



Statement of Nate Sutton
Associate General Counsel, Competition
Amazon.com, Inc.
before the
United States House of Representatives
Committee on the Judiciary
Subcommittee on Antitrust, Commercial and Administrative Law
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Thank you, Chairman Cicilline, Ranking Member Sensenbrenner, and members of the Subcommittee. I am Nate Sutton, Associate General Counsel for Competition at Amazon. Amazon's mission is to be Earth's most customer-centric company. Our corporate philosophy is firmly rooted in working backwards from what customers want and continuous innovation to provide customers better service, more selection, and lower prices. This principle is essential to understanding Amazon, as we apply this approach to all areas of our business.

I. Amazon's Role in the Global Retail Market

Amazon operates a diverse range of businesses, from retail and entertainment to consumer electronics and technology services. Each of our businesses faces intense competition from well-established competitors.

Retail remains our largest business by far, accounting for over 80% of our total revenues. Retail is as old as human commercial experience—the market is large and well established and, while we continuously strive to innovate to serve customers better, we know they have many options. Online is just one of many ways consumers shop for products—studies demonstrate that most consumers buy, and most sellers sell, in and from multiple locations both online and offline. In fact, according to data from the U.S. Census Bureau, the vast majority of retail sales—90%—still occur in physical stores. In addition to thousands of other retailers around the world, our competitors include many large and well-known companies such as Walmart, Target, Macy's, Safeway, and Kroger.

Of course, the role of technology in retail continues to change and evolve. Ecommerce has grown steadily over the years, and selling online is now extremely common for all retailers. Technology has only made retail more competitive, as numerous multichannel retailers offer

customers a wide range of online and offline experiences. In fact, as Target and BestBuy recently announced, one of the fastest-growing consumer practices is to order products online that they later pick up in a physical store. Third-party sellers now sell online in the dozens of marketplaces in the U.S. and around the world, such as eBay, Alibaba, Walmart.com, Rakuten, and Wayfair. And at the same time, online retailers are moving into physical retail, adding brick-and-mortar stores.

The results of all of this retail competition are impressive—the retail market is healthier than ever with the National Retail Federation (NRF) estimating that overall U.S. retail sales grew 4.6% percent year-over-year in 2018 to hit a record high of \$3.68 trillion, which exceeded NRF’s original projections. Amazon continues to represent less than 1% of the nearly \$25 trillion global retail market, and less than 4% of U.S. retail.

II. Third-Party Sellers in Amazon’s Stores

The success of Amazon’s stores depends on its partnership with third-party sellers. There are millions of small and medium-sized businesses around the world selling in Amazon’s stores—including more than a million third-party sellers in the U.S. alone. And sales by these sellers are growing twice as fast as Amazon’s own sales in our own stores. Since 1999, the gross physical merchandise sales of third-party sellers in Amazon’s stores—primarily comprised of small and medium-sized businesses—have grown from \$0.1 billion to \$160 billion in 2018. Third-party sales have grown from 3% of the total, to 58% of our total physical gross merchandise sales. Nearly 200,000 entrepreneurs worldwide surpassed \$100,000 of sales in our stores in 2018, and more than 50,000 of those entrepreneurs exceeded \$500,000 in sales. On top of that, we estimate that third-party sellers have created over 1.6 million new jobs around the world.

Amazon absolutely celebrates this growth of our selling partners, which is consistent with our incentives. The broad selection and increased price competition third-party sellers provide make our stores attractive to customers. For example, our seller partners provide the vast majority of new products in our stores. It is through these sellers selling the majority of products on Amazon that we are able to honor our promise to customers of offering the lowest prices, biggest selection of products and services, and fastest and most convenient delivery options. We know these sellers have other ways to reach customers, so we invest in them, support them, and make continuous efforts to treat them well. If we did not invest and innovate in ways to improve the experience for our selling partners, they would sell fewer of their products in our stores and more through the myriad of other options available to them both online and offline.

As a result, we have invested significantly in infrastructure and technical services that help support the growth and success of our selling partners. We have dedicated teams assigned to supporting sellers directly, continually launch new tools that make it easier for our seller partners to sell, and spend significant resources to root out bad actors and prevent fraud and

abuse that harm both sellers and customers. A few examples of the innovative tools and services we offer small businesses and entrepreneurs include:

- With Fulfillment by Amazon (FBA), businesses selling on Amazon can choose to have us handle shipment of their products, returns, as well as customer service for all orders placed on Amazon.
- The Amazon Handmade store is available for artisans to sell their handcrafted products to millions of Amazon customers all over the world. Amazon uses an application process to add new Artisans to the Handmade category to ensure customers are able to buy with confidence.
- Amazon Launchpad is a program that makes it easy for startups to launch, market, and distribute their products to hundreds of millions of Amazon customers across the globe.
- Amazon Storefronts is a store featuring exclusively U.S. small and medium-sized businesses selling on Amazon. With Storefronts, customers can shop a curated collection of over one million products, and deals from nearly 20,000 U.S. small and medium-sized businesses, and learn more about profiled businesses through featured videos and stories from all 50 states.

By offering small and medium-sized businesses another low-cost way to reach consumers, and by investing to support these businesses, Amazon helps make retail even more vibrantly competitive and innovative. The reason our marketplace model has worked so well, and why both Amazon and our selling partners have thrived since we introduced it, is that we are partners—we complement each other, and together we can create a better customer experience than either could create alone. This helps explain the wide proliferation of the marketplace model by retailers of all types and sizes around the world, further intensifying competition within retail.

III. Continued Innovation and Robust Retail Growth Benefits Sellers, Customers, Workers, and the Economy

Amazon has invested tens of billions of dollars in infrastructure and technical services to help sellers reach customers around the world, from investing in our fulfillment network, to rolling out new tools for sellers, to launching dedicated stores for sellers. These investments have directly created more than 45,000 full-time, full-benefit U.S. jobs in 2018, and have increased our total workforce in the U.S. to more than 275,000. We offer a \$15 minimum wage and valuable benefits including 401k, health insurance, and bonuses. Our investments also support over 680,000 indirect jobs in construction, building services, hospitality, and other industries. We invest heavily in our employees, including through programs such as Career Choice, which pays up to 95% of tuition and fees towards a certificate or diploma in qualified fields of study, leading to in-demand careers for our employees, even if those careers take them away from Amazon. We are well on our way to meeting our pledge to hire 25,000

veterans and military spouses by 2021, and through the Amazon Technical Veterans Apprenticeship program, we are providing veterans on-the-job training in fields like cloud computing.

And, as we announced just a few days ago, in one of the largest corporate retraining initiatives ever undertaken, we are investing \$700 million to provide 100,000 of our employees new skills and training for the digital age to help them move into more advanced jobs or find new careers. This program will provide the training for employees to move into highly skilled technical and non-technical roles across our company's corporate offices, tech hubs, fulfillment centers, retail stores, and transportation network, or to pursue career paths outside of Amazon.

IV. Conclusion

As you examine the role of technology and innovation on competition, from our vantage point as an innovative retailer with both online and physical stores in a competitive field, we offer two perspectives for the Committee's consideration. First, the technology used to provide a service, or the business model a company deploys, is not the primary consideration in determining the scope of relevant markets in antitrust analysis or a jumping off point for sectoral regulation. In today's retail market, the notion that two products that are exactly the same do not compete with each other simply because one was ordered online makes little sense.

Second, since our early beginnings as an online bookstore, Amazon has innovated and invested heavily to help third-party sellers succeed. The result has been good for Amazon's stores, good for third-party sellers, and good for customers in the form of competitive pricing, great selection, and unprecedented convenience. Any legislation to regulate the relationship between suppliers and retailers should be done with the involvement of all relevant stakeholders and careful consideration for how each may be affected. To avoid unintentionally tilting the competitive playing field, new rules should encompass all retailers regardless of the supply models that they use.

We look forward to engaging with the Committee on these important subjects. Creating policy that is good for all stakeholders in our dynamic economy takes careful attention, and our experience has proven that focusing on customers first, and working backward from the best customer experience makes it easier to make good decisions. Technology is an important part of modern life and offers extraordinary competitive benefits that customers are only just beginning to realize. Amazon shares your core goal of embracing technology in ways that serve all customers and the broader economy, especially during times of fast-moving innovation. As technology evolves, so too will the opportunities for all of us to work together.