

Amazon's private-label business trim could help with regulatory woes

Article

The news: Amazon will significantly reduce the number of items it sells under its own brands following a profitability review of each private-label item it sells, per The Wall Street Journal.

- Amazon's private-label business had roughly 243,000 products across 45 different house brands as of 2020.

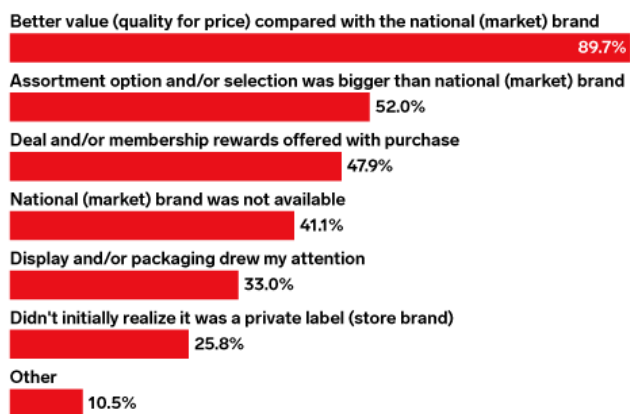
- Following the review, it will focus on producing fast-selling private-label items like phone-charging cables rather than a wide array of items that sell in low quantities.

Slow sales: Amazon’s house brands—like **Amazon Basics**, **Goodthreads**, **Stone & Beam**, and **Solimo**—compete in categories ranging from batteries to men’s clothing to furniture to vitamins.

- Amazon has gained traction in some categories: Amazon devices were among the best-selling categories on **Prime Day**, for example.
- But its sprawling approach to private labels hasn’t helped its bottom line. Amazon has said that **house brands only account for about 1% of its retail sales**. That’s far short of then-CEO **Jeff Bezos’** goal of 10% by 2022, the Journal reported.
- The timing of its private-label pullback is curious given that **rising inflation** is driving many consumers to **trade down** to less expensive, private-label brands.

Top Reasons US Adults Initially Decided to Switch from a National Brand to a Private Label Brand, Jan 2022

% of respondents



Source: Insider Intelligence, "Private Label Flash Survey" conducted by Bizrate Insights, March 1, 2022

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Execution matters: **Private-label brands** are most effective when they are differentiated by more than just price, said **Suzy Davidkhanian**, eMarketer principal analyst at Insider Intelligence. That’s because price is no longer the only driving factor behind private-label brands’ success. Retailers like **Costco** are using their house brands to differentiate their offerings and drive loyalty (and repeat sales).

- “Private labels only work if a retailer markets its brands to help consumers grow familiar with them or it places its brands near national brands so customers trade down,” Davidkhanian said. “I imagine Amazon isn’t winning in either area.”

Antitrust considerations: Another factor behind Amazon’s strategic shift is the large number of antitrust regulators that have Amazon under the microscope.

- Amazon attracted that attention in part because it owns the marketplace on which it competes with other sellers. Amazon employees reportedly used third-party sellers’ data to develop private-label products to compete with those merchants, per the Journal. Reports also suggest it favors its products in search results.
- US lawmakers have proposed legislation that would prohibit technology platforms like Amazon and **Google** from favoring their own products and services.
- Abroad, Amazon told **EU regulators** it would stop using nonpublic data about sellers on its marketplace and offer shoppers a clearer path to finding alternative products outside its “buy box.”
- It also reportedly discussed abandoning its private-label business altogether, per Vox.

The big takeaway: In a challenging retail environment, no retailer is immune to market considerations. After **posting** its slowest growth in roughly two decades and its first quarterly loss since 2015, Amazon is achieving two objectives in one move by trimming back on its private-label business: It’s focusing on more profitable lines while also attempting to reduce regulators’ antitrust concerns.

Go further: For more on private label brands, read our latest report [here](#).