

Is Amazon getting too big?

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When Amazon made a bid for Whole Foods earlier this month, a company that's been a huge but largely online presence for consumers suddenly seemed to be everywhere, raising the question, "Is it getting too big?"

In most of the areas Amazon has recently entered, be they groceries or streaming video or India, Amazon is far from dominant. But some observers fear that as Amazon's breadth grows, the power of its ecosystem could stifle competition and erode jobs.

"Imagine getting your pay-TV service, groceries, banking, insurance, etc. all through one company. That's the threat that Amazon poses," said Michael Greeson, director of research at business analysis firm The Diffusion Group.

To consumers whose seeming every wish can be fulfilled by the more than 400 million products available for sale on the site, its scope can seem enormous. Amazon sells 52% of all books (print, electronic and audio) in the United States. Forty-three percent of all online commerce goes through Amazon. It's got 45% of the cloud computing [market](#), meaning it's the single largest provider of infrastructure that runs thousands of popular websites. It's not in banking and insurance, though analysts say that wouldn't be a stretch.

Deep pockets and a growing and sophisticated distribution network mean it's a fearsome price competitor, worrisome to rivals in any market.

But in markets Amazon has more recently entered, it's still small potatoes. To Netflix, it's a streaming entertainment competitor with a ways to catch up. To Kroger, the nation's No. 2 grocery store chain, it's still a gnat, though one whose bid to buy Whole Foods for \$13.7 billion gives it a potentially outsized sting.

Two decades of acquisitions and heavy investments, in consumer devices like the popular Amazon Echo to Audible.com to its own freight service, means Amazon is no longer just an online retailer but instead a multinational, though highly compartmentalized, corporation.

The rise of an ecosystem

It's this Amazon ecosystem, which increasingly revolves around its Prime subscription plan, that worries detractors. In April it was estimated Amazon had more than 80 million Prime members in the United States alone, a doubling over the last two years, according to Consumer Intelligence Research Partners. Once a customer becomes a Prime member, he or she starts to spend more and is more likely to choose Amazon as her go-to provider.

While customers have flocked to its low prices, speedy delivery and customer service, it's a different matter for suppliers. Even as they benefit from instant access to a massive online customer base, Amazon's market size gives it the power to inflict increasingly tough terms on its partners, driving down prices and passing on the savings to customers.

"If people thought Walmart was bad, Amazon's taken it to an entirely new level," said Mark Coker, founder of SmashWords, an early ebook distributor. "They want to eliminate everyone who stands between the producer of the product and the store."

Amazon declined to comment for this report.

Another concern: as more people enter the Amazon ecosystem, that makes it harder for producers to sell to customers outside it.

Lina Kahn, a legal fellow with the Open Markets program at the New America Foundation, worries this will be detrimental to the economy.

"We have to ask whether there are costs to this dominance that we might in the long term regret," she said. "Amazon has emerged as a gatekeeper. Are we comfortable with one company picking the winners and losers in e-commerce?"

There's little relief from anti-trust law because these laws focus on consumer welfare, which Amazon excels at, she said.

Online retail

In the U.S., Amazon has become the major funnel through which e-commerce takes place. It's also well-established in Europe and is working to gain a foothold in India.

An analysis by Slice Intelligence found that 43% of all online U.S. retail sales went through Amazon in 2016, a number that represents both goods Amazon itself sells and the ones from third-party sellers that set up specialized storefronts on the site.

Brendan Witcher, a digital business analyst with Forrester, views Amazon's role as more like a mall than a mammoth Woolworth's department store. "If you buy something at Macy's you don't give the mall credit for the sale," he said.

Amazon says about half of the items sold on its site come from third party sellers.

All online sales are still dwarfed by the entire U.S. retail market. According to the Department of Commerce in the first quarter of 2017 online sales represented 8% of all retail sales.

Books

Amazon, whose launch as an online bookstore in 1995 heralded a huge disruption to book-buying, dominates the U.S. book market. According to the book industry data site AuthorEarnings.com, of the 1.25 billion paper, electronic and audio books sold in the United States each year, 52% are sold through Amazon. As with online retail, that doesn't necessarily mean Amazon's selling every volume but that they're sold on its site.

Of printed books, about 38% of the 800 million sold in 2016 were sold on Amazon. For ebooks it's about 75% of the 400 million sold. And for audio books it's close to 95% of the 50 million sold.

Amazon's impact on the book business can be seen as a bellwether for other industries because that's where it's been active the longest. Overall

consumers buy 48% of new print and ebooks through Amazon, but that number is 59% for Prime members, and 33% for non-Prime members, according to The Codex Group, which tracks publishing trends.

The longer someone has been a Prime member, the higher the number rises. After two years of Prime, it jumps to 63%.

"As you become more Prime habituated, you'll live more in the Prime ecosystem," said Codex founder Peter Hildick-Smith.

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Clothing

An area that's not always obvious to consumers is Amazon's increasing portion of the U.S. clothing market. In the past few years Amazon has aggressively built out its own clothing lines to add to all the clothing it already sold. Just last week it launched Prime Wardrobe, a program that allows customers to order between three and 15 items of clothing without paying, try them on for a week and then ship what they don't want back for free.

A report by Cowen & Co. last year said that Amazon had 6.6% of the retail clothing market, a share expected to increase to 8.2% by 2017 and to 16% in five years.

Slice Intelligence estimates that Amazon's share of the online apparel and accessories market is 18.3%, up from 11.7% in 2014.

Grocery

Amazon's offer to buy Whole Foods Market battered grocery stocks as investors feared a large, efficient new competitor.

There's a long way to go before Amazon would be No. 1. Walmart currently has about 14% of the grocery market, according to Global Data Retail, with Kroger next at 7%. Whole Foods comes in at a tiny 1.2% and Amazon's estimated to be well below 1%.

However, that's growing. Cowan estimates Amazon could control 3% of grocery by 2012, an estimate made before the Whole Foods bid.

And things look different in the online side of things. Slice Intelligence estimates that Amazon has about 20% of the online grocery market. Online grocery sales made up 2% of all U.S. grocery sales in 2016, according to the Food Marketing Institute.

Video

Another arena Amazon's seriously focused on is streaming video, including creating its own content with hit shows such as *The Man in the High Castle* and *Mozart in the Jungle*. And that's just its English shows. Amazon is also creating shows in German, Japanese and Korean.

It's by no means dominant in a market where consumers increasingly put together their media a la cart, but experts say that could change.

For now, Netflix is the clear leader, subscribed to by 64% of U.S. adult broadband viewers. That compares with 40% of users for Amazon Prime Video, 25% for Hulu, and 6% for YouTube Red, according to research from The Diffusion Group.

That could shift over time, just as TV viewing has shifted rapidly in the digital age. Streaming still serves primarily as a supplement to cable and satellite but over time it's predicted to become a substitute. Amazon is already producing Emmy-worthy original TV content and is said to be considering launching its own pay-TV service.

"It could reduce pay-TV to part of a much larger 'bundle' of services with which standalone services will have difficulty competing. It's an entirely new level of disruption," said Greeson of The Diffusion Group.

Cloud

One area where Amazon is clearly dominant is cloud services, storage and computing services businesses companies access via the internet. Amazon was an early entrant into the market and has a commanding, and highly profitable, share of it.

Currently, AWS has about 45% market share in cloud computing, compared with Microsoft Azure at 27%, and Alibaba, Google, IBM, Oracle and Salesforce with between 2% and 5%, according to Forrester.

So far, the primary impact has been to drive poorly run players out of the market. That doesn't mean others can't compete, but in the Darwinian world of business the weakest are being weeded out, says Brad Stone, technology reporter for Bloomberg and Businessweek and author of *The Everything Store: Jeff Bezos and the Age of Amazon*.

The end could simply mean a more efficient, Internet-enabled marketplace different but not worse than the one we live with today.

"Borders, JC Penny, Macy's—these brands failed, or are failing, not really because of Amazon but because they never really responded well to the changes in consumer habits and expectations that the internet represents," he said.

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