

AMAZON: AN EMERGING MONOPOLY

Alaana Aggarwal and Mahika Bafna

Step By Step School

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Introduction

Amazon is one of the most popular online shopping destinations. While it started as a bookstore, it currently sells everything from necessities to house wares, gadgets, toys, food, music, and movies. In addition to selling these products, Amazon has also released new technological devices, including a Kindle e-book reader, a Fire TV streaming media adapter, and a Kindle Fire tablet. With clients all around the world, it is continuously expanding and providing a platform for other manufacturers to sell their products. While Jeff Bezos, the company's founder, stepped down as the CEO on 5th July 2021, he continues to be associated with the company as an executive chairman.

This research paper aims to understand the strategies that underlie Amazon's transition into possibly becoming a monopoly. To this end, this paper analyses the perspective of producers and consumers regarding Amazon, its influence, and how it has brought about a change in their commercial activities and practices. Further, we also look at Amazon's unfair practices and the positive and negative impacts it has on individuals and society.

Research Question:

With Amazon's growing influence and clever marketing strategies, can this retail behemoth be classified as a monopoly in the current day or the near future?

US Data Statistics:

Contribution to American Retail Sales Market

According to the latest "U.S. Retail Sales Report" (updated February 16, 2022, by Kimberly Amadeo, reviewed by Micheal J Boyle, and fact-checked by Ariana Chavez), retail and food service sales increased by 3.8% in January over the previous month and increased by 13.0% as

compared to the previous year (2021). Sales rose by 16.1% between November 2021 and January 2022. Similarly, the retail trade sales in January were up by 4.4% from December 2021 and up by 11.4 percent throughout the year. In 2021, retail sales were expected to grow between 6.5% and 8.2% to over \$4.33 trillion, according to the National Retail Federation (NRF). The agency attributed this growth to a rise in vaccination rates and the re-opening of businesses.

Contribution to American Online Retail Sales Market:

Online sales have increased from 18% to 21%, (\$1.14 trillion to \$1.19 trillion) between 2020 and 2022 with Amazon accounting for 60 percent of this rise.

Amazon's Annual Revenue:

According to "Macrotrends," Amazon's annual revenue was \$469.822 billion in 2021, a 21.7% increase from the \$386.064 billion revenue reported in 2020. Amazon's yearly sales in 2019 were \$280.522 billion, up 20.45% from 2018.

Contribution Summary:

Contrary to our expectations, Amazon accounted for just 10.8% of the total retail sales in the United States in 2021, despite being such a large online platform.

However, simply providing 10% to the American economy is a massive amount. Furthermore, it accounts for 39.4% to 41.2 percent of total online retail sales in the United States. This is a significant contribution to the retail industry for a two-fold reason – the retail industry is quite large in market size and Amazon does not even fall under all retail categories. (The “Census Bureau” divides retail sales into 13 categories: auto dealers, including auto parts, new and used vehicle sales, online retail sales, department stores, apparel, electronics and appliance stores, food and beverage stores, (including grocery and liquor stores), building and garden supply stores, sporting goods/hobby stores, health/beauty shops, (including drugstores), furniture stores, hospitality and leisure, (including hotels, restaurants, and bars), gas stations and miscellaneous.)

Is Amazon a Monopoly?:

In the first quarter of 2021, Amazon's income from web purchases made by US-based consumers amounted to 30.7% of all online retail sales in the US, according to Digital Commerce 360. As previously referenced, this translates to a 21.7% rise in the overall income for Amazon. This significant increase can be attributed to the COVID-19 pandemic, which has increased online shopping.

Further, rising consumer expenditure is a good sign for the economy since it promotes Gross Domestic Production (GDP) formation. Nonetheless, the current consumption rate of Amazon's consumer base is insufficient to impact the GDP growth. However, it might happen in the future. This raises the question of whether Amazon is a monopoly or not.

A monopoly, according to the law, is when one company and its product dominate an entire industry whereby there is little to no competition and consumers must purchase that specific good or service from one company. An oligopoly is when a small number of firms, as opposed to just one, dominate an entire industry.

However, the Sherman Antitrust Act also says that an unlawful monopoly exists when one firm controls the market for a product or service, and it has obtained that market power, not because its product or service is superior to others, but by suppressing competition with anticompetitive conduct.

Based on the statistics and the characteristics of a monopoly, Amazon is not considered a monopoly by the Federal Trade Commission. For example, unlike a market driven by a monopoly, there are several alternatives to Amazon's marketplace, including real retail establishments and other online platforms such as Flipkart and Shopee. Furthermore, there are no "formal" barriers to entrance or pricing activity.

Not a Typical Monopoly:

According to a study from *Loyola University of Chicago School of Law*, "with the recent antitrust case filed against Amazon and the new antitrust proposals being considered in Congress, the online retail behemoth is at the forefront of everyone's thoughts". The corporation has forayed into a variety of industries, including fashion, technology, and even groceries. (*Inside Compliance, September 2021*)

While it dominates several industries such as retail, online services, food, and entertainment, it lacks the requisite market share of more than 50% of a specific product or service in a given geographic area. The company's largest market share, over 50%, is now in the e-commerce business, yet this isn't substantial enough for the FTC to declare it a monopoly. At present, the FTC's definition of a monopoly is not dependent on a company's size and instead depends on factors like customer welfare, price, and crushing the competition.

While Amazon is currently not categorised as a monopoly, if it acquires market dominance, it may pose a greater threat to its competitors, and be able to engage in illegal anti-competitive

market practices like raising prices and lowering product quality to increase profit margin.

There are now five bills in the “House of Representatives” that might act as a barrier to Amazon becoming a monopoly. For example, the “Ending Platform Monopolies Act” makes it illegal for a corporation to favour its products and services over those of a competitor, or to penalise potential competitors that use the platform. As a result, if rules regarding what makes a company a monopoly grow more stringent and aggressive; Amazon may be labelled a monopoly.

To further undermine Amazon's non-monopoly argument, the e-commerce market's entry hurdles are not as easy as they appear. While it is easy to establish an e-commerce website, it isn't easy to develop e-commerce businesses. To grow an e-commerce firm, you need recurring customers to avoid losing money on every transaction.

Exploring the Consumer's Point of View:

Primary data on Consumer Behaviour (from both adults and teenagers):

The purpose of this survey was to understand how big of an impact Amazon has had on the shopping patterns of the middle-to-upper middle-class sections of society in India, who form the primary e-retail consumer base. This survey analyses their preferences and buying habits to understand whether Amazon has had any effect in altering them.

The sample size of the survey is 40, with all the respondents belonging to the age group 14-50, including both genders. All respondents hail from middle-class and relatively wealthy families in India (those consumers that can afford these e-retail services).

Survey questions:

1. Do you use the services provided by Amazon?
2. Do you have a subscription to Amazon Prime?
3. How often do you order from Amazon?
4. Would you buy something personally from a store knowing that it was available on Amazon?
5. Has Amazon made shopping more convenient for you?
6. How has Amazon made shopping more convenient for you?

7. Do you use other major online shopping platforms (like Flipkart or Shopee?)
8. Has Amazon increased the money you spend on small items? (say notebooks or earrings, lip balms, rubber bands, wallets, deodorant, etc.)
9. What are your thoughts on online shopping?

Survey results and analysis:

Have you ever used the services provided by Amazon? (shopping services)

This graph makes it evident that Amazon is a popular service. Out of the total sample, every individual (100%) has used the Amazon shopping service.

Have you ever used the services provided by Amazon? (shopping services)
40 responses

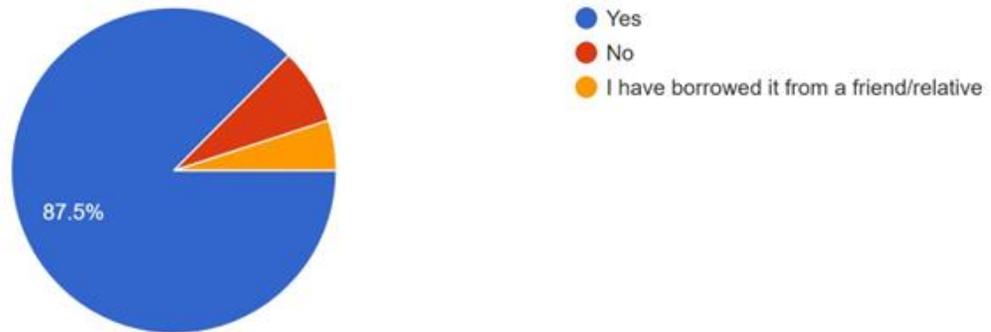


Do you have a subscription to Amazon Prime?

We can observe that most people (about 90%) either have or have borrowed an Amazon Prime subscription (a service that offers additional features like TV streaming and fast/cheap delivery). This demonstrates the success of Amazon's marketing methods due to which it has resonated with the general public in the upper socioeconomic strata of India. People enjoy using Amazon and thus subscribe to it.

Do you have a subscription to Amazon Prime?

40 responses



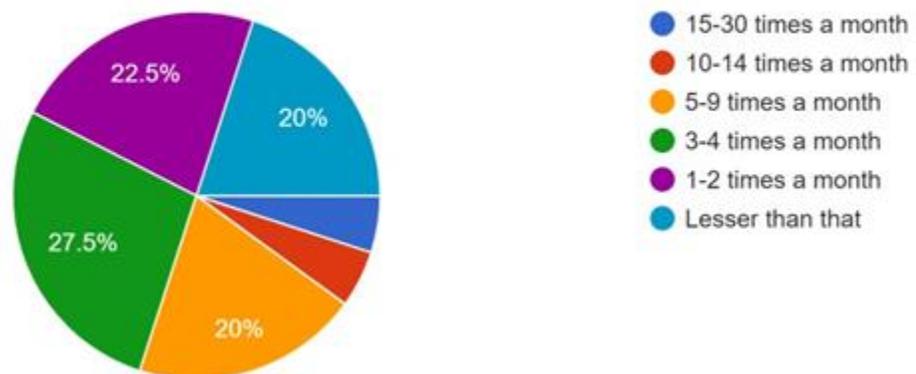
How often do you order from Amazon?

Amazon is a popular place to shop. According to the survey, roughly 20% of consumers order 7-9 times each month on average, which is an extremely high rate. Moreover, approximately 28% of the surveyors reported that they place an order times a month. The average individual goes shopping for necessities 1-2 times per month since they usually mix their demands and get them all at once. Amazon has not only made their life simpler by providing easy access to products and services but has also changed consumer behaviour by increasing the number of times a person purchases each month (by around 3/4th).

(more on altering consumer behaviour below)

How often do you order from Amazon?

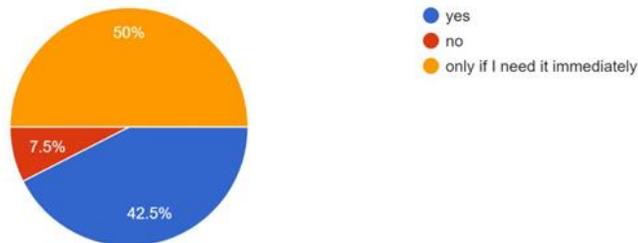
40 responses



Would you buy something personally from a store knowing that it was available on Amazon?

Amazon has diminished the practice of purchasing products in person. While 7.5% of those surveyed responded negatively, 50% caveated their answer to the time constraint of their requirement (taking into consideration that Amazon takes time to deliver). This indicates that Amazon is the first pick of more than half of the respondents. While quality assurance might occasionally prevent customers from purchasing online, everyone's first pick for basic things is likely to be internet shopping, notably Amazon.

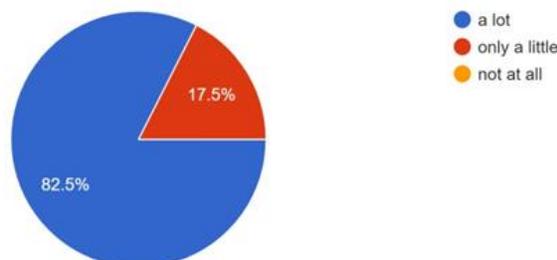
Would you buy something personally from a store knowing that it was available on amazon?
40 responses



Has Amazon made shopping more convenient for you? (free response question)

The results indicate that Amazon has made shopping much more convenient for consumers today. While 83% of the survey respondents said that Amazon has made their lives a lot more convenient, the remaining sample group said that it made their lives a little more convenient. None of the respondents said that it had an impact on their lives. However, as Amazon's marketing strategies are geared towards offering customers a convenient choice and "giving people what they want," this data showcases that it has been successful in achieving its goals.

Has Amazon made shopping more convenient for you?
40 responses



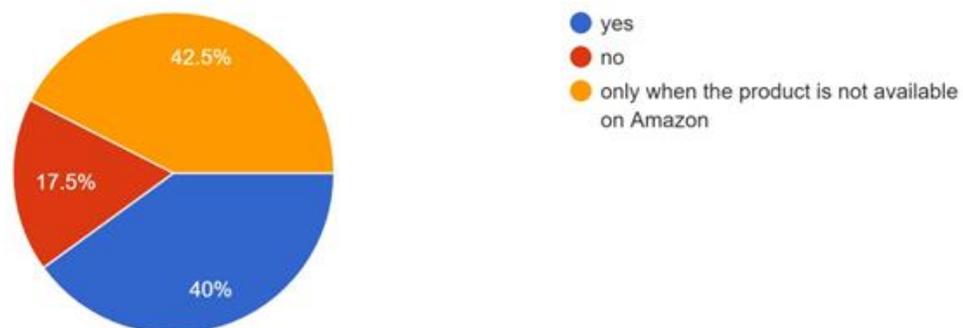
A summary of what the respondents had to say:

Our respondents believe Amazon has improved accessibility since they can find practically anything they need on the platform. Not only does it save time, but is also convenient for them as they don't have to leave their homes and can have things delivered to their doorstep. Moreover, it's not only simple to access their online platform, but also gives consumers discounts on a diverse range of products that they wouldn't find in stores otherwise. Many believe Amazon to be the best choice for any purchase that they don't need immediately. Especially during the pandemic, when everyone preferred to stay inside, there was a substantial increase in their online spending.

Do you use other major online shopping platforms in place of Amazon (like Flipkart or Shopee?)

While some survey respondents do not use any other platform at all, a large proportion of the sample size does use other major shopping platforms. However, half of these individuals only utilise any other platforms when a product isn't available on Amazon. This demonstrates that Amazon has one of the world's largest followings and uses. To put it another way, it is the majority's first pick.

Do you use other major online shopping platforms in place of Amazon (like Flipkart or Shopee?)
40 responses



Has Amazon increased the money you spend on small items? (say notebooks or earrings, lip balms, rubber bands, wallets, deodorants, etc.)

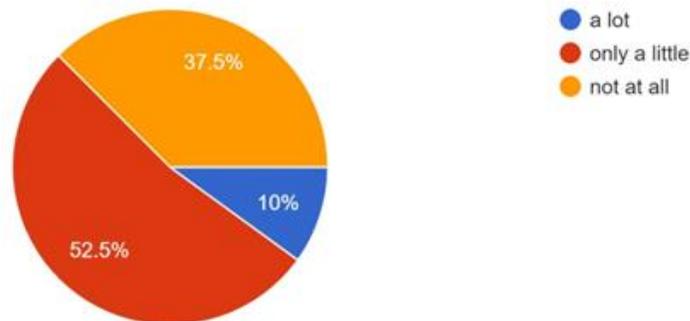
This question examines if Amazon has influenced consumer behaviour in any way.

Unknowingly, these services tend to increase useless random spending on non-essential goods.

While most people have voted for "only a little," this indicates that there is some effect of these large platforms on consumers.

Has Amazon increased the money you spend on small items? (say notebooks or earrings, lip balms, rubber-bands, wallets, deo, etc.)

40 responses



What are your thoughts on online shopping? (free response question only)

Many people believe that online shopping offers a viable alternative for individuals who are unable to visit the market or shopping malls otherwise. Not only is it easier to search for items online due to algorithms, but these shopping portals offer the convenience of receiving home deliveries. Almost all things, from study materials to stationery to groceries, are now accessible online; not only does this save time and money, but also simplifies returns by reimbursing the whole amount. However, internet platforms are inefficient for some commodities, such as apparel and shoes, because many individuals prefer to purchase these items in person. While some expressed their satisfaction with online platforms, some also expressed their concern about them not being environmentally stable and crushing small businesses. These surveyors also indicated that they find it difficult to judge the quality without physically assessing the product.

Take Away from the study:

The results of the survey demonstrate that using Amazon for everyday needs and wants outperforms all other options, including buying in a store or using a different online shopping platform. In recent years, it has grown so widespread among individuals that using it has become a habit. The service has made people's lives easier by providing a variety of possibilities on one platform. All that remains is to choose and pay, which can be done easily online.

Seeing how everyone has used Amazon in the survey conducted above, we can say that it is an

extremely popular service among the middle-wealthy classes of India. Many of the respondents (around 90%) have an Amazon Prime subscription. The platform not only provides tempting discounts and deals on items but also provides customers with access to video/games/online streaming services, a significant source of entertainment. With multiple alternatives for entertainment, consumers are willing to pay a premium to keep themselves or their children entertained.

Further, due to the constraints of the pandemic, the rise in online shopping trends has allowed online food delivery apps like Zomato, online retail stores like Amazon, and entertainment platforms like Amazon Prime to upscale immensely.

Altering consumer behaviour:

What does influencing consumer behaviour mean? When it comes to purchasing a product, consumers follow a similar pattern. Consumer behaviour is difficult to predict, even for specialists in the field. However, when certain factors cause a change in the consumers' spending pattern, they are recognised as factors influencing consumer behaviour.

Factors influencing consumer behaviour:

While these factors influence buying decisions, they are difficult to measure and track across a diverse consumer group. Research conducted by "Cloutrack" summarises these factors as:

Motivation has an impact on purchasing behaviour. Fundamental requirements and security concerns drive customers to purchase goods and services more than any other reason.

Age is a major factor that influences buying behaviour. Elderly people would have very different buying behaviour as compared to teenagers. This could be due to experience and awareness of other brands and their pricing. Adults are more likely to buy necessities while younger age groups like to splurge and buy things they don't necessarily need.

Income is a prominent factor that impacts consumption behaviour as higher disposable income allows higher purchasing power for consumers. Moreover, when a consumer has a higher disposable income,¹ they have more opportunities to spend on luxurious products.

Similarly, the lifestyle adopted by a consumer influences their purchasing power as when a consumer lives a healthy lifestyle, for example, they will buy healthier alternatives to junk food.

Consumer purchasing habits and decisions are also heavily influenced by a country's or market's

economic state. When a country is rich and its economy is robust, this leads to a larger capital inflow in the market and better consumer purchasing power. Further, when customers are in a stable financial situation, they are more willing to spend money on goods and services.

Examining effect on consumer behaviour:

To further analyse the impact on consumer behaviour, let's closely examine one question from the aforementioned survey:

Has Amazon increased the money you spend on small items? (say notebooks or earrings, lip balms, rubber bands, wallets, deo, etc.)

While Amazon is not the only store to offer a wide range of discounts to its consumers, because of the convenience that it markets to its consumers, it has been able to create a unique market position. In comparison to online retailers, "adding things to a basket" is a vastly different experience in real life. Amazon uses each user's algorithm to provide recommendations based on their price ranges and preferences. Thus, when a customer's basket says "add things worth \$150," you don't have to go out of your way to find a suitable buy; Amazon does it for you.

Overwhelmed by the simplicity and efficiency of this process, consumers often engage in wasteful spending.

How does this work for Amazon's benefit ?

Consequently, while many consumers believe that they indulge in "a little" additional spending, they might be underestimating their consumption patterns. Based on the example used above, if people add products worth 150 rupees for every purchase they make in a month, then approximately 600 rupees are wasted per person each month (Martech claims that 85 percent of Amazon members purchase once a week, or four times per month). A family of four wastes between 2400 and 4800 rupees each month on average, or 28,800 to 57,600 rupees per year.

Lip balms, rubber bands, deodorants, wallets, and other cheap items that are often marketed as "suggestions," "bargains," and appealing "offers," progressively change spending patterns. As a result, in addition to the money generated by its products, Amazon produces a large amount of additional revenue through its marketing strategies. By encouraging consumerism, Amazon is generating a generation that spends recklessly on things they don't need, rather than prudently on necessities.

Additionally, the added benefits and discounts not only motivate more people to sign up for its

services but also assist each customer in spending more money. This indicates how Amazon profits from its impact on customer behaviour.

Why has Amazon's market share increased so much?

As Amazon provides premium services to its paid subscribers, if Prime members have to buy anything from a seller that does not provide 2-day shipping, they will be disappointed. Thus, the company's unique, money-saving, and time-saving features have had a huge influence on customer expectations and mindsets.

Aside from these factors, Amazon's consumers' purchase selections are influenced by the level of customer service provided. Due to its excellent customer-centric mindset, creative methods, and customer devotion, Amazon has overtaken Google (valued at \$309 billion) and Apple (valued at \$309.5 billion) to become the world's most valuable brand at \$315.5 billion, according to a ranking of global companies. The customer service crew can troubleshoot problems on blogs, chat rooms, and any online platform where a concern is raised. (TUE, JUNE 11 2019, CNBC)

Examples of Amazon customer service:

- For Amazon, a few massive warehouses would have succeeded to operate in India. The infrastructure and inventory expenditure would have been reduced if everything had been housed under one roof. Instead, they've created over 50 fulfilment centres across 19 states, with more being developed this year. Customers greatly benefit from a large number of warehouses since they can provide faster and less expensive delivery services.
- Amazon made headlines this year when it announced Prime Air, a service that uses unmanned aircraft vehicles to deliver products within 30 minutes of placing an order.
- For certain items that are ordered repeatedly (diapers, toiletries, grocery items) Amazon offers easy subscriptions. When paired with their one-click ordering service, they offer a convenient shopping experience.
- Customers are assured that cancelling an order before it ships is just as simple as placing it. If it is sent, the return procedure is simple and accommodating.

From the model followed by Amazon, it is evident that keeping consumers happy and loyal is the company's priority. Furthermore, Amazon's clever marketing strategies have been one of the main driving forces behind its market success.

Marketing strategies:

Capitalising on convenience:

By leveraging the consumers' need for convenience and offering them the option to sit at home and order anything whenever they wish to, Amazon has globalised across different geographic segments.

The illusion of saving money:

Since Amazon offers "free" delivery and tempting discounts, people tend to see it as a cheap and affordable alternative. However, consumers are often not aware that the transportation costs are included in the product price. Moreover, the Amazon Prime service, which annually costs 155 dollars in the USA (or 1500 rupees in India), allows quick delivery of items without additional cost. Eventually, you pay money to save money, but consumers cannot see this. This creates the illusion of "saving".

Algorithm:

By personalising people's feeds, Amazon highlights items based on their past consumption choices and patterns. Further, they also provide discounts, low-cost shipping, efficient delivery, a wide range of products, and buying advice. This prevents the customer from evaluating their purchase and the process through which they made the consumption choice.

The Amazon A9 Algorithm is the technique that regulates how goods are ranked in search results, according to Sellersnap, Amazon's leading AI algorithmic repricer. It evaluates keywords while determining which results are most relevant to the search and, as a result, which will be displayed first.

According to data collected by Sellersnap, new Amazon customers are more likely to receive random suggestions based on popular goods, whereas frequent users receive ideas based on their keyword usage and previous purchases. This has a circular effect: higher-ranked items are more likely to attract more traffic and, as a result, have a better chance of attaining high sales. Consequently, their ranking will improve and they will appear in the most popular keyword users' suggestions.

Ease of use:

Due to Amazon's user-friendly interface, everything is available on one platform, and even the

payment methods are easy and automatic.

Range of services it provides:

Amazon offers a range of choices to its customers to allow them the option of choosing based on their preference.

Amazon products:

Amazon has a varied product line, including, but not limited to, apparel, baby products, consumer electronics, beauty products, gourmet food, groceries, health and personal care items, industrial & scientific supplies, kitchen items, jewellery, and watches, lawn and garden items, musical instruments, sporting goods, tools, automotive items, and toys/games.

Kindle:

The Amazon Kindle is a line of e-readers created and globally sold by Amazon. Amazon Kindle devices connect to the Kindle Store through wireless networking, allowing users to browse, buy, download, and read e-books, newspapers, magazines, and other digital material.

Amazon Music:

Amazon Music, an online music store, was launched as Amazon MP3 in the US. It sold music downloads exclusively in an MP3 format without digital rights management.

Online streaming platforms and games:

Amazon announced its Amazon Fire TV set-top box system, a device targeted to compete with similar systems such as Apple TV or Google's Chromecast device. The Amazon set-top box allows consumers to stream videos from online entertainment platforms like Amazon Prime, Netflix, and Hulu. The device also supports voice search for movies, as well as gaming, including special versions of Minecraft, Asphalt 8, and The Walking Dead. Subsequent to its launch, Amazon announced the Fire TV Stick which replicates much of the functionality of the Fire TV.

Drive:

Amazon Drive, formerly known as Cloud Drive, is a cloud storage application offering secure cloud storage, file synchronisation, file sharing, and Photo printing. Using an Amazon account, the files and folders can be transferred and managed from multiple devices including web

browsers, desktop applications, mobiles, and tablets. Amazon Drive also allows American users to order photo prints and photo books using the Amazon Prints service.

Amazon Grocery:

First conceptualised in 2007, Amazon Fresh is a home grocery delivery service that was later made available in Boston, Seattle, Los Angeles, San Francisco, California, San Diego, Brooklyn, New York, and Philadelphia. In 2017, Amazon purchased Whole Foods and began selling 365 branded products through Amazon Fresh.

The Sellers Sector:

Through Amazon, millions of third-party sellers run their own small and medium-sized companies (SMBs) that are vital to Amazon's success.

Even though Amazon plays host to some of the world's best-selling things manufactured by the world's largest enterprises, smaller businesses often thrive on the platform. SMBs can choose from a variety of e-commerce financing options, including those provided by Amazon, ranging from microloans to million-dollar lines of credit. With new banking options focused on online businesses, funding an SMB on Amazon is easier than ever. Even for new entrepreneurs, selling on Amazon allows them to be independent. For over two-thirds of third-party suppliers, running an Amazon business is their first experience as an internet entrepreneur.

For many, it has paid off handsomely: 37 percent of Amazon sellers make their living purely from their Amazon businesses. (Molly Burke on Jungle scout, 2021)

Exploring the Producer's Point of View:

While Amazon began with books, it eventually expanded to provide everything from jewellery to electronics, becoming "the everything shop." Amazon has received mixed feedback from a diverse group of producers. While some people's livelihoods are dependent on Amazon, others have their livelihoods devastated.

To understand how producers have been affected by Amazon's effect on the retail sector, we conducted interviews with 10 sellers/retailers/producers from diverse backgrounds. We have also examined how the pandemic, which led many customers to opt for online modes of shopping over in-store experiences, affected these producers. Pharmacies, gift shops, electronics stores, stationery stores, children's stores, grocery stores, bookshops, packaging firms, and bakeries were all examined.

Survey Questions:

1. Name of your business/service.
2. What goods do you sell/services do you provide?
3. When did you start your business?
4. Do you think large online shopping platforms, like Amazon, impact your business in any way? If yes, how?
5. Have these large online shopping platforms brought any changes to your services?
6. How would you compare the physical retail market today to say, 15 years ago?
7. What do you think is the main difference between services like Amazon and services/businesses like yours?
8. What impact did the COVID-19 pandemic have on your business? Did it cause any change in your business strategies?
9. Why do you think most people of the current generation prefer large platforms like Amazon over new businesses? (what more does Amazon offer etc.)
10. What do you think the future is going to look like for retail businesses like yours?

The results are presented below:

Categories:

- **Pharmacy**

Pharmacies have been significantly impacted due to the transition of consumer bases to the online platforms. "3G Chemist," a local market in India that has been open for 40 years, expressed dissatisfaction with the influence that internet platforms, especially Amazon, have had on them. They attested these changes to "convenience," "price on Amazon," "discounts," and "consumer practicality." Another pharma agency, "AA agencies," which has been operating for seven years, is in the same boat.

However, they also added that platforms like Amazon have no quality control as their goal is selling aggregate products. Even though their return policy alleviates this issue, it still is not the

preferable alternative for the consumer. To adapt to these market transitions, many pharmacies have had to become more customer-focused and upgrade their policies. While physical marketplaces suffer from a lack of customers, pricing rivalry, and challenges in sales growth, retail platforms have mostly turned online-centric.

In their view, the physical market is here to stay as it offers a personalised shopping experience that includes personal service, genuineness, and the buying experience, a welcome change from the stoic nature of online shopping.

- **Electronics**

The negative impact on the electronics business is expected. Online platforms provide cheap goods and easy logistics which would drive many customers to shift to online shopping. A local retailer in India, "Mahendra Electricals," which has been operating for eight years, claims that internet platforms have had a negative influence on their business. Before the advent of online shopping, these online platforms performed well in the market as they were the sole suppliers of these electronic products. However, in recent years, about 60-70% of his customers have shifted to online platforms. These electronic items are not in high demand and are frequently accompanied by high logistical expenses. Thus, unless the goods are urgently required, consumers prefer to shop on the internet.

Furthermore, the business stated that to operate in the online market they have had to contend with fierce competition from sellers who offer discounts and lower costs. To meet their expenditure, Mahendra Electricals are unable to sell at a lower price or offer significant discounts to attract customers. Oil heaters, for example, are available online for 10,500 rupees, but he sells them for 12,000 rupees in his store.

When his customers found out, they protested that their store was selling it for more money. While it is pretty common for businesses in this industry to shift to online platforms or register as sellers on Amazon, this store couldn't complete the transition due to low staff. Moreover, due to the restrictions of an in-store sale, he does not have the added benefit of letting his customers return products as he would not be able to resell them.

He indicated that if the government does not intervene in the pricing policy or the discounts provided by online platforms, the physical retail industry is in grave danger. With the pandemic further reducing sales and increasing the dependency of the current generation on online platforms, he is worried about the life of retail stores.

- **Stationery shop**

Being one of the most widely consumed products in today's market, while many would expect the stationery market to be impacted by online platforms, it has not been. "Bansals," a 50-year-old stationery shop in a local market in India, attributed this difference to the structure and pricing of the physical stationery shops. As prices online are exaggerated for this particular product, consumers would prefer buying stationery online. Otherwise, they would not prefer to pay an additional delivery fee for a single pen of 50 rupees.

Further, as stationery is a commodity of immediate need, in most cases, people are not willing to wait 5-6 days for their products to be delivered. While online platforms offer same-day delivery services, they are the expensive choices for one small pen.

Yet, even with these advantages, these businesses cannot deny that the market was better before online platforms existed. Furthermore, the pandemic has impacted almost all retail businesses negatively and caused a lot of people to explore the online world.

- **Gift Shop**

The transition to internet platforms has had a significant influence on "Archies," a gift business that has been operating in the market for forty years. Attributing their change in market share to changing consumption trends that prioritise the convenience of home deliveries, a wide range of options, and reduced prices, they believed that the present generation places a high value on these advantages while overlooking disadvantages such as poor quality. Additionally, the pandemic has had a negative influence on their business since their client base has nearly halved as a result of their transfer to online platforms like Amazon.

- **Kids Products**

The transition to internet platforms has had a huge impact on children's stores. The children's store "Kids Collection," which has been in business for the last fifteen years, has seen a significant drop in sales. They attribute this decline in sales to the diminishing consumer base who prefer a physical shopping experience. Online platforms not only offer a convenient shopping experience, especially when buying for children but also provide a wide range of options to pick from at a reasonable price range. As consumers are offered substantially higher discounts on online websites, physical retailers find it difficult to offer competitive pricing without incurring losses.

While the pandemic worsened their situation, they implemented new techniques such as catering

to customers via WhatsApp and offering discounts to retain their customer base. They still believe that offline establishments are superior to these new online platforms because they can better understand and adapt to their customers' needs.

They believe that the only way to overcome these challenges is through government aid and by making online platforms settle on fixed discounts.

- **Groceries**

Based on the market conditions, while consumers would anticipate grocery stores to suffer a significant decline, they have observed an uneven impact across the market which highlights its volatile and unpredictable nature. According to "Delux Store," which has been in business for 35 years, online grocery platforms have had no detrimental influence on them. Rather, it has pushed them to improve their business strategies on their own, such as transitioning to home delivery and using online marketing strategies. While their main challenge is reduced footfall and a shift to online platforms, they have been able to retain their old customers by adapting to the new purchasing practices in the industry.

On the other hand, the pandemic was a significantly difficult time for them since customers were extremely cautious and were unwilling to buy anything from them. By utilising a customer-centric approach, this store said that they supplied red areas with the help of their team and ensured daily availability, even at odd hours.

Another 70-year-old food business, "Defence Store," had an interesting history that helped them compete in the market. The majority of their customers, they claimed, were from overseas who came to their business to buy local things that they couldn't get anywhere online. Thus, the digitalization of marketplaces didn't adversely impact their operations. However, their Indian clientele has been declining. They believe that it would be difficult for physical retailers to adapt to this age of digitization and increased competition from online platforms. While their main goal has been to change their target clients and differentiate their offerings, they also intend to develop an online presence.

The proprietor of Delux Store also stated that he believes internet shopping is a negative experience since it eliminates the human touch and makes youngsters inert by allowing them to rely on the internet for everything. In his opinion, online shopping makes consumers lazy because they do not explore other options in the market, it is not a sustainable business model for the future.

- **Book Shop**

Books are the reason Amazon started its massive platform. As Amazon provided a cheap and easy method of purchasing those books which are difficult to find in a store, with the advent of time, it became the "hottest" online bookshop. It created the kindle, a tablet with just books, which you could use to download and read books whenever you wished. In light of these developments, bookshops have greatly suffered due to consumers opting for online shopping.

Full circle, a local bookshop that has been running for over 24 years, said that online shopping has reduced its sales significantly. Currently, most of their sales come from those book-lover customers who need the personal touch to shop and wish to look around the bookshop instead of ordering a pre-decided one.

During the pandemic, Full Circle started home delivering books to stay competitive in the market. In their opinion, it is now the age of digitalization. Due to the ease and convenience offered by online platforms, the retail market is going to change drastically.

- **Packaging**

Digitalization has had a favourable influence on the packaging sector. Colormagix, a packaging firm that has been in business for 25 years, feels that Amazon has aided its growth by allowing them to sell its products on the site. It has also helped them upgrade their goods and provide services such as delivery that they were not previously unable to. They suggested that the industry is becoming more competitive, particularly with the expansion of online platforms. The present generation prefers Amazon to retail establishments since it is more consumer-focused and allows them to find similar things at a lesser price. Moreover, there is a product guarantee that comes with a large platform like Amazon.

COVID has had a negative influence on them since their revenues plummeted. However, this also forced them to make organisational adjustments, recruit more temporary personnel instead of permanent employees, and lower their fixed expenses. In their opinion, the physical retail industry will always be there because there is no replacing the buying experience. As consumers prefer the physical experience of shopping for a product, physical retail cannot disappear from the market.

- **Desserts/Food products**

As online platforms like Amazon do not specialise in certain eatery items, the food business has not been affected as heavily as other industries. They do, however, have packaged sweets and

perishable items on hand, although most people prefer fresh and quick meals. As a result, Amazon has had little influence on such enterprises.

According to "Ave Maria," a small bakery in Delhi, Amazon did not influence its operations as it's a specialised, small-scale business. Instead, Amazon has boosted its availability while lowering its costs by allowing them to purchase small quantities of consumables at market price. Due to the changes brought in by the COVID-19 pandemic, people began placing more orders for food. The lockdowns also allowed the business to develop new items and cater to families in smaller amounts rather than large, sophisticated arrangements.

Ave Maria presented a unique opinion, predicting that the physical retail business will become more about luxury. While pre-determined and need-based things may be purchased online, the physical retail industry will excel at branding, lifestyle buying, browsing, and other activities. Other items will be confined to online platforms unless the consumer wants to take a leisurely day to go shopping or has an emergency need for a product.

Take Away from the Study:

The data presented above is mixed. While Amazon has had a negative influence on some companies, it has not affected others or has provided a favourable experience. The company's impact can be seen as a continuum or a progression that ranges from severely negative to severely positive. Companies such as Ave Maria, Colormagix, etc. have only experienced a positive impact like growth, improving quality, and increasing marketing strategies. Others like Mahendra Electricals, 3G Chemist, etc. have experienced a negative impact such as loss of business, sales, customers, etc. Like in a continuum, these extremes are quite distinct. In the middle, companies that have not faced any such impact, like stationery shops, continue to exist.

What can we culminate from the studies:

Positive:

Providing a platform to small businesses:

Amazon's global logistics infrastructure allows small businesses, and the company itself, to ship products to clients all over the world. In a letter to its shareholders, the company attested that "more than 1.9 million small and medium-sized enterprises sell in our shop, accounting for close to 60% of our retail sales" (Investopedia, MrinaliniKrishna 12th December 2021).

Improvements brought to others:

Due to Amazon's influence in retail industries, many producers have found themselves upskilling and adopting new and creative approaches to their stores/platforms.

With the decline in the relevance of physical stores and the rise in popularity of online purchasing, many businesses are attempting to mimic features of their in-store experiences online.

Some shops are taking the opposite route, attempting to merge elements of their online presence into their physical stores, such as software that allows virtual clothes try-on or live connections to events in other locations or even countries.

The internet has changed retailers in ways that extend far beyond their physical location or online presence. Zara, Uniqlo, TopShop, H&M, and Forever 21 are expanding their companies by incorporating internet-based technology into all aspects of their operations, including design, manufacturing, and distribution.

Improving the standard of living:

Amazon's services like rapid and free delivery have inspired other firms to follow suit, raising the standard of living. Further, by introducing several new technologies, such as Alexa and the Kindle, it is incentivizing other shops to come up with innovative solutions and meet customer demands at reasonable pricing.

Employment Generation:

According to Coursehero, small firms will inevitably create more jobs and spend more money as they grow. According to Amazon, the Amazon Marketplace has resulted in the creation of 1.1 million employees outside the corporation. Amazon ranks top among the largest employers in the IT industry, as the largest retailer in North America and among the world's largest retailers. According to the previously mentioned employment figures, Amazon employs the most people of any of the world's major digital companies, exceeding Alphabet and Alibaba. (Statista, [Daniela Coppola](#), Feb 14, 2022).

Between 2007 and 2021, Amazon.com's total number of full and part-time employees rose dramatically. Every year during the Christmas season, Amazon hires extra employees to handle the increasing amount of inbound orders. During the Christmas season of 2021, around 125,000 individuals worked for Amazon in the United States.

While many businesses were forced to cut staff due to the COVID-19 outbreak, Amazon went on

an unprecedented hiring spree. In 2020, the e-commerce behemoth generated 500,000 new jobs, with another 170,000 in the first nine months of 2021.

With nearly 1.5 million employees globally and no signs of slowing down, Amazon currently has the biggest workforce as compared to any e-commerce company.

Negative:

Decrease in retail firms:

The number of retail firms in the United States has decreased by 40% in the last 15 years, owing majorly to Amazon. Smaller companies cannot compete with Amazon due to the latter's large size and its ability to provide consumers with any goods they may need (Investopedia, Mrinalini Krishna, December 12, 2021).

Amazon, for example, is seen as a market disruptor in the bookselling industry, with independent bookshops struggling to survive due to Amazon's vast scale. As a result, autonomous, progressive, and multicultural literature faces several difficulties. Furthermore, the publishing business also suffers as a result of Amazon's low book pricing, which eliminates a substantial portion of the revenue generated by authors and publishers.

For instance, in the aforementioned study of the electronics retail market, Mahindra electronics expressed their concern about most of their customers switching to Amazon for purchasing electronics rather than committing to an in-store experience. Cheaper rates and home deliveries by Amazon, even for large appliances, have significantly reduced the sales of enterprises like Mahindra Electronics.

Hidden barriers to setting up an online business:

Amazon is an excellent example of the 'economies of scale.' Their production costs continue to fall as sales climb, resulting in more profits. When such power and advantage exist, it is practically impossible for other such businesses to emerge. For instance, younger businesses face significantly higher production expenses and start-up costs, making them unable to provide discounts, special offers, or cheaper pricing, thus eliminating them from the game before they even get started.

As a result, setting up a business in the face of such a powerful competitor is difficult. Even though Amazon has no direct authority over other companies, it does have an indirect influence on their destiny.

How Amazon indirectly controls the e-commerce platforms:

→ Copycatting:

Last year, the "House Judiciary antitrust subcommittee" produced a study claiming that Amazon used data from third-party vendors to determine the most popular items, and then manufactured and sold its replicas. This is called copycatting, and in the worst-case scenario, it might push a small firm out of business as customers switch to mass-produced, and often cheaper, replicas of items.

"We've heard so many terrible instances of small businesses who have invested considerable time and resources into creating a business and selling on Amazon, only to have Amazon kidnap their best-selling goods and push them out of business," said David Cicilline, chairman of the subcommittee.

Despite third-party merchants and former Amazon employees testifying to the contrary, Amazon has repeatedly denied the practice. The Wall Street Journal conducted a detailed and in-depth examination of Amazon and also revealed evidence of copycatting. Amazon CEO Jeff Bezos himself admitted, "I can't assure you that policy has never been breached."

→ Forced Reliance:

Amazon is a behemoth that may aid small businesses in increasing sales, exposure, and engagement.

"We want to see small companies throughout the country thrive like never before," says "Amazon Vice President of Small Business Nicholas Denissen." "We're dedicated to assisting them in leveraging the potential of online sales, reaching out to new customers, and providing an excellent selection, value, and convenience."

Small firms, on the other hand, are compelled to rely on Amazon if they want to develop, compromising their agency's independence. It puts small firms in a difficult position to negotiate by forcing them to choose between Amazon's vast consumer base and the independence of their company.

→ Playing Monopoly:

According to two-thirds of 2,000 small businesses polled in "Lendio's 2018 American Dream Survey," Amazon poses a threat to their bottom line and growth.

In the report, companies mentioned that going up against a monopolistic beast like Amazon was more important to them than money, brand growth, and retention.

Amazon "has monopolistic control over several small and medium-sized firms," according to a study released earlier this year by the House Subcommittee on Antitrust, Commercial, and Administrative Law.

When Amazon controls 50-70 % of the internet marketplace, it becomes a gatekeeper and a dictator of the online retail realm, able to persecute and annihilate small-business competitors. Small businesses and voters alike have shown support for breaking up Amazon to give them back power and equity.

→ Fixed Pricing:

Amazon's monopolistic power and clout might be leveraged for many purposes, including price fixing and copycatting, for which Attorney General Karl Racine of Washington, D.C., launched a lawsuit against the company in May 2021. According to the lawsuit, Amazon engages in monopolistic activity. It claims that Amazon's restrictive practices require sellers to account for Amazon's fees when pricing their items, while simultaneously offering reduced fees for their own products.

Such practices "impose an artificially high price floor across the online retail business, allowing Amazon to build and maintain monopolistic dominance in violation of the "Antitrust Act of the District of Columbia." Monopolistic behaviour harms customer choice, healthy and fair market competition, and innovation.

As a result, there have been calls for Amazon to split up and for tighter corporate governance standards.

Employment practices:

The nationally mandated minimum wage in the United States is \$7.25 per hour, but it varies by state. The District of Columbia has the highest minimum wage in the US, at \$15.2 per hour, as of January 1, 2022. California was the second state to pass a \$15 per hour minimum wage law. (February 15, 2022, Statista Research Department).

As the minimum wage has not kept pace with inflation and the federal minimum wage has not been hiked since 2009, minimum wage employees find it increasingly difficult to pay for necessities like rent with only one minimum wage job. A full-time minimum wage worker earns

\$15,080.00 per year while working 40 hours per week for 52 weeks (Investopedia, updated March 18, Andrew Bloomenthal).

U.S. average annual real wages 2000-2020:

Real wage or adjusted wage is the amount of pay a person may expect to earn after accounting for current inflation rates. Based on the current rate of inflation, a person's actual wage will be approximately equal to their nominal wage of \$12.00. In this scenario, a low inflation rate indicates that a \$12.00 per hour payment will purchase more than if it were paid during a period of high inflation.

In 2020, the average annual "real" salary in the United States was \$69,392. From 2000 to 2020, the average annual salaries in the United States are displayed in constant 2020 PPP-adjusted dollars.

The median employee made \$29,007 in 2020, according to Amazon's annual proxy statement. Based on the earnings of all full- and part-time permanent and temporary workers globally, save the CEO, the median compensation was \$159 more than the previous year. Amazon raised its minimum wage in the United States to \$15 per hour in 2018.

Unfair Treatment of Employees:

There are several instances where Amazon has made use of unfair practices.

When Zachariah Vargas' truck door slammed shut on his hand, producing severe bleeding and lacerations, he was carrying products for Amazon. When he called his Amazon dispatch supervisor at a neighbouring location, he was told to finish all of his deliveries before seeking medical assistance. (Hayley Peterson, Business Insider, September 11, 2018).

Delivery drivers told "Business Insider" about the alleged violations committed by Amazon, such as, not being paid overtime, missing money, intimidation, and favouritism. Drivers also cited a physically challenging working environment in which they must work long hours due to stringent schedule limitations. As a result, they drove at dangerously high speeds, failed to stop at stoplights, skipped meals, and failed to use the restroom.

Nearly two years ago, Amazon warehouse employees were forced to urinate in plastic bottles because they couldn't use the restroom during their shift. Little appears to have changed since then. Worse, it appears that Amazon was aware of the instances but chose not to recognize them or take appropriate action. Amazon has been named one of the twelve most dangerous firms to

work for by the National Council for Occupational Safety and Health (COSH), a renowned not-for-profit organisation in the United States. Amazon facilities have approximately double the national average for significant injuries in the storage industry. (Shannon Liao, The Verge, April 16, 2018)

Conclusion

Amazon currently has a large share of the global market and a vast client base due to its strategic development and innovative marketing techniques. Amazon's continuous provision of what its consumers want, emphasising their demands with fast doorstep delivery, reduced rates, and an easy return policy, has resulted in it becoming an economy of scale, indicating that the profits accrued by the company after substantial expenditure is higher. Although Amazon is not a monopoly at the moment since other rivals continue to influence its actions, it does exhibit monopolistic characteristics. For example, it sets pricing for certain products, imposes significant entry barriers, and engages in price discrimination.

The platform is likely to thrive in the future, with plans for more development, and new services that cater to the needs of its clientele. As a result, we might deduce that it has the potential to become a monopoly in the future. Further research into the number of firms closed as a result of Amazon's market dominance, and the company's accurate contribution share would be beneficial to future research on the controversial position of the online retail giant.

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