

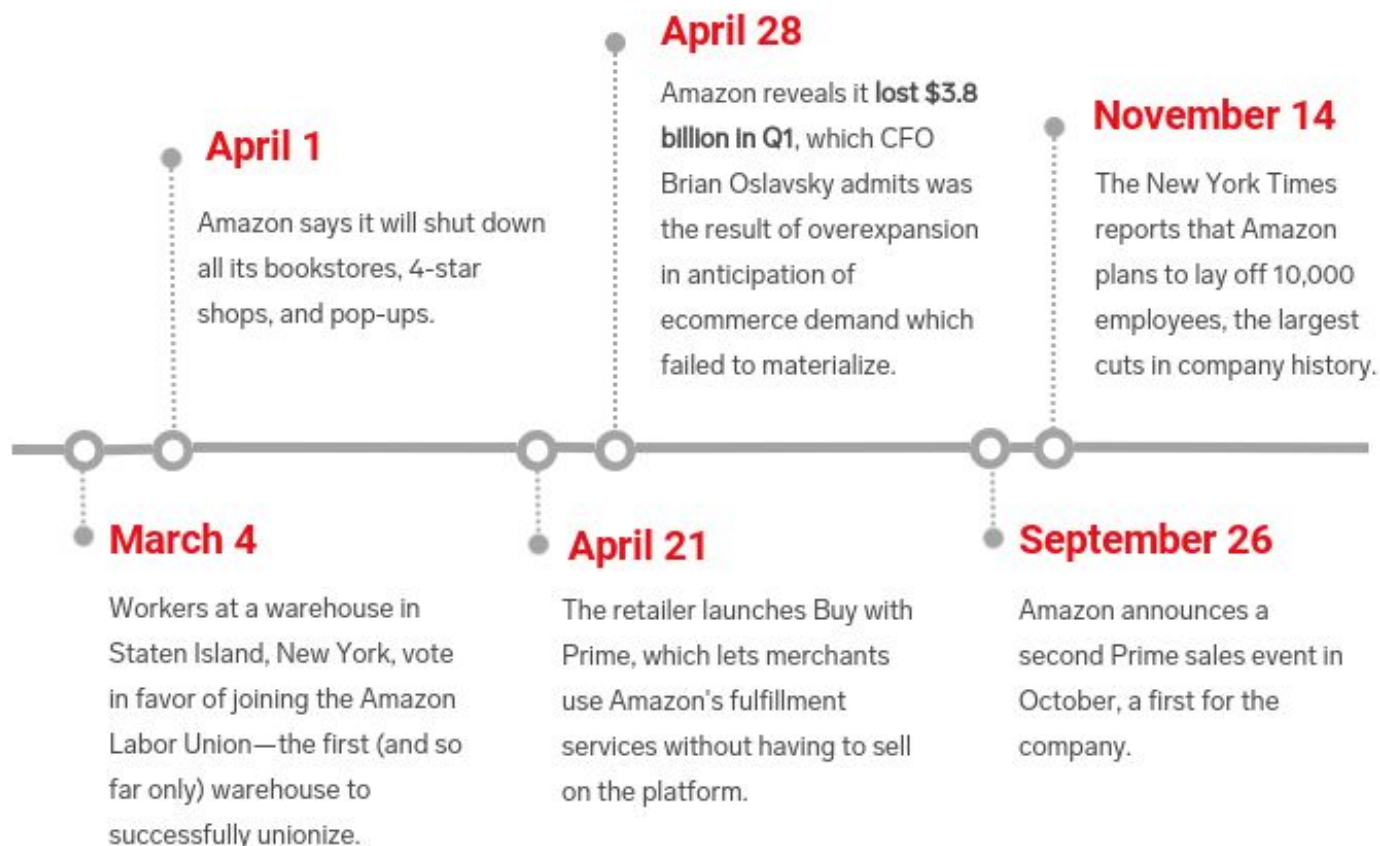
# Amazon's 2022 highs and lows: a timeline

## Article

**The overview:** Like its Big Tech peers, **Amazon** had a difficult 2022. Anticipating that ecommerce growth would maintain a healthy trajectory, the company invested heavily in warehouses, fulfillment, and labor—only to be forced to scale down once consumers shed the bulk of their pandemic consumption habits.

From Q1 onward, Amazon unveiled a host of initiatives aimed at cutting costs and making the most of its excess capacity. But the company ultimately had to resort to [mass layoffs](#) at its hugely unprofitable devices division, as well as in human resources and retail, to get its balance sheet in order.

# Amazon's Rocky 2022



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**Advertising revenues grow:** As ecommerce costs climb, Amazon has become increasingly reliant on advertising and AWS revenues to subsidize its retail business. The company has turned its annual Prime Day sale into a massive advertising opportunity, with merchants having little choice but to spend heavily on Amazon's platform to drive sales during the event.

- **Amazon's advertising business** grew 25% YoY in Q3, in contrast with Meta, YouTube, and Snapchat, which all saw declines in ad revenues.
- The retailer added ad formats and allowed brands that don't sell on the platform to purchase inventory as it looks to stay one step ahead of rivals and capitalize on demand for alternatives

to cookie-led advertising.

- **Amazon accounted for 77.9% of retail media ad spend this year, per our estimates.** Its dominance will continue until at least 2024, even as competitors build up their own ad offerings.

**Amazon's people problem:** Amazon's labor problems will eventually create an existential crisis for the company. While the retailer has successfully fought off several unionization efforts at US warehouses, it will soon exhaust the labor pool around many of its fulfillment centers, which will make it virtually impossible to deliver on its promise of convenience and fast delivery.

- The company is investing heavily in automation to ease the burden on workers and reduce the staff required to operate the warehouse, but those investments are unlikely to make a significant difference anytime soon.
- Some of those initiatives have also fallen victim to Amazon's drive to cut costs as it works to restore its retail business to profitability.

**Looking ahead:** Amazon staked its growth and reputation on the promise of fast, convenient delivery. But it's becoming increasingly expensive to make that happen.

- Ongoing antitrust investigations in the US and Europe could add to the company's difficulties in 2023. One proposed law would prevent Amazon from requiring merchants to use its fulfillment services to qualify for Prime shipping, hitting at the very heart of Prime and loosening the company's tight grip on sellers.
- CEO **Andy Jassy** has promised the company's "maniacal focus on the customer experience won't change," but Amazon will eventually have to make trade-offs, either to return its retail business to profitability or address antitrust concerns, or both.