

## Debate

# The Power of Amazon

### *ISSUE: Is Amazon using its power to take over the world?*

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Consumers from all over the world know the Amazon name. Amazon is the retailer that “sells everything.” Investors cannot seem to get enough of Amazon—its shares were selling at about \$330 in August 2014. It is the world’s ninth largest retailer. So it may be surprising that Amazon is not profitable—and has not been in its 20 years of existence.

Any profit Amazon makes comes from vendors selling through the Amazon site. For its own products, Amazon uses low prices to attract consumers and beat out the competition. Obviously, Amazon is not the only company that uses a low price approach. Walmart is probably the most well-known company to use an every-day-low-prices strategy. However, unlike Amazon Walmart is highly profitable. And while it is part of the competitive process to get the largest market share—even if it means putting companies out of business—the fact that Amazon is using these tactics and yet is not profitable has led critics to accuse the company of using anticompetitive strategies to gain global power.

Disputes between Amazon and other businesses are not uncommon. For instance, Amazon is currently in a dispute with Disney on new Disney movies. Amazon has been using a price matching policy to compete with physical retailers. However, retailers often take a loss on new movies by pricing them low to get customers into the store. Without physical locations, Amazon cannot receive this benefit. It has asked Disney to cover part of its losses. Disney refused, and Amazon responded by halting the sale of new Disney movies. In France, Amazon fought with publishing company Hachette over who should control the prices of Hachette e-books sold through Amazon. As a result of the dispute, Amazon stopped selling some of Hachette’s books.

Critics claim that Amazon works to get its own way even when it comes to the law. For instance, Amazon was allowing for free shipping for some of its book orders. To give booksellers more of a chance to compete, the French government passed a law banning free shipping. Amazon responded to the ban by charging shipping fees of only a penny. This technically obeys the law but could be seen as a way to subvert it. Amazon has also been accused of working German warehouse employees too hard and underpaying them, prompting strikes on the part of workers. Amazon maintains that it pays better than comparable industries.

While these actions might seem unfair, it is an undisputable fact that companies must adopt aggressive strategies to compete. Globalization has brought upon competition like never before. Supporters of Amazon see the company’s strategies not as unethical but as smart marketing strategies that has helped propel it to one of the world’s largest companies. Unlike most other dotcoms that went bust around the beginning of the 21st century, Amazon thrived because of strong leadership and an understanding of customer demand. Amazon constantly claims that it is for the customer, leading it to sell products at low prices and offer free shipping costs on some items.

Most people agree that it is only natural for a business to minimize losses and secure the best deals. In fact, public companies have a responsibility to try and thrive so their shareholders can receive a return on investment. Supporters therefore claim that Amazon's disputes with companies such as Hachette or Disney are merely ways to try to secure the best deals and respond to market demand. Finally, investors do not invest in a company in which they do not have faith. Although Amazon is currently not making much of a profit, investors clearly believe that it holds great opportunity.

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### There are two sides to every issue:

1. Amazon engages in legitimate marketing tactics to create a competitive advantage.

2. Amazon engages in anticompetitive practices that harms stakeholders.

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