

Amazon pushes back against proposed antitrust bill

Article

The news: Amazon is pushing back against proposed antitrust legislation it says would “cause serious and damaging unintended consequences” for its Amazon Prime loyalty program and the consumers and sellers who rely on the service, per a blog post from its vice president of public policy, **Brian Huseman**.

The proposed legislation: The law that Amazon objects to, the American Innovation and Choice Online Act (AICOA), would prevent Big Tech companies from giving their products favorable treatment over competitors.

- For example, per the regulation, **Amazon wouldn't be able to promote its private label products over those from competing brands.**
- AICOA would also **prevent Amazon from requiring sellers on its platform to use its fulfillment services to qualify for Amazon Prime shipping.**

Amazon's objections: Naturally, Amazon is vigorously opposed to any bill that would limit its ability to fully monetize its various services, such as Fulfillment by Amazon, as well as reduce its capacity to control every aspect of the Prime experience.

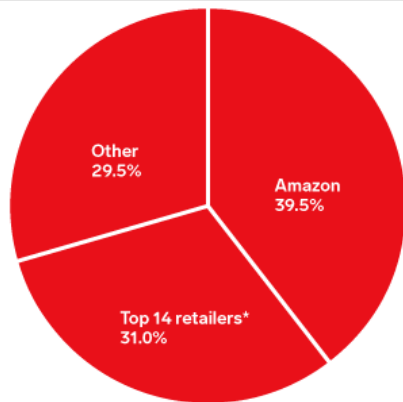
- The company asserts that the law unfairly singles out Amazon while leaving other large retailers like **Walmart** and **Target** free to do business as they wish.
- In his post, Huseman claims that the law's passage would "substantially degrade the value and quality of Prime" by making it extremely difficult for Amazon to guarantee one- or two-day shipping, harming the customer experience.
- Huseman also notes that previous experiments allowing sellers to use other logistics providers failed due to their inability to consistently deliver in the expected time frames.

On the other hand: There is no question that Amazon holds considerable market power. We put its share of total US retail ecommerce sales at **39.5%**, while the next 14 biggest online retailers are collectively responsible for just 31.0%.

- Amazon is projected to **surpass Walmart to become the largest US retailer by 2024**, per a report by Edge By Ascential.
- In 2021, Amazon's share of total retail spend (9.4%) exceeded Walmart's (8.6%) for the first time, per PYMNTS data.
- Third-party fees make up a sizable portion of Amazon's revenues: In 2021, the company generated **\$103.37 billion** in sales from its third-party seller services, which is more than the revenues from AWS and its advertising platform combined, per its earnings report.

US Retail Ecommerce Sales, by Company, 2022

% of total retail ecommerce sales



Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes privately held companies and travel and event tickets;
*Walmart Inc., Apple, eBay, Target, The Home Depot, Best Buy, Carvana, Costco Wholesale, The Kroger Co., Chewy, Wayfair, Macy's, Etsy Inc., Lowe's
Source: eMarketer, Feb 2022

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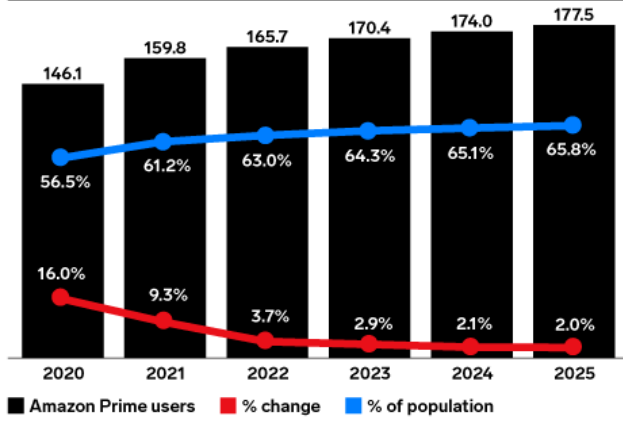
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The big takeaway: The antitrust legislation would have a profound effect on Amazon's ability to maintain its Prime program. As **Andrew Lipsman**, eMarketer principal analyst at Insider Intelligence, noted in our **Era of Uncertainty report**, Amazon Prime is the linchpin in the company's strategy to maintain its ecommerce dominance even as online sales begin to soften.

- Strategies like multiple Prime Days enable Amazon to capture a larger chunk of online spending—but the more successful these events are, **the more concessions** the company can squeeze out of brands and sellers reliant on its platform.
- Without Prime and its speedy fulfillment, Amazon's utility to consumers would be significantly reduced, potentially allowing competitors to catch up and sellers to jump ship.

US Amazon Prime Users, 2020-2025

millions, % change, and % of population



Note: individuals ages 18+ who have an Amazon Prime account and sign in at least once during the calendar year

Source: eMarketer, Feb 2022

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