

IBICT: AMAZON BATTLE

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Sociological battle -> follow up of lecture on ethics and social innovation: how does innovation try to consider human aspect.

2 views on Amazon

- Is Amazon doing good at considering the human aspect? Yes/No

Take venture financing of Amazon, 20 years to become one of biggest -> element of venture capitalism

What is the future of Amazon? Try to conceive what is the human aspect that we should consider within Amazon.

AMAZON SUSTAINABLE (S)

1994, 20 years world market leader e-commerce:

- new experience at the tip of your fingers; fast, efficient;
- Inventions for fast delivery:
 - ◆ 1 click patent
 - ◆ Amazon Prime

USER EXPERIENCE

Amazon made possible what in past was impossible (true innovation). Countless advantages:

- free fast shipping;
- wide range of products at competitive prices;
- reviews on products.

CRITICS RECEIVED

Working environment

Addressed:

- New policy in warehouse in Essex, opened few months ago (can also be visited):
 - ◆ mobility inside (new technology)
- New people hired during intense periods

ENVIRONMENT (Climate pledge)

- By 2030 100% renewable energy; zero carbon by 2040
- electrical vehicles, reforestation

ANTITRUST ETHICAL ISSUES

1890, trust between companies, remove competitors: Monopoly

Laws:

- Sherman Act: first law to prevent companies to create trust & remove competitors
- 1914 Clayton Act to prevent companies to do this
- 1936 Robinson-Patman: protect local retailers

1980 FTC destroyed ATNT

1990 Last issue with antitrust (Microsoft)

Companies don't want to go against the law, they try to be more ethical; also for Amazon, they are not doing this antitrust

PRICE

If companies think they are breaking fairness in competition, they will change their policy:

- price limitations (eg up to 10000)
- price parity
- fair pricing: against the law to sell cheaper; you can sell at any price; competition between sellers
- price matching abolition: pay difference if someone finds product cheaper somewhere else

KROGER

Grocery chain using a similar platform: optimize user experience with platform to sell products. Amazon is changing/revolutionizing human minds: also little shops are changing.

Technology is making life easier.

AMAZON UNSUSTAINABLE (U)

Story: Richest guy in the world, >50% market share, under investigation for unfair market strategy: which is the company? Standard Oil company -> 1870, oil refineries; JD Rockefeller was owner -> monopoly on refineries, were condemned. From Small company -> offered cheap prizes -> then conquered market and forced prices.

Also AMAZON has same pattern:

- predatory pricing : flooding the market with undercost products to kill competition -> under investigation for this
- competition manipulation -> third parties forced to use amazon logistic services to stay on the Amazon market
- legal loopholes to pay less taxes -> 0 dollars payed to USA in 2018
- market share prediction for 2018: 41% of market; in fact, 49 (ebay 6%)

How can Amazon do this?

Net sales, net income graph → they are using all their income to offer good services, high standards, low prices; net sales high grow, but net income is much lower

→ Generate profit: they are not earning much because they are trying to kill the competition

We will pay in the future what we are not paying now → in a monopoly there are no rules

How did it end with Standard Oil: splitted in 34 different companies; possible because at that time the market was limited and just dealing with oil; Amazon has a much larger market -> can't be split like this; but if they grow too much -> great problem

Alice and Bob Story

Alice wants to buy a hat for hawaiian party: Amazon, checks price, orders it on Prime. How can Amazon do it? Bob is a normal guy working for Amazon in one of the hundred warehouses

- he has a gps tracking device -> legal policy? he could be fired if he doesn't do it
- manager told him to come 30 minutes before schedule the second day: he was shocked because this was to enforce a new security practice - body scan employees: 30 minutes at the beginning and end of working day (not payed)

Bob endured it and wanted to talk with the other ones: "Shut up, be fast!" -- endured again for money ... At the end of the month: only minimum.

- Noise: Bob was forced to wear headset; he had to walk a lot -> pain: painkillers for free

Statistics: Depression 51% of people, not apply for job again;

One year ago, Amazon increased salaries because people started to rely on the national service.

DEBATE

S: Why did Bob not look for another job?

U: Maybe there are not enough job offers for a non-skilled worker; maybe he thought he would get more money; maybe he got injuries.

S: Amazon is offering training programs to improve skills, proceed in your career is possible (you deserve to get minimum wage if you don't have and don't want to acquire more skills).

U: But the painkillers needed because you work too much are not good!

S: I agree!

U: Is this behaviour sustainable?

S: Solved by seasonal workers, so the workload is divided better.

U: Why did Amazon give painkillers in vending machines? Doesn't this have a cost?

S: But how do you know this related to working conditions?

U: A reported got hired to see this and he said this.

S: How many Amazon warehouses have this?

U: One has for sure, and it is enough!

Student: People with few skills, here nobody worked for Amazon → If I am pushed to work hard, I will apply also to worst job because they are paying, but this is not a justification of the fact that welfare is limited. What if Amazon solved this with machines to automate process?

U: They still rely on human work, but probably this is not convenient, otherwise they would have started to do it.

S: They are doing it. You can as well find sad stories in other big companies, not only in Amazon.

U: This does not wash away the behaviour of Amazon.

Student: I know about the wristband given to workers in order to track them and to vibrate if they were not doing what they were supposed to do.

S: In AI there is fraud detection, to understand who is cheating, you do this by observing people cheating. You are questioning the technology, if it is right to collect this data.

Francesca: Improving technology, tracking systems... How many of you have Alexa? Alexa is recording whatever you say to train algorithms.

S: It's done just for marketing... they don't listen for knowing your stuff. Don't buy it if you don't want to.

U: But probably I am using the product to benefit from it.

Francesca: They don't know that they are being recorded. Think about sustainability for customers.

Andrea: Amazon makes difference between skilled/unskilled workers; rights on work should be equal to all. As skilled workers you will have higher salary, but the rights in any case should be equal. Otherwise troubles! Workers should be happy with what they are doing. Would you like to work for Amazon as both skilled/unskilled workers?

S: Amazon is very big so indeed it offers many job opportunities, also for developing technology... Shift to more skilled work, engineers and so on. Less physical work.

[Student: How is Amazon structured as a company? → out of topic]

U: Do you believe that they are adding technology to improve working conditions or to replace workforce?

S: To provide better service in general. We also want to reply to a previous question: Little shops should be able to add value to the product. Otherwise no sense that they continue.

U: Antitrust → can you explain more?

S: People won't let Amazon create this.

U: Clayton act enforces Sherman act, which was not enough.

S: The S. act was not stating clear enough what was illegal. This was 50 years ago. But in any case, companies won't create trust because they know it's illegal.

U: Amazon is not creating trust, but it is killing all the competitors.

S: Which is the market share of Amazon in US?

U: 20%.

S: By 2020 50%.

U: So, it is growing so much!

S: Amazon is changing business model, it won't grow more; selling services no more so many products.

U: This is just an assumption, you are not sure this will happen.

S: Actually yes, because they are putting more money in these services.

U: In France, Japan and Canada condemned for antitrust, under investigation in some other countries.

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U: In the international sales, Amazon lost 2 billions of dollars. How can a company survive if it goes on loss?

S: Because if you invest money it's likely that you will have a loss. You will regain them after a couple of years. In any case they have other incomes.

U: Yes, Amazon is using income from other services to keep a competitive advantage on the products. This is a strategy to create a monopoly.

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S: Amazon sells products of resell companies; they only get a small percentage of the profit. They invest income in technology; companies make profit by selling on Amazon.

U: 67% are amazon products; they also took advantage of this to induce a company to use their transport channel.

S: The problem arises when a company is relying completely on Amazon.

U: This is nevertheless not legal, they were condemned.

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Student: The working conditions are US based. What happens in EU?

U: We focused on American conditions because there is more "giornalismo d'inchiesta" (investigative journalism).

Andrea: Is the Essex pilot only one example or also other ones will be like that?

S: We don't know now. And it's also not true that Amazon pays the minimum wage only.

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Student: For Amazon, what in the future? Working conditions are now ok, you say. How can we be sure what will happen in the future, when Amazon gets more market?

S: Amazon won't get 100% of market, FTP won't allow it. They are also trying to be more transparent; you can book visit to warehouse. People who are using Amazon should have other options; the services should be fair.

Student: Which are the competitors?

S: Many, in the countries where it is used; ebay. It is not very used in all the countries.

U: Still, in some markets it does have a monopoly. In others yes, it may have competitors, but still...

Student: What is Amazon doing to improve working conditions?

S: Opening warehouses, automation. They are also retraining the employees to work with robots.

Andrea: You (S) told about the 0-Carbon project. Is this related only to Amazon or also to logistics?

S: All the chain, eg electrical cars.

CONCLUSION

U: Fast, cheap delivery comes to a cost. If company is monopoly, even if now low cost, later you will have to pay. What do you think will happen in the future? Will it be sustainable?

S: Amazon did some bad things, but it is addressing the issues in order to be successful in the long run.

Unsustainable won.