Amazon pinches sellers: Use our costly logistics services or pay extra fee [Updated]

reader comments

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Any day now, the FTC is expected to drop “The Big One” on Amazon, an antitrust lawsuit that appears inevitable after the company’s so-called “last rites” meeting with FTC officials last week. Through its inquiry, the FTC has taken notice of how Amazon treats sellers on its platform, specifically scrutinizing how Amazon punishes sellers that don’t use Amazon’s logistics services.

With so much heat coming from the FTC, it seems like bad timing for Amazon to decide to start charging an extra fee to sellers who bypass Amazon’s logistics services and instead ship products themselves. But that’s precisely the step that Amazon has taken, Bloomberg reported.

Only sellers who use Amazon’s Seller Fulfilled Prime service will have to pay the fee. So most of Amazon’s two million sellers won’t be affected. But for thousands of sellers who prefer to ship their own products, starting in October, they will have to pay Amazon “a two percent fee on each sale,” according to internal documents reviewed by Bloomberg.

It may seem like a small fee, but it’s likely enough to pressure some sellers into using Amazon’s logistics services who previously had avoided the high costs associated with

those services. One furniture seller told Bloomberg that the new fee would cost $1 million over a year of sales.

In February, Search Engine Land reported that higher fulfillment fees and mandatory advertising expenses had increased Amazon's share of sellers' revenue to 50 percent. Using Amazon's fulfillment at that point costs sellers 20 to 35 percent of their revenue.

This new fee seems like the latest way Amazon has put the squeeze on sellers who were avoiding paying that larger percent of revenue by doing their own fulfillment. Bloomberg spoke to several sellers who, speaking anonymously for fear of retaliation, confirmed that they were interpreting the latest fee as "an attempt to pressure them into using Amazon's logistics services rather than fulfilling orders themselves."

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According to Bloomberg's sources, Amazon gave sellers no explanation to justify the extra fee. Sellers said as a result of higher fees, they may have to raise prices on items.

Amazon did not immediately respond to Ars' request for comment. A spokesperson told Bloomberg that the fee will "help cover the costs of running a separate infrastructure and measuring its effectiveness."

The Seller Fulfilled Prime program has a rocky history, Bloomberg reported. It launched in 2015 to quickly ramp up inventory without burdening Amazon's own fulfillment centers but shuttered after two years because sellers weren't meeting Amazon's delivery standards. Bloomberg reported that Amazon only brought the program back this June, apparently as a way to appease the FTC during its antitrust inquiry. But with the antitrust lawsuit now looming, Amazon is seemingly less motivated to appease the agency.

Jason Boyce, the founder of Avenue7Media, which advises brands leveraging Amazon's platform, told Bloomberg that this new fee

“shows Amazon is not scared at all” of the FTC.

Authors urge FTC to increase Amazon scrutiny

While Amazon continues raising fees for some sellers, authors and booksellers have banded together with an antitrust think tank to urge the FTC and the Justice Department to launch yet another antitrust inquiry into the e-commerce giant’s outsized role in the books market.

In a letter today, the American Booksellers Association, the Authors Guild, and the Open Markets Institute requested “an antitrust investigation into how Amazon used and continues to use unfair methods of competition to gain and maintain a monopoly in its role as a seller of books to the public” and a monopsony—a market situation in which there is only one buyer—”in its role as a buyer of books from publishers.”

The letter accused Amazon of “manipulating readers into buying specific books” by up-ranking and down-ranking titles “at a whim” to “maximize Amazon’s profits.” This allegedly leads to “unfair promotion and suppression of specific ideas, authors, publishers, and the routine disruption of public debate,” the letter said.

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An official investigation is necessary—despite the fact that Amazon has become “the everything store” and no longer focuses its efforts on selling books—the letter said, because “it is important” for officials “to remember that the harms [Amazon] inflicted on the book market have yet to be set to right, and in certain respects continue to get worse.”

The letter then detailed Amazon’s past and current conduct allegedly using “unfair methods of competition” to “gain and maintain its market dominance.” Alleged conduct included

“predatory pricing, locking up services vital to publishers and authors and exploiting their dependence, and ruthlessly punishing publishers who stepped out of line,” the letter said.

Addressed to FTC chair Lina Khan and Jonathan Kanter, the assistant attorney general of the Department of Justice Antitrust Division, the letter ends by asking officials to defend democracy and free society by ending Amazon’s alleged ongoing efforts to manipulate the “reading public.”

Barry Lynn, the executive director of the Open Markets Institute, told the New York Times that Amazon’s outsized influence in the book market was unacceptable. The Times cited an analysis conducted by research data and analytics group WordsRated that found that Amazon “controls at least 40 percent of the print book sales” in the US and more than 80 percent of e-book sales.

“What we have is a situation in which the power of a single dominant corporation is warping, in the aggregate, the type of books that we’re reading,” Lynn told The Times. “This kind of power concentrated in a democracy is not acceptable.”

Experts told the Times that the FTC may not be as concerned about Amazon’s control of the book industry as it is with other aspects of Amazon’s business already under investigation. The Justice Department, however, does seem interested in promoting competition specifically in the books industry, last year blocking Penguin Random House from acquiring Simon & Schuster over antitrust concerns.

[**Update:** The Open Markets Institute’s spokesperson Ashley Woolheater told Ars that the think tank made a similar appeal to the FTC in 2015, which led to meetings with officials but no investigation. However, the Open Markets Institute expects that an investigation may be more likely to occur under Khan’s and Kanter’s leadership at the FTC and DOJ. Both officials

were featured speakers at a 2016 Open Markets Institute event discussing Amazon’s potential antitrust issues and currently appear more “dedicated to enforcing the letter of antitrust law.”]

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