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**IS AMAZON TOO
POWERFUL?**

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"I Was Homeless"

Apple, 21, often slept in this San Francisco park. She's one of the faces of the youth-homeless epidemic in the U.S.

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SCHOLASTIC

Is Amazon Taking Over THE WORLD?

Critics say the Internet's popular "everything store" is turning into a schoolyard bully BY VERONICA MAJEROL

If you were itching to buy a copy of *The LEGO Movie* last spring, or J.K. Rowling's new novel, *The Silkworm*, Amazon didn't make it easy for you.

In fact, Amazon all but asked you *not* to buy them. Embroiled in a dispute with Warner Home Video and Hachette Book Group, Amazon blocked customers from placing advance orders on Warner movies and Hachette books, raised prices on some items, pulled others from the virtual shelves altogether, and created shipping delays of up to a month. Why? Warner and Hachette refused to sell their products more cheaply on Amazon and to give Amazon a higher share of profits.

Disagreements between suppliers and the stores that sell their products are common, of course, but Amazon's hardball tactics have some critics arguing that the world's largest online retailer has grown too powerful.

"Writers and publishers are slaves to Amazon," says Jaime Clarke, who urged fans to buy his novel *Vernon Downs* from Roundabout Press rather than Amazon. "It's pretty obvious that they're bullies."

Founded in 1994 by Jeff Bezos (and originally registered under the name Relentless.com), Amazon began as an Internet

bookseller operating out of Bezos's garage in Seattle. Today, it sells 230 million products—everything from cameras and Coca-Cola to lady bugs and Halloween costumes for dogs—and has 100,000 employees and dozens of warehouses around the world. It invented the Kindle, making e-books cheap and convenient; and its subscribers can stream millions of movies, TV shows, and songs. All this has put Amazon on its way to fulfilling Bezos's vision of becoming the "everything store."

"They generally just have a better price, and it gets shipped to my house within that week—it's just so convenient," says Coby Porlier, 18, a frequent Amazon shopper who lives in rural Pennsylvania. "There aren't many stores around us."

Amazon vs. Mom-and-Pop

Others, however, are concerned about Amazon's size and the power it brings. Amazon has always cared about offering low prices, even if it hurts profits in the short term, so that it can keep growing in the long term. It's a business model that's gotten millions of customers hooked.

But it's also hurt competitors, and the fear is that if there's no competition, Amazon will then be able to raise prices as high as it wants.

Independent bookstores have been particularly hard-hit by Amazon's deep

discounts. According to the American Booksellers Association, there are about 2,000 independent bookstores left in the U.S. That's down from about 4,000 in the 1990s, according to some estimates.

Amazon isn't a monopoly—which exists when a single company has no real competition (see box). But as the dominant seller of books—responsible for 40 percent of all U.S. book sales, according

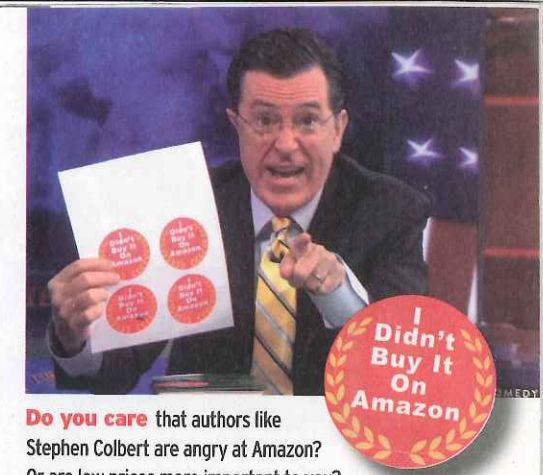
'Whoever is not listed on Amazon doesn't exist in the eyes of a reader.'

to Codex Group—Amazon has tremendous clout. When it discourages customers from buying specific books, publishers and authors can suffer severely.

"Whoever is not listed on Amazon doesn't exist in the eyes of a reader," the German Publishers and Booksellers Association wrote in a complaint against Amazon.

The dispute between Amazon and Warner resolved fairly quickly. But the one with Hachette has dragged on, and some authors are fighting back. In June, Stephen Colbert, a Hachette author, essentially asked fans to boycott Amazon during *The Colbert Report*. Last month, 900 authors, including Stephen King, John Grisham, and Malcolm Gladwell, signed an angry letter of complaint against Amazon that appeared in *The New York Times*.

Meanwhile, other retailers, including independent bookstores, are finding new ways to compete. Brad Graham, who owns Politics & Prose in Washington,



Do you care that authors like Stephen Colbert are angry at Amazon? Or are low prices more important to you?

D.C., says that in some ways the competition has been a good thing, forcing bookshops to reinvent themselves.

"The reason that many of us have survived is because we've shown ourselves to be very adaptable," he says. In addition to selling books in the store and online, for example, many bookshops now host author talks, trips, and coffeehouses.

Michael Walden, an economist at North Carolina State University, says that although Amazon may seem unstoppable now, history has shown that even the biggest Internet companies can stumble (remember MySpace?). The Chinese-owned Alibaba recently entered the U.S. marketplace with a company called 11 Main, and other online-only retailers are joining the fray, which could give Amazon a run for its money.

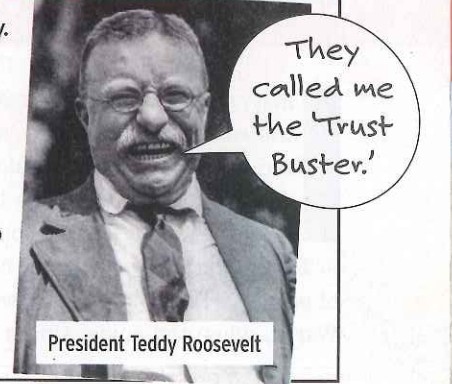
"The nature of our economic system is it spawns competitors," says Walden. "My guess is Amazon will not maintain the dominant position that it now has" and "the market will work itself out." •

What Is a Monopoly? And where does Amazon fit in?

When one company is the only provider of a product or service, it's considered a monopoly. Monopolies aren't illegal in the U.S. unless they deliberately stifle competition to get or keep their monopoly status. One kind of legal monopoly, for example, occurs when the government awards a patent to the creators of a new product, giving them exclusive rights to sell the product for a period of time (usually 20 years).

Illegal monopolies were rampant in the late 1800s; companies in industries like oil, railroads, and steel merged into huge trusts so that they could fix and then raise prices without fear of competition. The Sherman Antitrust Act of 1890 authorized the federal government to break up abusive monopolies, a mission of President Teddy Roosevelt (1904-09).

Amazon doesn't meet the definition of a monopoly, says economist Joseph Harrington of the Wharton School in Philadelphia. But as to whether Amazon is abusing its power, Harrington says, there's "a big gray area there about what is abuse and what is not."



President Teddy Roosevelt

Download and analyze an author's open letter to Amazon at www.upfrontmagazine.com

