

Small Business Voices:

"Amazon's Grip is Crushing Us."

Stories and Testimonials from
Amazon Sellers

Mega-corporations dominate nearly every aspect of our economy and daily lives. Most concerning are the tech giants – Amazon, Facebook, Apple and Google – that control numerous markets and the very infrastructure that underpins almost all of our commerce and communications. Amazon's power in particular is a leading challenge for small and independent businesses. Today, Amazon is the world's largest e-commerce corporation thanks, in large part, to the millions of third-party merchants who have little choice but to set up shop on its sprawling marketplace.

Lawmakers are increasingly concerned about Big Tech's gatekeeper power over small businesses. A bipartisan package of antitrust legislation is gaining momentum in Congress. One of the bills, the American Innovation and Choice Online Act (AICOA), would prohibit the tech giants from preferencing their own products over rivals. While Amazon portrays itself as a partner to businesses in an effort to derail Congress, business owners tell a very different story about their experience selling on Amazon's marketplace. This factsheet spotlights stories from small businesses, which expose Amazon's abusive tactics and underscore the urgency for policymakers to act.

THE FACTS: Amazon's Control Over the Digital Marketplace is Crushing Small Businesses

As Amazon has grown, the number of independent businesses has fallen. Between 2007 and 2017, 40 percent of the nation's small apparel, toy, and sporting goods makers disappeared, along with about one-third of small book publishers.¹ Amazon's control over the digital marketplace is making it harder for small businesses to stay afloat. A survey of more than 900 independent businesses shows that over 60 percent of respondents find Amazon's control over the online market a "very or extremely significant challenge."²

Amazon steals independent businesses' best ideas and innovations, and then preferences its own products.

While Amazon publicly touts its sellers as "partners," within the company it refers to them as "internal competitors." It spies on sellers and appropriates data about their sales, costs, and suppliers. It then uses this information to create its own competing products, often giving its versions superior placement in the search results.

In a survey of more than 90 Amazon sellers, 74 percent said that Amazon's algorithms are unfair and favor Amazon's own products over those of sellers.³ Here are a few of these business owners' stories:

“ There's a whole class of businesses out there who live in fear of going out of business as a result of the fiat of Amazon and their algorithms.”⁴ - **Anonymous third-party seller in an interview with *The Seattle Times*.**

“ Amazon presents itself as a partner, but in reality, it's a competitor that steals proprietary information and uses it to put third-party sellers out of business. The company's 'blending' of its various lines of business lies at the root of all the problems small businesses have with Amazon.” - **Douglas Mrdeza, CEO and Founder of Top Shelf Brands in Michigan.**

“ 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.” - **Clothing retailer in Delaware.**

“ 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 strongarms sellers to buy its services, including advertising, warehousing and shipping, even if they would prefer to use other providers. Then it hikes the fees.

Third-party sellers' ability to generate sales on Amazon's site is largely dependent on purchasing additional services, such as advertising, warehousing, and shipping services. These services are also key to Amazon's monopolistic and predatory business model.

Sellers who subscribe to Amazon's warehousing and shipping services – known as "Fulfillment By Amazon" or FBA – are significantly more likely to be chosen by the



“ Amazon is by far the worst of the lot. They will frequently start stocking something you sell and then undercut your price. They will request documentation from you that they know you have no way of providing. When you fail to provide this documentation, they will pull your listings. They have pulled over 100 of my listings so far this year.”

Bill Stewart, Owner of LI Toy & Game, an independent toy store in New York.

site's algorithm as the default seller of a product (known as "winning the buy box"). By making FBA all but mandatory for sellers to succeed on its site, Amazon has, in turn, built a massive logistics business using the fees it charges this captive base of businesses.

Even when it is cheaper or better for sellers to use another shipping carrier, such as UPS or the United States Postal Service, they are stuck with Amazon. In turn, because Amazon doesn't have to compete with other warehousing or shipping providers, it can and does raise storage and shipping fees at will. This is not only bad for small business sellers, but for consumers as well. When Amazon jacks up the fees it charges sellers, Prime users and other consumers buying on Amazon's digital marketplace ultimately pay higher prices for the products they buy.

The exorbitant fees that Amazon charges sellers – for commissions, advertising and FBA – make it nearly impossible for sellers to sustain a viable business online. In 2014, sellers handed Amazon \$19 of every \$100 in sales they made. In 2021, it was \$34.⁵ As a result, almost 70 percent of businesses surveyed reported that it has become harder to succeed on the platform, with 62% saying it was not possible to build a successful brand on Amazon.⁶ The vast majority of those who start selling on Amazon's site fail within a few years.

- “ If you “actually add up all the ways Amazon nickels and dimes you... you can't make money.” - **Douglas Mrdeza, CEO and Founder of Top Shelf Brands in Michigan.**
- “ We don't make any money out of selling through Amazon - they have fine tuned all the charges and fees they extract so we just about break even. But we have no real choice, because they are effectively a monopoly in my business sector.” - **Electronics manufacturer in New York.**
- “ I'd recommend Amazon if they were really good on price, but they're not. If it weren't for the algorithm... FBA wouldn't be attractive.”⁷ - **Logistics consultant for e-commerce companies.**



Photo Credit: Spectrum News1, <https://bit.ly/3QqRBEq>

After two decades in the business, Barak Govani shuttered his clothing store in Los Angeles to sell solely on Amazon's marketplace. Initially, Govani stored, packed, and shipped all the orders himself, paying the company a commission on each sale. When Amazon representatives suggested he try Fulfillment by Amazon, Govani decided to send all of his inventory. His problems began soon afterward, when Amazon emailed him to say his account was being reviewed based on four customer complaints over "inauthentic" products. Govani appealed and submitted invoices from the brands, but his account was not reinstated.

- “ Amazon is in possession of my entire life's hard work, closing my seller account with no valid reason that I understand and disposing of it! All of that without proper communication with me, not responding within a timely manner, responding without answering my questions or addressing the actual issue.”⁸

Barak Govani, Owner of New York Speed, a clothing store in California.

WHY CONGRESS MUST ACT: Passing the American Innovation and Choice Online Act is the first step to level the playing field for small businesses.

Passing the American Innovation and Choice Online Act is the crucial first step to leveling the playing field for small businesses, so they can compete in the digital marketplace. The bill targets some of the leading harms to small business by prohibiting the platform from preferencing its own products over rivals in a way that would “materially harm competition.” This means Amazon’s own products would have to compete for the buy box and search ranking on the same terms as every other seller, benefitting both small businesses and shoppers. The new rules would also stop Amazon from tying its shipping and warehousing services to its digital marketplace – thus stopping Amazon from monopolizing shipping for third-party sellers. These businesses will get to choose any shipper that can meet Prime’s delivery time frame.

Small businesses urgently want Congress to check Big Tech’s outsized power.

Amazon sellers want Congress to act now. Nearly 60 percent of the businesses surveyed said breaking up and/or regulating Amazon would help independent businesses survive and succeed.⁹

- “Amazon is a monopoly that must be broken up for the sake of every small business.” - **Retailer in Louisiana.**
- “Amazon needs to be broken up to help businesses of all sizes.” - **Retailer in New Hampshire.**



- “The concentration of power in the hands of a few monopolists is continuing to occur at a rapid rate. We need strong antitrust enforcement and other government action to stop this.” - **Retailer in California.**
- “[Amazon is] a danger to the stability [of] our national economy NO company should have its fingers in every industry.” - **Bookseller in Wisconsin.**

Congress shouldn’t let Amazon dictate whether and how small businesses can compete online. If policymakers do not act to check Amazon’s outsized power, they’re effectively allowing Amazon to be a private regulator of the online market, deciding which businesses may reach customers and the price they must pay to do so. To restore an open, competitive online market, policymakers must take a first step by passing the American Innovation and Choice Online Act. ■

Notes

1. “Fact Sheet: How Amazon Exploits and Undermines Small Businesses, and Why Breaking It Up Would Revive American Entrepreneurship,” Institute for Local Self-Reliance, June 2021.
2. “2022 Independent Business Survey: Top Challenges and Policy Priorities,” Institute for Local Self-Reliance, March 2022.
3. “2022 Independent Business Survey: Snapshot of Amazon Marketplace Sellers,” Institute for Local Self-Reliance, March 2022.
4. Ángel González, “Third-party sellers Giving Amazon a Huge Boost,” Seattle Times, May 2016.
5. Stacy Mitchell, “Amazon’s Toll Road: How the Tech Giant Funds Its Monopoly Empire by Exploiting Small Businesses,” Institute for Local Self-Reliance, December 1, 2021.
6. “2022 Independent Business Survey: Snapshot of Amazon Marketplace Sellers,” Op. Cit.
7. “Fact Sheet: How Amazon Exploits and Undermines Small Businesses, and Why Breaking It Up Would Revive American Entrepreneurship,” Op. Cit.
8. Spencer Soper, “After Going All-In on Amazon, a Merchant Says He Lost Everything,” *Bloomberg*, October 2020.
9. “2022 Independent Business Survey: Top Challenges and Policy Priorities,” Op. Cit.