

# Amazon risks alienating sellers with a new surcharge as its labor struggles continue

Article

**The news:** Amazon is adding a 5% fuel and inflation surcharge for sellers who use its fulfillment services, per CNBC, following in the footsteps of companies like Uber, FedEx, and

## Instacart.

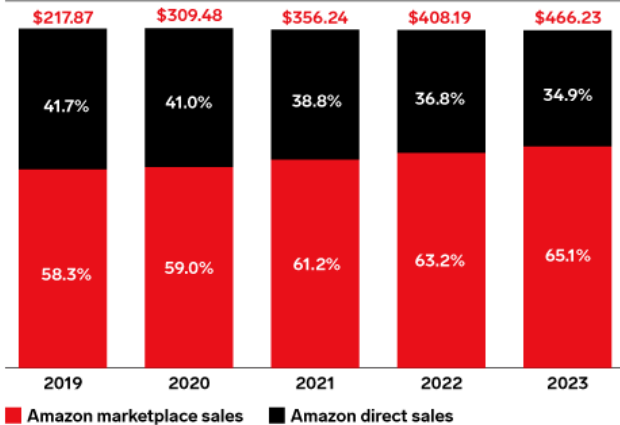
- The fee will go into effect April 28, and applies to all product types.
- The surcharge will cost sellers 24 cents per unit.

**What this means:** This measure is guaranteed to annoy sellers, who already face high fees for transacting on the marketplace.

- According to **some estimates**, Amazon's current share of every merchant sale is **34%**—a steep price to pay even before the surcharge is added in.
- An Amazon spokesperson noted to CNBC that surcharges are “a mechanism broadly used across supply chain providers.” However, unlike Uber and Instacart's surcharge, which customers shoulder, merchants on Amazon's platform must pay the fee, making it likely that they will pass the cost onto the consumer in the form of higher prices.
- But shoppers may not be willing to stomach price increases: Some Amazon merchants told Bloomberg they've had to accept lower profit margins on certain items because customers refused to pay more.
- Amazon's third-party seller services netted the company **\$103.37 billion** in sales in 2021, almost as much as **Target's** total revenues for 2021 (\$106 billion).

### Amazon US Ecommerce Direct vs. Marketplace Sales, 2019-2023

millions and % of total Amazon retail ecommerce sales



Note: represents the gross value of products or services sold on Amazon.com (browser or app), regardless of the method of payment or fulfillment; excludes travel and event tickets, Amazon Web Services (AWS) sales, advertising services and credit card agreements; direct sales are sales of products made through Amazon.com (browser or app) where Amazon is the merchant of record that assumes the legal ownership of inventory prior to changing hands with the consumer; marketplace sales are sales of products made through Amazon.com (browser or app) where a third-party seller is the merchant of record that assumes the legal ownership of the inventory prior to changing hands with the consumer  
Source: eMarketer, Feb 2022

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**Labor problems continue:** The fuel surcharge comes amid Amazon's struggles to recruit and retain workers, as well as its efforts to fight unionization at warehouses around the country. While Amazon aims to be "Earth's Best Employer," its employees **tell a different story**.

- A report by the Strategic Organizing Center found that the **serious injury rate at Amazon warehouses is over twice that of non-Amazon warehouses**, a characterization the company disputes.
- Amazon has **expanded its recruitment efforts to high schools** and **boosted employee benefits** as it continues to grapple with high turnover rates that, per The New York Times, "[have] made some executives worry about running out of workers across America."
- With over **50 warehouses** contacting the **Amazon Labor Union** in the wake of the **successful unionization drive** at a New York warehouse, the dissatisfaction among workers is clear.

**The big takeaway:** Amazon has never been stronger. In his first annual letter to shareholders, CEO **Andy Jassy** noted the company **achieved the equivalent of three years' forecasted growth in roughly 15 months**.

- In that light, both its decision to pass fuel and inflation-related costs onto sellers and its refusal to accept the results of the New York union vote are puzzling. While Amazon is grappling with higher labor and fulfillment costs like every other company, it has several major profit generators, including its marketplace, ad business, and **AWS**, that can help offset lower margins in the rest of its consumer business.
- The more Amazon fights labor organizing—and the more negative stories appear about Amazon workers' experiences—the harder it will be to find people willing to work in its warehouses.