**MKTG 717 Hybrid: Amazon Antitrust Case**

Student’s Name

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Course

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Date

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**The Situation, Challenge, and Dilemma**

The e-commerce giant, Amazon was served an antitrust lawsuit by the Federal Trade Commission (FTC) in 2023 alleging its engagement in anti-competitive practices that harm third-party sellers and consumers. Backed by 17 U.S states, the FTC is set to prove in court that Amazon leverages monopolistic practices and takes advantage of its dominance to suppress competition in the market. Because of these practices, the quality of products has remained low, prices high, competition has been unfair, and innovation has been stifled. The four key areas highlighted in the lawsuit are price parity, bundling of FBA (Fulfilment by Amazon) with prime eligibility, self-preferencing, and excessive advertising. According to the FTC, Amazon puts pressure on third-party sellers to use the FBA service by making the Prime badge inaccessible to those who do not use it. About the issue of price parity, the FTC alleges that Amazon, despite not having clear rules on price parity, enforces them by demoting sellers who sell similar products at lower prices on rival e-commerce sites. On self-preferencing, the FTC believes that Amazon’s recommendations and search results prioritize first-party products over those being sold by third-party sellers. This results in the purchase of inferior quality products and unfair competition. This issue is important as it has major implications for the business model that Amazon uses as well as the future of e-commerce. A win for FTC would mean that Amazon changes its business practices; a move that could affect its dominance alongside seller opportunities and consumer choice. The ultimate dilemma is that Amazon must put up a strong case in its self-defence while maintaining the same benefits that it offers its consumers and sellers. It is crucial for the company to balance between ensuring fair competition and leveraging the power that its platform enjoys.

**Amazon’s Response and its Effectiveness**

Recognizing the huge implications of the case on its business, Amazon had to speak up in self-defence. In a statement released in September 2023, Amazon asserted its practices and innovations are customer-centric and legal as they have effectively helped to keep product prices low and drive innovation (Zapolsky, 2023). Amazon denotes FTC’s claims as misguided and capable of impacting negatively on consumers by increasing prices, making Amazon’s prime shipping less reliable and slow, and limiting the cost effectiveness and reliability of the company’s Prime service. Besides, Amazon has emphasized that the dominance it enjoys in the market is as a result of a legitimate business growth process and customer satisfaction as opposed to anti-competitive practices.

On bundling, Amazon states that it is now possible for third party sellers to acquire the Prime badge without having to use FBA through Seller Fulfilled Prime (SFP). Besides, there have been recent efforts to open FBA to sellers on other e-commerce platforms. To defend itself against the claims of price parity, Amazon argues that it helps to prevent “showrooming”; whereby consumers visit the Amazon website to check for a product but end up purchasing it from somewhere else at a discounted price (Gomes & Mantovani, 2024). Regarding the self-preferencing tendencies, the company maintains that the prioritization of products is based on customer preference signals such as return rates; which explains why their products are ranked highly (Zapolsky, 2023).

To some extent, Amazon’s response can be considered effective. This is because it makes a strong argument about the benefits of its practices to consumers and the fairness of the competition. By maintaining that it enhances innovation and ensures that product prices remain low through its practices, Amazon demonstrates its value for consumer interests and is likely to garner public and judicial sympathy. It has also announced the SFP platform in response to the alleged claims of bundling; an indication of its adaptability in response to the lawsuit. Other factors that underscore the effectiveness of Amazon’s response include the ability of the FTC to validate its claims as well as the broader regulatory and legal contexts (Spiwak, 2024). Even though the assertions and changes instituted by Amazon may appeal to those who support it and perceive its growth as an outcome of business acumen, they may be unable to persuade regulators and critics who are sufficiently informed about anti-competitive and monopolistic practices.

The antitrust lawsuit is ongoing and there are no definite outcomes yet as there is no confirmed trial date before 2026. There are however three possible outcomes. First, Amazon can defend its business practices in court successfully and carry on as usual. Second, the FTC can win the case and Amazon will be mandated through a court order to alter its practices. Finally, the two parties can reach a settlement, necessitating Amazon to change some of its practices without necessarily undertaking significant structural changes.

**My Approach to the Problem**

If I had been in-charge of the Amazon brand during the time of the lawsuit, my choices would have been similar but slightly different. The similarity would be that the main arguments about the benefits that brand offers its consumers; like innovation and low prices would be maintained. This is important as it highlights Amazon’s positive impact on the market. I would then supplement the main arguments by actively demonstrating the commitment that the brand has towards addressing FTC’s concerns. Essentially, after making the self-defense statement, I would ensure transparency by providing researchers, journalists, and regulators with data on the product ranking algorithms and product placement factors. This is because doing so would help address the claims about self-preferencing by promoting trust and allowing other parties to assess for themselves and determine whether the claims about self-preferencing are valid or not. As a brand manager, I would use other sources of funds than the transaction fees to help reduce the company’s reliance on seller dependence on advertising for enhanced visibility. Another thing, instead of fighting the FTC, I would work with them proactively to come up with clear guidelines on the acceptable e-commerce practices. This way, the focus would not be entirely on winning the case but on ensuring a collaborative approach to regulation and implementation of acceptable industry standards. Even though this alternative approach might necessitate some adjustments to Amazon’s business model, it could translate in a more sustainable solution than being mandated to make changes to its business model by the court.

# References

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