

History of Amazon

Amazon A–Z: Monopoly

“In what would come to characterise the internet-based sector to this day, it appeared a requirement that companies aim for monopolistic dominance,” writes Nick Srnicek in his book *Platform Capitalism*.

If a company builds a wide use of user data into its business model, this means, according to a Canadian researcher, a natural tendency to monopolization – more users generate more data which, when used to improve algorithms (whether on Facebook, Amazon or Google), attract even more users.

Some people compare a platform like Amazon to – however strange this may sound – the old American railways. By building the tracks and providing exclusive transport services on them, they were able to impose high costs on manufacturers and farmers in the hinterland to transport goods to larger urban areas. Critics accuse Amazon of being both a sales platform (and thus gathering data) and a seller (more than 50% of the value of sales comes from third parties, the rest is Amazon’s own sales), and of using its position to distort competition. Especially since its platform is responsible for almost half of the value of e-commerce in the US. This is what the European Commission, which opened an official investigation into the matter in 2019, wants to check.

In September 2019, “The Wall Street Journal” revealed that Amazon has changed its search algorithm to promote goods that are more profitable for the company than similar ones. Even more worrying is the growth of the company in many directions, as it seems to be trying to dominate other sectors as well. Amazon is already the leader in providing cloud computing services, while it is now entering the logistics market more and more. This is causing a growing call to brake up Amazon into parts.

Over the years, Amazon has shown that in order to monopolize the online sales market, it can make brutal business acquisitions, as in the case of Zappos clothing store and Diapers.com children’s hygiene vendor. Nevertheless, it is resistant to American antitrust law, because according to the doctrine in force since the 1970s, regulators can only act if the consumer

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suffers as a result of the price increase. Amazon, however, regularly undercuts prices – with a short-term profit for buyers but a devastating impact on the economy in the long run.

sources:

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