>
<td>37%</td>
<td>29%</td>
<td>16%</td>
<td>3%</td>
<td>1%</td>
<td>14%</td>
</tr>
<tr>
<td>Amazon’s customer return policy is fair to Marketplace sellers.</td>
<td>34%</td>
<td>15%</td>
<td>27%</td>
<td>11%</td>
<td>1%</td>
<td>12%</td>
</tr>
<tr>
<td>Amazon communicates clearly about its Marketplace seller policies and provides ample notice of changes.</td>
<td>27%</td>
<td>29%</td>
<td>19%</td>
<td>12%</td>
<td>2%</td>
<td>11%</td>
</tr>
<tr>
<td>You can build a successful brand on Amazon.</td>
<td>22%</td>
<td>40%</td>
<td>22%</td>
<td>5%</td>
<td>1%</td>
<td>10%</td>
</tr>
<tr>
<td>Amazon only suspends Marketplace seller accounts for just cause.</td>
<td>22%</td>
<td>19%</td>
<td>31%</td>
<td>1%</td>
<td>1%</td>
<td>26%</td>
</tr>
</tbody>
</table>
“The fees have increased substantially and are unfair for what little service Amazon provides to the seller. Their policies are arbitrarily enforced, often with significant error.”
- retailer in Tampa, Fla.

“Seller assistance is non-existent. Their feedback system is worthless.”
- retailer in Minneapolis

“The steady increase in fees [is] undermining my ability to make enough $$.”
- retailer in Detroit

“Amazon makes it extra difficult for customers to find our products even when they are specifically looking for them.”
- rare book dealer in New York

“Amazon takes too large a portion of my sales [in fees] …. Etsy only takes 5%”
- artisan business in Kentucky

“Amazon’s own brand control is legendary and complete, but they block verified brand owners from controlling their own listings, allowing other third-party sellers to … make changes that harm the listing.”
- consumer product brand manufacturer in greater Seattle
If you had concerns about Amazon’s treatment of sellers, would you feel comfortable speaking out?

- Yes: 45%
- No: 55%
Comments from survey respondents

If you had concerns about Amazon’s treatment of sellers, would you feel comfortable speaking out?

“If Amazon can be extremely punitive in its dealings with its independent sellers.”
- retailer in Minnesota

“As a small family business, I do feel that if we spoke out publicly, Amazon would deactivate our seller’s account.”
- new startup in Florida

“It would cause Amazon to probably suspend my account as it violates the terms and conditions.”
- retailer in the Seattle metropolitan area

“Could be blacklisted by Amazon. This has happened in the chat forums.”
- retailer in San Diego

“The politics of it could affect perception of the store.”
- retailer in Tampa
Has it become easier or harder to succeed on Amazon’s marketplace?

- Harder: 69%
- About the same: 24%
- Easier: 7%
Has it become easier or harder to succeed on Amazon’s marketplace?

“[Amazon’s] fees are higher and volume is down. Products [are] constantly pulled [from the site] for no valid reason.”
- toy store in upstate New York

“We were recruited by Amazon… We use[d] to sell 40-100 orders a day… We sell about 8 a day currently and they have removed over 25% of our items to reduce their competition. We have been suspended from Prime… They are extortionists and thieves and the DOJ won’t lift a finger.”
- commercial kitchen supply distributor in Georgia

“[Amazon’s] search has become less efficient and presents numerous products that are not ours, even when specifically searching for our products.”
- small business in New York City

“If I don’t pay Amazon fees for advertising now, [our] sales are fewer than than used to be.”
- pet products company in Massachusetts

“We sold on Amazon for over a decade and took out loans from them so we had to keep selling after they changed the terms in an awful fashion for sellers in 2017.”
- bookseller in Pennsylvania

Comments from survey respondents

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What factors contributed to your decision to stop selling on Amazon? Check all that apply. (former Marketplace sellers only)

- Amazon suspended my Marketplace seller account: 20%
- Amazon’s customer return and refund policy: 37%
- Bad behavior by other Marketplace sellers: 40%
- Changes to Amazon's terms and rules: 63%
- Competition from Amazon's own products: 76%
- Concerns about Amazon's business model and broader impact: 88%
- I lost money; sales were not profitable: 76%
- Increases in Amazon's fees and the cost of selling on the site: 82%
- Limited ability to build my brand on the platform: 64%
- Too little sales: 65%

2022 Independent Business Survey
Comments from survey respondents

What factors contributed to your decision to stop selling on Amazon?

“Amazon had been a great avenue to reach customers in the habit of just going to Amazon… As our success increased, they increased fees and always left us on the hook for more expenses…”
- retailer in New Hampshire

“Every line we built strong sales in, [Amazon] went to the [supplier] and then sold [it] themselves. They use small businesses to find lines that sell well.”
- Delaware-based clothing retailer

“We found that it was impossible to break even selling anything for less than $15 given the very high fees they charge.”
- retailer in Philadelphia
How effective do you believe the following policy actions would be in improving the survival and success of independent businesses? (Amazon Marketplace sellers only)

- Breaking up and/or regulating Amazon: 80%
- Capping credit card swipe fees: 62%
- Creating better, faster, cheaper broadband: 41%
- Ending subsidies and tax breaks for big business: 62%
- Expanding affordable commercial space: 62%
- Expanding small business training and assistance: 35%
- Improving downtowns and neighborhood commercial districts: 73%
- Improving education and workforce training: 32%
- Limiting the fees delivery apps can charge: 35%
- Lowering business taxes: 53%
- Making it easier to obtain low-cost loans and capital: 38%
- Reducing government red tape: 41%
- Shifting more government procurement to small businesses: 59%
- Strengthening antitrust policy and enforcement: 73%

**Notes:**
- Highly effective
- Very effective

**Source:** 2022 Independent Business Survey

**Website:** WWW.ILSR.ORG
### How effective do you believe the following policy actions would be in improving the survival and success of independent businesses? (detailed results)

<table>
<thead>
<tr>
<th>POLICY ACTION</th>
<th>5 - HIGHLY EFFECTIVE</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1 – NOT AT ALL EFFECTIVE</th>
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<td>Breaking up and/or regulating Amazon</td>
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<td>6%</td>
<td>7%</td>
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<td>Ending subsidies and tax breaks for big companies</td>
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<td>Strengthening antitrust policy and enforcement</td>
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About the Institute for Local Self-Reliance

The Institute for Local Self-Reliance (ILSR) is a national nonprofit research and advocacy organization that partners with allies across the country to build an American economy driven by local priorities and accountable to people and the planet. More at http://www.ilsr.org.

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