



Amazon: Elves and Grinches

Nowadays, the elves bringing holiday cheer no longer work up at the North Pole but in countless post offices, fulfillment and delivery centers all across the land. Many labor for the online retail behemoth **Amazon**, which is so consumer convenient that it is close to becoming the default Santa supply shop in this second winter of the Covid Pandemic.

Yet all is not peace and joy for either holiday shoppers or little helpers. There are more than a few shady, even Grinch-like, practices said to be going on inside the world's largest online bazaar, and regulators and legislators are increasingly concerned about them.

The pandemic train wreck

Just like with all the other Big Tech companies, to say Amazon is a huge and diverse enterprise is a laughable understatement. CEO and founder Jeff Bezos is the richest man in the world, after all, wealthy enough to indulge in his own space program seemingly for fun.

But as a retailer, Amazon got hit hard by the pandemic both in labor and supply chain issues. The whiplash effect of bringing the world's economy to a screeching halt and then stomping on the gas pedal threw everything out of whack. So the Federal Trade Commission is **asking Amazon**, Walmart and a half-dozen major food suppliers for information on the situation. They want to see if the problems have led to specific bottlenecks, and if profiteering and anti-competitive practices have developed as a result.

Amazon says the problems will cost them an additional *\$4 billion* this quarter. But unlike smaller retailers (most everybody else), Amazon is huge enough to overcome supply shortages and avoid raising prices. Yet, an estimated 15-23% (nearly a quarter) of all products are **out of stock** in their store but because only the website is visible, the rows of empty shelves aren't obvious.

This is not their fault, as Amazon orders early to supply the holiday rush. But the situation has been made much worse for everyone by the widespread adoption of **"just in time" practices** by industry since the 90's.

These attempt to decrease costs and increase efficiency by doing more with less. This means getting rid of large inventories, decreasing work forces, ordering fewer components and pushing everything through the system as quickly as possible. These schemes work well

enough when all is flowing smoothly but disruptions such as a worldwide pandemic lead to chain-reactions. Products pile up in one place while elsewhere missing critical parts (especially **computer chips**) leave other products incomplete and unable to be finished.

It would be grim enough if that were the only problem Amazon faced, but it's just the start. The company must also deal with a growing number of investigations and lawsuits. It has been accused of dubious practices across the board, from how it treats its third-party sellers, its own employees and customers, to its effects on surrounding **communities and the environment**.

A hungry giant's cannibalism

The most serious challenges Amazon must overcome, like its fellow Big Tech enterprises, are **antitrust suits**. Like Apple, Amazon faces at least 4 major antitrust investigations, fines, or suits by American and European authorities, but that's still less than the 6 against Facebook and the 10 looking into Google.

But those against Amazon may be more important to consumers. It provides **many commercial services** as a retailer, marketing platform, delivery network, payment service and credit lender, auction house, hardware manufacturer, book publisher and TV producer, and as a major provider of internet cloud webhosting services.

Amazon, in short, is a merchandising colossus, responsible for nearly half – 46% – of all online commerce. Not only that, with Whole Foods, it is a giant grocery store too. It seems that the company, whose name evokes the image of a vast, endless flow of goods, really does strive to be the one and only "everything store".

While Microsoft and Facebook have gobbled up competitors to incorporate their products and Google seems to buy out rivals in order to suppress their tech, it appears Amazon actively competes against the **third-party merchants** who sell through their website.

These sellers, from garage-based small businesses to established brands, generate 60% of the site's overall retail sales. However, the company seems to strongly favor its own products, many of which are not labeled as such, in search results across the website.

Not only that, but they are accused of using internal data about sales to decide which popular products to copy and launch as their own private brands, and how much to charge to undercut sales of the originals. They have even been accused of **extorting** information from

manufacturers by threatening them with poorer listings or even locking them out of Prime Day promotions.

Amazon, of course, denies these charges, but *The Wall Street Journal* reported that employees developed **workarounds** to scoop up the desired data and launch knock-offs. In any case, copying and undercutting prices still seems to be going on as before, as **demonstrated** in their recent announcements of cheap smart thermostats, health trackers and other goods.

Errors in their algorithm and sabotage by unspecified “malicious actors” can get **sellers penalized**, even kicked off the site, requiring a long and arduous appeals process to correct. Ten employees have been accused by federal agents to have taken bribes to flag accounts for fraud to help rival firms. Yet lack of human oversight leading to a heavy dependence on over-zealous fraud-detection algorithms have allegedly made it all worse.

Like other tech giants, Amazon has long claimed that it was not responsible for what users posted on its site – in this case, third-party defective products and unfulfilled or wrong orders. In August, however, Amazon was besieged by record levels of **complaints** from angry customers largely due to the company prioritizing household supplies during the pandemic.

Third-party sellers had to ship products themselves to avoid unreasonable delays, which sparked a huge flood of protests. After being sued by the US Consumer Product Safety Commission, Amazon **changed its policy** to directly compensate up to \$1,000 for defective or injurious third-party products.

But “Fulfillment by Amazon” does not guarantee a proper order. As the company moves out old inventory from its warehouses before the new, wrong or damaged products are often easily included. Yet the **only way** to tell if Amazon does the shipping may be the small tag “Shipped by” or “Fulfilled by” in the product description, but only if they are designated “Prime” will they have the free, quick delivery which that promises. If it says “Not eligible for Prime”, the item will be sent separately, shipping will be charged even to Prime members, and the order may take a good deal more time to arrive.

Hard times in Santa’s warehouses

As a producer and mover of innumerable physical goods, Amazon is totally reliant on the mass of workers who stock its warehouses and fulfillment centers and deliver the products to the customers. Yet over the years, there have been many tales of grueling working conditions and **harsh treatment** of employees.

This may be quite **deliberate**, for long-time workers are seen as more expensive and less productive. So bathroom breaks are timed (drivers **pee in bottles**), the working conditions are unsafe with **80% more injuries** than in similar jobs, **algorithms** may make workers unfairly lose benefits and jobs, and constant **tracking** and **surveillance** creates a culture of endless fear.

The algorithm-run tracking is so bad that it has been blamed for many traffic accidents, too. While *119* lawsuits have been filed, Amazon **denies** responsibility as the drivers were employed by contract delivery firms.

Amazon may have unfairly foiled an attempt to **unionize** a facility in Alabama, but workers will have another chance. Meanwhile, support for a labor union seems to be **growing** across the company.

They have also been accused of **failing to protect** personal customers data from their own employees, who apparently are widely able to follow celebrity purchases. But the single most outrageous charge against the mammoth store concerns how it handles “waste”.

This summer, British broadcaster **ITV revealed** an underground investigation into a Scottish fulfillment center, one of *24* in Britain. Over *130,000* “new or lightly used”, that is, unsold or returned but still useful goods, were trashed in a *single week*. Everything from Covid masks still in wrappers, to iPads, to boxed smart TVs were recycled, or more often, just dumped in landfills.

The activity is not isolated there, either, but happens throughout Amazon. Stung by a broad **outraged backlash**, the company promised a “more circular economy”, reselling the items priced by their condition.

Shopping wisely

Amazon may be unavoidable, but such practices make smart shopping even more important for enlightened consumers. Here are a few **suggestions** to help:

- Get **good Covid masks**. Amazon lists tons of masks, but most are expensive, useless Chinese rip-offs. The CDC no longer restricts the coveted N95’s to medical personnel, so stock up on American brands like 3M or foreign equivalents (KN95’s). Check markings on masks to avoid fakes.
- Avoid any items with dubious medical claims.
- Watch out for discounts. Crossed-out prices or huge discounts that never change are likely a scam.
- Avoid competitors’ stuff. Stuff from Google and Apple are almost certainly cheaper anywhere else.
- Pet food, toilet paper, soap and other household supplies may be convenient, but are likely expensive, too.
- Beware of fake products. Some companies, including Nike, Ikea, and Birkenstock don’t sell anything on Amazon.
- Beware of fake reviews and read the small print.
- Shop locally online as well as in person and avoid Amazon altogether. **Visit Albuquerque** and **Nob Hill Main Street** are two good sites to begin your search. **Etsy’s Albuquerque listings** have lots of New Mexican stuff, too.
- Finally, be kind to Santa’s helpers. They deserve it!



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