

Amazon sued by DC attorney general over pricing policy

Article

The attorney general filed a [complaint](#) alleging Amazon uses anticompetitive practices to control third-party sellers' pricing on and off its marketplace. The complaint takes issue with Amazon's [fair pricing policy](#), which lets Amazon restrict or suspend product sales if it finds it's listed for a "significantly higher" price on Amazon than it is on another site. While this can limit [price gouging](#), it also lets Amazon "sanction" sellers that want to offer lower prices on their

own sites or other marketplaces. The complaint requests that the DC Superior Court prevent the retailer from using such practices in the future by means that could include breaking up the company and force it to pay penalties and damages.g

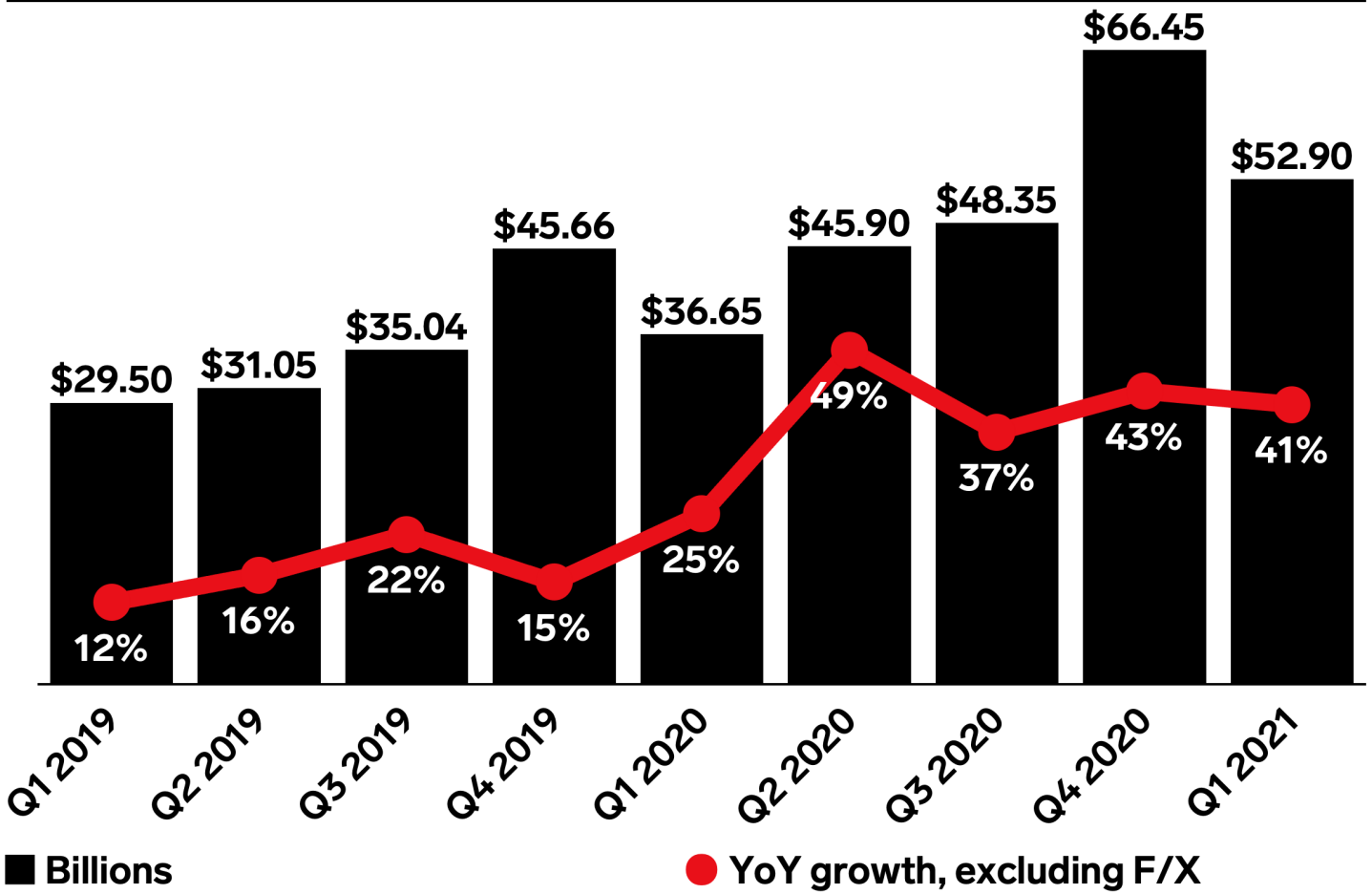
Amazon changed its pricing policies in 2019 to limit antitrust concerns, but it doesn't appear to have escaped scrutiny. Amazon [previously](#) enforced a price parity provision that prevented third-party sellers from offering their products at a lower price on other channels in the US until 2019. The provision had faced scrutiny from US government officials—Amazon had already removed the policy in Europe by [2013](#) after dealing with concerns there—likely prompting the company's pivot to the fair pricing policy. But this adjustment has not saved the company from legal scrutiny given this suit and the House Judiciary's antitrust subcommittee calling out its pricing practices in a recent [investigation](#).

A ruling in favor of the complaint would limit Amazon's capabilities, potentially to the benefit of third-party sellers and competing marketplaces.

- **Amazon could lose some control over its third-party sellers, though its leading position in the US ecommerce market should help it weather any issues.** Third-party sellers [now](#) account for more than half of physical gross merchandise sales made on Amazon, making them key to the retailer's success. So if the court invalidates Amazon's policy, sellers could raise prices on its marketplace and cost Amazon sales. But consumers may still stick with Amazon—it's the top US retailer by a [wide margin](#). If the court elects to break up Amazon in some capacity, however, that could have wide-reaching effects that cut into Amazon's leading position if other states were to follow suit.

Third-party sellers may gain greater pricing freedom online, helping other marketplaces take on Amazon by offering lower prices. If Amazon removes its fair pricing policy, a third-party seller could lower product prices on other platforms without facing sanctions from Amazon. That could give other marketplaces like **Walmart** room to compete—they could offer to take a smaller cut of sales than Amazon and charge less for fulfillment and other services to encourage sellers to offer lower prices on their platforms, potentially helping them win customers from Amazon.

Amazon Global Online Store Net Sales



Source: Amazon, 2021

Methodology: This data is from Amazon's Q4 earnings report published on April 29, 2021.

1033491744039

[InsiderIntelligence.com](https://www.insiderintelligence.com)