ILSR INSTITUTE FOR Local Self-Reliance

To: Attorneys General of the 17 States Party to FTC v. Amazon and the Federal Trade Commission
From: Ron Knox and Katy Milani, Institute for Local Self-Reliance
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Subject: Amazon Is Expanding Its Monopoly — and Its Harms to Sellers and Customers

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Almost three years ago, the U.S. Federal Trade Commission and 17 states sued Amazon, alleging that the company had illegally maintained monopoly power in online retail through an interconnected series of coercive and exclusionary practices that eliminated competition and harmed consumers. It's no exaggeration to say that the outcome of this case will determine the future of consumer commerce in the United States. It will decide whether online markets remain dominated by a single gatekeeper or become open, competitive arenas in which independent businesses can innovate and thrive.

As the lawsuit moves toward trial, the competitive conditions it seeks to remedy are deteriorating in real time. Since the FTC and states filed their complaint, Amazon has intensified many of the practices at issue in the case while deploying new anticompetitive tactics and extending its dominance into new markets.

These developments demonstrate that Amazon's monopoly power is structural and self-reinforcing. They show why behavioral restrictions alone are unlikely to restore competition. Amazon's ability to leverage power across its marketplace, logistics, and retail businesses enables it to continuously develop new tactics to block competition, increase dependence, extract unearned surplus, and extend its control. Without structural intervention, the competitive future of online commerce will continue to erode.

This memo documents major developments since the FTC filed suit. Together, they underscore both the urgency of this case for American businesses and consumers and the need for remedies that address the root sources of Amazon's monopoly power.

Amazon Is Intensifying Its Anti-Discounting and Price-Control Tactics

Amazon stops sellers from lowering prices on rival websites, raising prices for shoppers. Amazon continues to impose an anti-discounting policy on sellers. If sellers offer shoppers discounts elsewhere, Amazon pushes those suppliers to either raise their prices on those rival e-commerce platforms and websites, or leave them altogether. Otherwise, Amazon will **derank their product** in its search results, preventing Amazon shoppers from seeing it. Zulily, which the FTC and states mention in their lawsuit, **sued** Amazon after that case was filed, claiming that Amazon's pressure on suppliers to hike prices or leave Zulily altogether severely harmed its business; in just one year, half of all Zulily sellers who also sold on Amazon left the platform. As Amazon increases its myriad fees and tolls to third-party sellers, prices on Amazon continue to climb, and its anti-discounting algorithm ensures sellers can't sell for less on other marketplaces.

New evidence reveals the breadth of Amazon's price-control tactics. New information included in California Attorney General Rob Bonta's antitrust lawsuit against Amazon reveals the extent of Amazon's monopolistic anti-discounting actions. In a request for an emergency injunction filed in February 2026, Bonta **pointed to evidence** uncovered during pre-trial discovery that suggests Amazon had conspired with its vendors to raise prices for their goods on every other e-commerce website, to ensure Amazon offered the lowest price. AG Bonta **said plainly** that "Amazon's 'cheap' prices are the results of intimidation and illegality that drove up the process for consumers across the marketplace."

Amazon's AI-driven pricing systems continue to suppress price competition and raise shopper prices across the internet. Amazon's AI-driven pricing systems can detect when the price of a product sold on Amazon.com changes virtually anywhere else on the internet. With this information, Amazon can induce competitors to raise their prices and ensure that its prices always match the lowest price anywhere. As a result, competing retailers' algorithms have learned that price cuts yielded only thinner margins, not higher sales. **Amazon's AI pricing technologies** have almost certainly become more sophisticated, and its AI-driven price surveillance has amassed more data on rivals' prices since the FTC and states sued in 2023.

Amazon Is Pushing Sellers to Use Fulfillment by Amazon to Block Competition from Rival E-Commerce Sites

Amazon has made Seller Fulfilled Prime largely unworkable for sellers. In theory, Seller Fulfilled Prime (SFP) allows sellers to use other fulfillment providers while maintaining the Prime badge, making it easier to sell across multiple online marketplaces. But since the case was filed, Amazon has steadily imposed **stricter delivery requirements** and other burdens that make the program unviable or too risky for most sellers, pushing them back to **Fulfillment by Amazon (FBA)**. Sellers who use SFP face the constant risk of losing their Prime eligibility if they fail to meet Amazon's requirements. By contrast, sellers using **FBA face no comparable risk** when Amazon itself misses delivery targets. Because losing the Prime badge can devastate sales, many sellers view SFP as an option in name only and instead rely on FBA.

Amazon has started using cash flow policies to drive sellers to FBA. Under its new "DD+7" policy, Amazon now withholds payments from sellers for at **least seven days after a package is delivered**, rather than shortly after it is shipped. All the while, sellers must continue paying Amazon referral fees, advertising, shipping, and other fees up front, while receiving their own sales revenue days or weeks later. Sellers using FBA, however, are paid sooner than those using an independent logistics provider because Amazon's own logistics network verifies delivery more quickly than deliveries handled by rival shippers. By delaying payments further for non-FBA users, Amazon is quietly pushing sellers towards FBA. As one third-party seller **wrote in an Amazon seller forum**, "This is all just a huge push to force FBM [Fulfillment by Merchant] sellers to FBA."

Amazon increased the cost of using its logistics network to fulfill sales on rival platforms. Maintaining inventory across two separate logistics systems is prohibitively expensive and complex. Because FBA is effectively required to succeed on Amazon, many sellers must therefore depend on Amazon's Multi-Channel Fulfillment (MCF) service to fulfill orders placed on other sites. Last year, **Amazon raised fees for MCF**, which are significantly higher than the fees charged to fulfill orders on Amazon itself, making it more costly and difficult for Amazon sellers to succeed outside Amazon.

Amazon has extended its logistics dominance across e-commerce. Amazon's "Buy With Prime" program, rolled out in 2023, **allows businesses selling** on their own websites to use FBA to store and ship their goods while displaying the Prime badge. By extending Amazon's logistics network, payments system, and Prime program across the web, Buy With Prime takes direct aim at rivals such as Shopify, whose model offers sellers greater independence. Buy With Prime gives Amazon visibility in merchants' off-platform sales and allows it to process payments for purchases there, threatening Shopify's main source of revenue. It extends Amazon's logistics moat beyond Amazon.com and further impedes rival marketplaces and independent logistics providers from achieving scale.

Amazon is Extracting More Revenue From Captive Businesses

Amazon is taking an ever larger share of sellers' revenue. Since the FTC and states filed their lawsuit, the fees Amazon charges third-party sellers in the U.S. have increased sharply. Overall, Amazon now takes an average of 47 percent of every third-party sale in fees, up from 41 percent in 2022, according to ILSR's research and analysis of Amazon 10-K reports. In 2025, we estimate that Amazon collected a record $151 billion in seller fees, commissions, advertising, fulfillment charges and other tolls imposed on businesses dependent on its U.S. marketplace.

Amazon has used advertising fees to sharply increase the price it charges sellers to list and sell a product. Amazon has converted a growing share of the space on its search results pages to paid placements. Sellers increasingly report that they must pay for these spots to continue generating sales. "[I]n 2026, running a profitable Amazon business without sponsored ads is increasingly difficult," **writes Evgeni Petrov**, head of search engine optimization for Amazon consultancy ZonGuru. "For most sellers, [pay-per-click] advertising is a cost of doing business, not a luxury." In a recent interview with ILSR, Chris McCabe, a former Amazon employee and seller consultant, puts it bluntly: "You can't survive without the ad spend." Sellers now pay around **10 percent more** for advertising than they did a year ago, close to $1.20 per click and much higher in some product categories. Combined with Amazon's referral fees, the average price Amazon charges a business to list and sell a product, and be visible to shoppers, jumped by 15 percent in the last three years, rising from 20 percent of sellers' revenue to 23 percent on average, according to ILSR's analysis of Amazon 10-K reports.

Amazon plans to tighten its control of sellers' cash flow through its advertising program. Amazon told **third-party sellers** that, starting later this year, it will deduct their advertising spending directly from their sales revenue, rather than allowing sellers to pay with credit cards. The change will deprive sellers of valuable credit float and cash-back rewards while shifting additional costs onto businesses. Between the lost credit float and cash-back rewards, the changes would cost a seller who spends **$15,000 per month on ads** as much as $5,250 per year in lost revenue, according to analysis by Nova Analytics.

FBA has become significantly more expensive. Amazon has increased base **fulfillment fees** across nearly every package size while adding new surcharges and weight categories. Fees to ship a small, one-pound package worth more than $50 through **FBA rose** from $3.65 in 2025 to $4.22 in 2026. For larger packages, Amazon has imposed new **"overmax" handling fees** and increased inbound shipping charges. A large package weighing more than 15 pounds costs, at most, $0.68 to send to an Amazon warehouse in 2025. This year, sellers must pay as much as **$1.90 to ship** the same package, a nearly 180 percent increase. Amazon has also imposed new fees, including a blanket **fuel surcharge of 3.5 percent**.

Amazon has sharply reduced the amount it reimburses sellers when it loses or damages inventory. Amazon now reimburses sellers based on its own estimation of an item's manufacturing cost, rather than its selling price, when a product is lost or damaged in its warehouses. This **policy change** has cut reimbursement rates by 50 percent or more for many businesses. One third-party electronics seller calculated that it could cost his business thousands in **lost revenue every year**.

Amazon's extractive fees subsidize other parts of its business. According to ILSR's analysis of **Amazon's 2025 financial filings**, its logistics network costs around $109 billion to operate; the same year, the company took in more than $172 billion globally from third-party seller services, which include fulfillment fees. That means Amazon extracted enough revenue from third party sellers to cover Amazon's logistics expenses and then some. Amazon can store and ship its own products essentially for free, allowing it to continually sell its products for less than the third-party sellers it competes against, all while expanding its already-dominant logistics network.

Amazon Is Extending Its Gatekeeping Power Into New Markets, Beyond the Scope of the Lawsuit

Amazon has created "Buy for Me" to capture products without sellers' consent. Since the FTC sued Amazon, Amazon has endeavored to expand its industry- and internet-wide monopoly power not only to price setting, but to shopping and shipping as well. Under "Buy for Me" — a component of its recently launched **"Project Starfish"** — Amazon uses an AI-powered algorithmic crawler to scrape products from thousands of independent business websites, then lists those products for sale on its own site to capture and list products for sale on Amazon.com even if sellers never sold their products on Amazon and never intended to do so. According to an internal document, Amazon planned to scrape the listings of more than **200,000 independent businesses** in 2025.

Hundreds of independent businesses that **sell online say Amazon's Buy For Me** listings have often misrepresented the products they sell by listing incorrect prices, product details, products that they no longer stock or sell, or products that they have never sold at all. The Buy For Me program, **sellers say**, has hurt their relationships with customers and suppliers, ended their control of marketing and handling transactions, and damaged them financially. Meanwhile, Amazon has blocked rival AI crawlers, including **Perplexity's Comet browser**, from doing exactly what Buy For Me does: scanning Amazon's listings so that Comet users can shop and make purchases without visiting Amazon's site.

Through Supply Chain by Amazon, Amazon is becoming logistics infrastructure for a growing share of the economy, making the company increasingly indispensable to commerce and entrenching its e-commerce dominance. Just weeks after the FTC and states filed their lawsuit accusing Amazon of using its monopoly in e-commerce to build and solidify its dominance over shipping and storage, Amazon announced "**Supply Chain by Amazon**," an attempt to expand its domestic logistics monopoly worldwide. While using Amazon's global logistics service does not yet appear to be required for sellers to succeed in the same way as buying FBA and advertising, Amazon officials are actively pushing the service to sellers. Domestically, Amazon **recently announced** that as part of its supply chain expansion, it would open its logistics network for businesses outside of Amazon's own seller network.

Amazon's Monopoly Is Causing Greater Harm to Consumers, Independent Business, and Competition

Amazon raises prices for shoppers without consequence. The anti-discounting tactics and monopoly power alleged in the federal lawsuit and detailed above have forced up prices for consumers, both on and off Amazon. Additionally, there is significant evidence that Amazon is exercising its power over prices in ways not specified in the suit. For example, Amazon has hiked shopper prices under the cover of increased tariffs. Amazon raised prices on **1,200 household goods** in the days after the Trump administration announced new tariffs, even when Amazon's suppliers did not charge Amazon more for those products, according to *Wall Street Journal* reporting. Another **investigation showed** that during Amazon's 2025 Prime Day, the company actually hiked prices for some major items, while advertising other items as on sale even though the price was unchanged from previous months.

Amazon's junk ads have degraded the quality of its marketplace and search results for shoppers and sellers. The complaint detailed Amazon's embrace of junk ads, or "defect" ads, as a way to drive up Amazon revenue while degrading shoppers' experience and pushing them towards more expensive products. Amazon's focus on ads has continued to crowd out organic search results, harming sellers and leaving shoppers worse off. Although shoppers expect an Amazon search to display relevant products based on price and quality, **a study** found that in 2024, as much as 70 percent of top search results are ads, along with other non-organic sponsored results like "Frequently Viewed" and "New Arrivals."

Amazon's tolerance of fake reviews raises prices and degrades shoppers' experience. A recent **study found** that the prevalence of fake paid-for product reviews on Amazon breeds shopper mistrust of products on Amazon overall, including products from sellers with honest, organic reviews. It also showed that fake reviews allow manipulators to raise prices, while selling more products of lower quality under the guise of false five-star reviews. While this behavior is bad for shoppers, products with fake reviews often sell more, generating more revenue for Amazon, so it has little incentive to remove them or punish sellers.

Amazon's own marketplace is increasingly dominated by larger sellers while becoming less viable for new businesses. Amazon built its digital marketplace on the promise that it would open new opportunities for small businesses. Instead, its rising fees and constantly shifting rules have made the platform less welcome to independent sellers. Only **165,000 new sellers registered** on Amazon in 2025, a decline of over 40 percent from the previous year and the lowest in at least a decade. Meanwhile, **less than 2 percent of sellers**, 7,760 to be exact, now account for 50 percent of sales on Amazon's U.S. site, down from 15,000 three years ago.

Sellers and consumers increasingly lack meaningful alternatives to Amazon. Sellers who spent decades building their businesses on Amazon have concluded that **they can no longer keep pace** with Amazon's high fees and relentless extraction. Yet rival marketplaces remain far smaller. Amazon controls more than a **40 percent share** of the U.S. e-commerce market, while Walmart holds only 9 percent. Consumers and businesses therefore face a market with few viable alternatives, less competition, and diminished opportunities for innovation and entrepreneurship.

Amazon's growing dominance threatens the future of independent business and local communities. Only **11 percent of small firms** selling on the Amazon marketplace say the experience has been broadly successful, according to our survey. Meanwhile, tens of thousands of small businesses have closed their doors, and many that we surveyed point to Amazon's growing market dominance as a primary challenge in running their business; **sixty-two percent of businesses** ILSR surveyed said Amazon's control over the online market was a very or extremely significant challenge. When these businesses disappear, they take jobs, local tax revenue, and the economic diversity and social cohesion that make local communities resilient and prosperous.

Conclusion — Structural Problems Require Structural Solutions

The developments documented in this memo reveal Amazon's increasing monopoly power, and point to a central reality: Amazon's monopoly is structural and self-reinforcing. Amazon can and does continually develop new ways to extend and entrench its dominance. Since the FTC and states filed suit, Amazon has intensified its extraction from sellers, deepened business dependence on its services, expanded into new markets, made shopping on Amazon far worse and more expensive, and further degraded e-commerce competition.

The evidence assembled since the complaint was filed only strengthens the case against Amazon and underscores the importance of seeing this litigation through to its conclusion. Behavioral restrictions alone are unlikely to restore competition. Without decisive action to stop Amazon's abuses and restructure the company to eliminate conflicts of interest, Amazon's conduct will continue unabated.