

Podcast Orange – Episode 14

Confinement: Is the “platform economy” making a killing from the pandemic?

— Joe :

Before going into lockdown, Gil Amador was the manager of an American bistro in Milwaukee. He’s 36. The restaurant closed- so he went for a much lower-paid job in an Amazon warehouse.

50 year old Ginette Huras-Hubel manages her own company, *Integrity Billing and Consulting LLC*, based in Wilsonville, Oregon. She employs 4 people, who advise clients on their invoices- among them chiropractors, masseuses and acupuncturists. All her customers had to close in order to comply with social distancing rules, meaning her revenue went from 12,000 to 2,500 dollars a month; not enough for her home and office rents. She applied for help from the government and ... a job at Amazon, despite being overqualified to do it.

30 year old Scott Fahrig normally works in music, overseeing tours for several artists. No more concerts has meant no more income. He was preparing to buy a house close to Nashville but, of course, he had to abandon that project. He also applied for a job at Amazon.

Since the start of the lockdown, the American giant has opened around 175,000 job positions in its warehouses across the world. During this time, in the United States, dozens of businesses have been forced to lay off millions. So are Amazon and other web platforms the big winners of the Covid-19 crisis?

Hello Chloé!

— Chloe :

Hello Joe !

— Joe :

Welcome to this fifth edition of the Memo dedicated to confinement. Today, we are interested in the digitalisation of the economy and the powerful grip the large platforms hold over it. This isn’t a new subject, but you could say that global lockdowns have given them a huge boost- as well as building tensions.

Chloe?

— Chloe :

That’s what economists like Daniel Cohen say, writing in *le Monde* and *Alternatives Economiques*. He was also quoted in last week’s episode. He says the crisis will also boost a new form of capitalism, what he calls digital capitalism. That of the big platforms, the Amazons, AirBnBs, the Deliveroos, etc.

— Joe :

According to the numbers, have the big e-commerce platforms really been doing well so far out of the crisis?

— Chloe :

It's mixed. In fact if there is one big winner out of this crisis, it's Amazon, who haven't been negatively affected by the crisis at all- right across the world. I read on NBC News that Jeff Bezos' enormous company is actually suffering from too much demand for the infrastructure to handle. Traffic jumped to 2.5 billion visitors in March, 65% more than last year during the same period.

— Joe :

And other platforms?

— Chloe :

It's a lot more difficult for other companies like AirBnB and Uber of course, those depending directly on travel or our social lives. The crisis has complicated things for them just as much as for other businesses and all other sectors that have been affected. A few weeks after the start of the confinement in Seattle, Uber suffered a 60-70% drop in business. That's according to the business news site Korii.

— Joe :

And Deliveroo has even been forced to ask Amazon for help...

— Chloe :

Yes the meal delivery service suffered a huge dip in business after restaurants were closed, says the Guardian. But the closure of the large fast food chains hit the company more than anything else. So they adapted, and couriers are now working to transport food shopping and other groceries in partnership with supermarket chains. But it still wasn't enough, so the company cried for help... and in came Jeff Bezos, the boss of Amazon. He had already declared an interest in investing in Deliveroo a year ago. The UK competition regulator had forbidden this deal, saying it broke competition laws. But exceptional circumstances require exceptional decisions. So the British regulators changed their minds.

— Joe :

So it seems like Amazon really is the big winner of this crisis.

— Chloe :

In reality those who have done really well are those who offer basic necessities: Food products mainly, but also computer equipment, books and toys. And- of course- Amazon specialises in all those. Obsoco, the Observatory of Society and Consumption, has already noted that French people have been spending more on Amazon. According to Kantar, the online giant's market share rose by 22% in 2019. Observatory founder and economist Philippe Moati posted in a Le Monde forum that Amazon is also increasingly competing with other platforms. Chinese company Alibaba have built a site in Belgium, and Google and Facebook are also focusing on e-commerce. There's no European competitor in this category apart from the French *CDiscount* online store, which has managed to hold its market position. And there are also sites offering niche products like Vinted for second hand and vintage clothes, ManoMano for DIY and so on.

— Joe :

But the shops will open again one day! People will eventually return to the stores...

— Chloe :

Yes, but we can also anticipate that consumer habits are changing in the long term. Inevitably, businesses are finding it practical to have their goods delivered, especially taking into consideration that the Covid 19 crisis will not be over from one day to the next. Philippe Moati also says it's a "winner takes all" economy- where cumulative mechanisms tend to strengthen the most powerful companies.

— Joe :

And that puts their e-commerce sites in a very influential position regarding other traders.

— Chloe :

Yes, that's what I read on the American news site Vox. Large e-commerce platforms are working with these sellers. They market both their own products and those of third parties. Independents and brands increasingly need to be present on these sites, in competition with Amazon products. Even more so during the lockdown period. Birkenstock, for example, the famous shoe brand, already chose to desert the platform. With the closure of all their stores, they returned. Consumers in the US can see and buy Birkenstocks on Amazon for the first time. Vox magazine cites a 2016 study which states that the objective for these large platforms is not to be number 1 on the market, but to *become* the market. The place where *all* exchanges occur.

— Joe :

With what consequences for smaller traders?

— Chloe :

An ever-increasing dependence. Look at Amazon's decision, taken in all countries more or less under duress, to only let essential products pass through its warehouses during the time of confinement. This against a backdrop of tensions surrounding employee safety. This all has a direct impact on merchants who rely on Amazon to sell their products and deliver them to customers. Vox also cites a report by Stacy Mitchell, an activist in an association for the preservation of local businesses. She says this decision was undoubtedly the right one, but what she says must be questioned is the fact that Amazon can make such a decision at all, which has an enormous impact on thousands of small traders.

— Joe :

Are smaller traders organising themselves to deal with it?

— Chloe :

Yes absolutely; all over the whole world new initiatives are appearing thanks to digital technology allowing traders to sell their products. In France, retail startups are focused on helping these small traders. I read about it in l'Usine Digital. Stuart, a partner of La Poste, offers a secure payment service, but also delivery by bike. There's a big growth in online sales platforms that go directly to grocery producers. For example on France Bleu I heard that the Rhones Alpes Chamber of Agriculture has created an interactive map to discover nearby producers who sell directly. The new Aquitaine food agency has

also taken the same initiative. In 2 days, 1,300 producers registered on the site for 40,000 registered requests.

— Joe :

Does this represent a trend of small businesses fighting back against the global monoliths? Can we expect this to continue?

— Chloe :

That depends above all on consumers. Economist Philippe Moati said on France Culture that he sees consumers as split into two groups. There are those who are making an effort to consume less and consume better, mainly [working professionals \(CSP?\)](#). And then there are those who are experiencing a great frustration due to confinement and throw themselves into more consumerist shopping behaviours... which are being enabled by e-commerce. These two visions of the world are coexisting. And he says these heightened tensions could go as far as generating social unrest.

— Joe :

Thank you Chloe and thank you to all our followers.. See you next week for a new episode of the Memo!

Resources :

[A month ago, they all had stable jobs, now they're working for Amazon](#) (The Wall Street Journal)

[La crise du coronavirus signe l'accélération d'un nouveau capitalisme : le capitalisme numérique](#) (Le Monde)

[Le Covid19 va-t-il précipiter la chute d'Uber, Deliveroo et Lyft ?](#) (Korii)

[Deliveroo warning of collapse paves way for Amazon investment](#) (The Guardian)

[On peut craindre que l'épidémie renforce l'hégémonie d'Amazon sur le e-commerce](#) (Le Monde)

[Amazon was already powerful. The coronavirus pandemic cleared the way to dominance](#) (Vox)

[Stuart lance un service de livraison à domicile pour les pharmacies et les petits commerces](#) (L'Usine digitale)

[Coronavirus Covid-19: une carte interactive pour trouver les producteurs fermiers près de chez vous](#) (France Bleu)

[Consommation : "Le Covid-19 accentue des clivages qui laissent présager des troubles sociaux à venir"](#) (France Culture)