FTC lawsuit alleges Amazon has been ‘secretly and systematically’ overcharging for ads



The FTC and 22 state attorneys general are suing Amazon for allegedly using a “secret ad surcharge” to drive up prices for ads on its website and app. FTC chairman Andrew Ferguson claims in a blog post on the lawsuit that the higher advertising prices “were largely passed on to American consumers.” According to the complaint, Amazon violated the FTC Act and over a dozen state laws. This lawsuit comes almost a year after Amazon agreed to pay $2.5 billion to settle an earlier FTC lawsuit over Prime subscription practices.

In Amazon’s “second price” auctions for ads on its platform, the winning bidder is supposed to only pay one cent more than

the second-highest bidder. However, the FTC's complaint alleges that Amazon has been "manipulating" the auctions since 2019:

> *Amazon's advertising organization ("Amazon Ads") decided to set and charge customers higher prices for advertising placements itself. After Amazon runs its ad auctions and determines the winning and second-place bidders, it then replaces the price determined by the auction with a higher price designed to maximize Amazon's profits and decrease the cost efficiency of its advertisers' campaigns. As explained internally by Amazon's Senior Vice President in charge of Amazon Ads, in Amazon's auctions "the second price isn't set by an actual bidder, but rather by" Amazon in the form of a "proxy 2nd price that we calculate."*

The complaint claims this practice "has likely illegally extracted over 20 billion dollars from [Amazon's] unwitting advertising customers." Amazon responded in a blog post saying the FTC's lawsuit is "misguided" and claiming that "from 2019 to 2024, the average winning bid for Sponsored Products search ads fell 50%." It also disputed the FTC's claim that higher advertising prices were passed on to consumers.

https://www.theverge.com/tech/986982/amazon-advertising-prices-ftc-lawsuit