

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2561 Rayburn House Office Building
Washington, DC 20515-6515

June 7, 2019

Mr. Jeff Bezos
CEO & Founder
Amazon.com
440 Terry Avenue North
Seattle, WA 98109

Dear Mr. Bezos:

I am writing regarding news reports¹ that Amazon plans to no longer accept wholesale orders from small businesses selling less than \$10 million in products each year. As Chairwoman of the House Small Business Committee, I find these reports deeply troubling as this change could jeopardize small wholesale businesses from continuing to do business with Amazon and affect millions in sales and hundreds of thousands of jobs.

While I commend the effort taken by Amazon over the course of nearly two decades to incorporate small businesses into the company's business model, cutting off or drastically reducing wholesale orders from small suppliers would threaten to upend your commitment to Main Street. I believe that in the race to make a profit, leaving behind the small businesses that fuel America's communities would be a serious mistake.

As you are aware, technology and specifically, the expansion of e-commerce, has revolutionized the way small business owners reach consumers and sustain their venture. Given that Amazon dominates the e-commerce market, representing 52.4 percent² of all online sales, it has become a crucial platform for small companies. At the same time, small businesses tend to lack the resources to hire or train employees dedicated to adjusting its business model. This makes it more important that small firms be provided ample notice and options if Amazon is, in fact, eliminating wholesale small business vendors.

¹ Spencer Soper, *Amazon is Poised to Unleash a Long-Feared Purge of Small Suppliers*, BLOOMBERG, May 28, 2019.

² *Id.*

In response to the Bloomberg article, your company spokesperson released a statement³ denying that such a purge of small suppliers is being planned by Amazon. To better understand the circumstances surrounding the situation, I am requesting that you provide answers to the following questions by June 21, 2019:

- 1) Are you in fact, moving forward with this change to your business model?
- 2) If so, what factors drove Amazon to removing small wholesale suppliers and will this dual platform business model continue? Did the threat of increased competition, an escalating trade war, or Amazon's bid to increase profitability factor into this decision?
- 3) How does Amazon make decisions regarding the vendors the company chooses to retain or eliminate and how many small vendors are at risk of being moved from the wholesale model to the marketplace sales platform?
- 4) According to reports, vendors selling less than \$10 million in products annually will no longer receive wholesale orders from Amazon. Why was \$10 million chosen as the threshold and how many small firms are at or above it? Did Amazon consider any other threshold to reduce the impact to small suppliers?
- 5) What are the demographic and geographic characteristics of the potential small business sellers being purged from wholesaling and how do their sizes compare to those that will remain as wholesale sellers?
- 6) Regarding the marketplace sales platform compared to the wholesale model, please answer the following:
 - a. How do small businesses perform on each side of the model?
 - b. Regarding the bulk sales, what is the average length of time unsold inventory is held, the average loss on that inventory, and how much of that is accounted for by small wholesalers' inventory?
 - c. How much commission does Amazon make on vendor sales and other fees for small suppliers to store, pack, and deliver their goods?
- 7) If Amazon does intend to shift small businesses from wholesale suppliers to marketplace sellers, what notice does Amazon plan to give to these businesses?
- 8) Will Amazon offer transition assistance to small business vendors as they shift sales platforms?
- 9) Amazon offers services to marketplace sellers for fees and as noted in one article, those fees have recently increased.⁴ Regarding these fees:
 - a. Please provide a comprehensive breakdown of the different types of fees Amazon charged marketplace sellers and the total amount that small businesses have paid for each type of fee during 2018.
 - b. When did Amazon increase these fees and by how much? Please provide a detailed list.
 - c. Has Amazon considered lowering any fees for small suppliers transitioning to the marketplace platform?

³ Cale Guthrie Weissman, *Amazon Hits Back at Bloomberg Report About Small Suppliers Purge*, FAST COMPANY, May 28, 2019.

⁴ Erica Pandey, *The Squeeze of Monopolistic Platforms*, AXIOS, Mar. 27, 2019.

At a time when many larger companies have overlooked the potential of small firms, I applaud Amazon for inviting small businesses to be wholesale suppliers. I believe that any erosion of your commitment to small firms would be a serious mistake. I appreciate your attention to this matter and look forward to your response.

Sincerely,

A handwritten signature in blue ink, appearing to read "Nydia M. Velázquez", written over a horizontal line.

Nydia M. Velázquez
Chairwoman
House Committee on Small Business