

After Mark Zuckerberg, it's time to put Amazon's Jeff Bezos in the dock too



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Facebook boss Mark Zuckerberg was in the dock this week, facing a grilling from members of Congress. Next up, Jeff Bezos?

While no one has accused Mr. Bezos, the founder and CEO of Amazon, the world's richest man and the owner of The Washington Post, of mishandling the data of tens of millions of customers (although Amazon has been the victim of hackers) or making his platform safe for Russian infiltration, the man is becoming the embodiment of Big Tech, for better or for worse.

As Amazon expands in every direction, boosting by the day its already formidable power in retail, logistics, data, cloud computing, entertainment, electronic devices, payment services, web services and groceries, it's time to question whether the company has gone from benign online seller of books to corporate behemoth potentially capable of terrible societal disruption.

We all know that Donald Trump has no love for Amazon, a global digital and hardware empire valued at US\$700-billion, up by almost two-thirds in one year. The Trumpian tweet machine gun has blasted Amazon for allegedly dodging taxes, ripping off the U.S. Postal Service and gutting retailers. We could dismiss his anti-Amazon rants as cynical attacks on Mr. Bezos himself, in his role as the owner of a newspaper that delights in highlighting Mr. Trump's every flaw and boneheaded decision. But Mr. Trump isn't all wrong on the Amazon file, in the sense that Amazon's sheer heft and influence in almost every aspect of everyday commercial life means the consequences of the company's reach deserve examination.



Jeff Bezos and Donald Trump.

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Already, society is seeing some of the negative effects of Amazon's relentless expansion. Last year, it delivered five billion packages worldwide through its premium Prime service alone. **They came in cardboard boxes that were thrown away or had to be recycled, mostly at taxpayer expense.** Amazon delivers those packages by truck to your door. As home deliveries soar, so too will road congestion and pollution spewed from the trucks.

Whether or not you are an Amazon customer, you are already paying the price for its phenomenal success.

At the same time, Amazon, which may soon surpass Apple as the world's most valuable company, has the chutzpah to hold a municipal shakedown competition to find a spot suitable for its second headquarters. Cities across the United States and Canada, some with rotted bridges and schools and potholed streets, are trying to attract Amazon by offering lavish tax breaks (New Jersey offered US\$7-billion incentives if Amazon were to pick Newark). Amazon's popularity has been bad news for traditional retailers. Many are dying. One investment firm publishes a "Death by Amazon" list of the retailers suffering the most from Amazon's onslaught: Macy's trades at less than half its 2015 high; Sears Canada has gone bankrupt and so has Toys R Us.

“We believe [retail] defaults in 2018 could match or exceed last year’s record level,” S&P Global Ratings analyst Robert Schulz said in a recent report. Even as retailers big and small vanish at alarming rates, municipal governments are asking few questions about the consequences of declining Main Street employment and shuttered stores. The lost tax income has to be replaced and squeezing house owners is the obvious solution. Watch your house taxes rise as online retailing takes off. The bigger concern may be concentration of power.

While Amazon’s overall share of total retail sales is still small, at about 4 per cent in the United States in 2017, its share of online commerce is estimated at 40 to 50 per cent. It is the third largest streaming media company and the top provider of cloud computing. It is, or soon will be, the biggest clothing retailer. So far, the anti-trust case against Amazon is not clear, since competition regulators in the Western world seem more concerned about price than market power and the preservation of competition. Amazon cannot be accused of price gouging, though it could raise prices substantially once it’s dominant in certain retail categories.

But there is no doubt that Amazon can, and has, clobbered competitors. Look what its arrival did to the traditional book market. Sometimes Amazon can affect competition even before it actually launches a competing service. The Blue Apron case comes to mind. Shortly before the American company, which provides recipes and packaged ingredients for home cooking, went public last June, Amazon filed a trademark to launch a copycat service. Blue Apron shares immediately plummeted on investor fears that Amazon would get into the same game (the shares have since gone from US\$11 to less than US\$2).

The bigger threat may not come from Amazon’s clout in retailing, but in search. Today, you might search a product on Google and buy it on Amazon. Tomorrow, you may do both on Amazon. As Amazon’s search capabilities expand, Google may become redundant. As its logistics business expands, FedEx, DHL and other delivery companies will come under pressure. If they were smart, they would band together and set up a shopfront to compete with Amazon, but they are running out of time. Amazon’s logistics, retailing and data power is becoming hard to beat. As Mr. Big Tech, Mr. Bezos has been celebrated more than scrutinized. Mr. Zuckerberg’s long honeymoon is over. It’s Mr. Bezos’s time to answer some hard questions too.