COMPLAINT TO THE FEDERAL TRADE COMMISSION BUREAU OF CONSUMER PROTECTION Washington, D.C.

Against AMAZON.COM, INC. for Unlawful Deception under Section 5 of the Federal Trade Commission Act, 15 U.S.C. 45 (a)

Submitted by the Strategic Organizing Center

December 8, 2021

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Pursuant to the Commission's Rules, 16 C.F.R. §§ 2.1 and 2.2, the Strategic Organizing Center (SOC) respectfully submits this complaint alleging Amazon.com, Inc. (Amazon) is unlawfully deceiving millions of consumers by failing to "clearly and conspicuously" disclose which of its search engine results are paid advertisements rather than "organic" search results in violation of Section 5 of the Federal Trade Commission (FTC) Act, 15 U.S.C. §45 (a).

SOC has found evidence that Amazon is systematically flouting FTC guidance for such disclosures, and in addition is deliberately obfuscating identification of a key category of advertisements by delaying their ad labels from loading for several seconds. Amazon's pervasive violations of the FTC's digital advertising guidelines clearly constitute unlawful deception under Section 5; moreover, SOC research showing these mislabeled advertisements are extraordinarily prevalent on search pages also throws into question whether Amazon's search platform itself – which Amazon represents as presenting "search results" to consumers – is deceptive as a whole. For the country's largest online retailer, with a growing dominance in online advertising, to be engaged in such wholesale deception of consumers demands immediate and aggressive action by the Commission.

SOC researchers conducted an analysis of over 130,000 Amazon product search results on both desktop and mobile devices, and determined that Amazon was substantially or entirely out of compliance with *all* the FTC's specific guidelines for the visual identification of online advertisements on search engine pages intended to ensure that consumers are able to distinguish advertisements from organic search results.

SOC also determined that the overall prevalence of advertisements in Amazon's search results was immense. SOC found more than *one-quarter (28%)* of all search results it examined were actually third-party advertisements. The near-categorical noncompliance of Amazon's advertisements with the FTC's guidelines is egregious, but the pervasiveness of advertisements in Amazon's search results, with the highest portion in the main body of those search results, adds significantly to the level of consumer harm likely caused by these violations.

Indeed, the overwhelming proportion of advertisements – advertisements which are not identifiable as ads – within Amazon's search pages throws into question the fundamental integrity of "search" on Amazon's online platform, and indicates Amazon is engaging in a much broader deception of consumers by representing these pages as "search results" at all.

As described in more detail below, because Amazon's advertising practices fail to comply with the FTC's own guidelines for digital ads, and its search pages convey the overall net impression that they are organic results rather than dominated by advertisements, Amazon is clearly violating the proscription on consumer deception under Section 5 of the FTC Act. Accordingly, SOC requests that the Commission investigate Amazon's deceptive advertising practices and take swift and forceful action to halt these consumer abuses.

The SOC is a democratic union federation whose affiliated unions – the Service Employees International Union, the International Brotherhood of Teamsters, the Communications Workers of America and the United Farmworkers of America – together represent more than 4 million working men and women. Members of our affiliates are not only workers but also consumers harmed by Amazon's deceptive practices.

1. Retail behemoth Amazon is rapidly growing into a dominant online advertiser.

Amazon is the largest online shopping platform in the world. According to the latest data, Amazon accounts for 41.4% of the annual U.S. retail e-commerce sales in 2021. In fact, Amazon's market share of the U.S. e-commerce market is larger than the combined share of the remaining top ten platform companies. According to one poll, "56% of U.S. consumers say that if they were only able to buy products from a single store, it would be Amazon." Amazon benefitted significantly from a surge in online shopping during the COVID-19 pandemic, with nearly 6 in 10 consumers shopping online at least once per week, and 74 percent of them beginning their searches for products on the Amazon platform. It is no surprise that Amazon's growth has been explosive during the pandemic, with profits rising 220 percent for the first quarter of 2021 compared to the first quarter of 2020.

As digital advertising has grown,⁷ composing the majority (54%) of U.S. advertising spending,⁸ Amazon Advertising, the arm of Amazon that sells advertising services to retailers, has experienced net revenue growth nothing short of astronomical. Amazon does not break out advertising as a separate business segment in its public filings.⁹ Rather, advertising is included as part of the company's 'other' segment which Amazon states "primarily includes sales of advertising services, as well as sales related to our

¹ Amazon clobbers competition, accounting for over 40% of US retail ecommerce sales in 2021, eMarketer (Aug. 11, 2021), https://www.emarketer.com/content/amazon-clobbers-competition-us-retail-ecommerce-sales-2021?ecid=NL1014.

² Amazon Accounts For Much Bigger Share Of US eCommerce Market Than The Combined Share Of Rest Top 10 Players In 2021, DazeInfo (Aug. 13, 2021), https://dazeinfo.com/2021/08/13/amazon-us-ecommerce-market-share-walmart-ebay-2021/.

³ Amazon Advertising Report 2021, JungleScout (April 27, 2021), at 5 https://www.junglescout.com/wp-content/uploads/2021/05/Jungle-Scout-Amazon-Advertising-Report-2021.pdf.

⁴ *Id.* at 4.

⁵ *Id*. at 2.

⁶ Amazon's profit soars 220 percent as pandemic drives shopping online, N.Y. TIMES (April 29, 2021).

⁷ Digital advertising spending worldwide from 2017 to 2025, by format (in billion U.S. dollars), Statista (July 8, 2021), https://www.statista.com/statistics/456679/digital-advertising-revenue-format-digital-market-outlook-worldwide/ (global digital ad spending is expected to grow by eighty percent from \$255 billion in 2017 to a projected \$458 billion in 2021).

⁸ Share of advertising spending in the United States in 2021, by medium, Statista (Feb. 9, 2021), https://www.statista.com/statistics/183704/us-advertising-spend-by-medium-in-2009/.

⁹ Since 2014, Amazon breaks down its business into the following segments: online store, physical stores, third-party seller services, subscription services, Amazon Web Services (AWS), and other. *Amazon Q3 2021 Earnings Release*, Amazon.com (Oct. 28, 2021), at 16, https://s2.q4cdn.com/299287126/files/doc_financials/2021/q3/Q3-2021-Earnings-Release.pdf.

other service offerings."¹⁰ Analysts and other industry insiders use figures for this segment as a proxy for Amazon's advertising business.¹¹ As shown in Figure 1, Amazon's net sales in the 'other' segment has increased twenty-fold over eight years, from \$1.3 billion in 2014 to an expected \$26.1 billion in 2021. ¹²

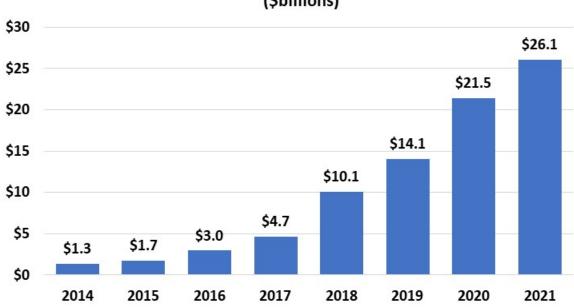


Figure 1: Amazon other net sales, 2014 - projected 2021 (\$billions)

Analysts predict that Amazon's advertising business will continue growing rapidly, with net revenue forecasted to reach \$85.2 billion by 2026.¹³ Analysts expect Amazon Advertising to replace Amazon's cloud computing business, AWS, as the most profitable of the company's business segments by the end of this year.¹⁴ While AWS has an operating margin of approximately 26 percent, analysts estimate that Amazon Advertising's operating margin is about three times larger at 75 percent.¹⁵

With one in three sellers on Amazon's platform planning to spend more money advertising on Amazon in 2021 than in previous years, ¹⁶ it is no surprise that Amazon's growing advertising business has led to

https://s2.q4cdn.com/299287126/files/doc_financials/2021/ar/Amazon-2020-Annual-Report.pdf; 2017 Amazon Annual Report, Amazon.com (2018), at 69,

https://s2.q4cdn.com/299287126/files/doc financials/annual/Amazon AR.PDF; 2016 Amazon Annual Report, Amazon.com (2017), at 68, https://s2.q4cdn.com/299287126/files/doc financials/annual/2016-Annual-Report.pdf; JungleScout, supra n.3 at 6.

¹⁰ Id.

¹¹ Supra n.3 at 6.

¹² 2020 Amazon Annual Report, Amazon.com (2021), at 66,

¹³ Supra n.3 at 6.

¹⁴ Advertising Could Be Amazon's Biggest Source of Profits in 2021, Motley Fool (June 11, 2021), https://www.fool.com/investing/2021/06/11/advertising-could-be-amazons-biggest-source-of-pro/.

¹⁵ Amazon's most profitable business will soon be advertising, Fox Bus. (Aug. 18, 2018), https://www.foxbusiness.com/markets/amazons-most-profitable-business-will-soon-be-advertising. ¹⁶ Supra n.3 at 2.

the birth of an "industry devoted to helping sellers navigate advertising on Amazon." ¹⁷ For instance, on March 4, 2021, JungleScout, a firm that produces software and analysis tools for Amazon sellers, announced it acquired Downstream Impact, a firm that produces software and analysis tools for advertisers on Amazon, for \$110 million. ¹⁸ JungleScout is just one of many digital market firms that work directly with sellers to maximize their advertising dollars; one list counted 1,312 such firms. ¹⁹

In recent years, not only has Amazon's advertising revenue grown significantly, the company has been taking advertising market share from competitors. Amazon Advertising is the third-largest online ad platform in the world, behind only Google and Facebook. ²⁰ In 2020 alone, Amazon's U.S. digital advertising market share rose from 7.8% to 10.3%. ²¹ Market watchers predict that Amazon's digital advertising market share will reach 12.8% by 2023, ²² while eMarketer predicts that Google's digital advertising U.S. market share will fall during the same period due in part to the rise of Amazon Advertising. ²³ Amazon's ad business is considered especially likely to grow rapidly because, unlike other online advertising platforms such as Google and Facebook which attempt to guess at what an online user might want to buy, Amazon users directly report what they are looking for every time they use Amazon's platform, and Amazon's customers are already at the point of sale, so Amazon's data on consumers is considered extremely high value for effectively-targeted ads. ²⁴ According to Sir Martin Sorrell, the CEO of WPP plc, the largest advertising firm in the world, "the threat to Google in my view, is Amazon." ²⁵

¹⁷ Why The Amazon Ad Business Is Skyrocketing Right Now, Forbes Young Entrepreneurs Council (Oct. 26, 2021), https://www.forbes.com/sites/theyec/2021/10/26/why-the-amazon-ad-business-is-skyrocketing-right-now.

¹⁸ Jungle Scout Announces \$110 Million in Growth Capital to Empower Ecommerce Brands, JungleScout (March 4, 2021), https://www.junglescout.com/press/press-releases/jungle-scout-announces-110-million-plus-downstream/.

¹⁹ Top Amazon PPC Agencies, Clutch, https://web.archive.org/web/20211118152251/https://clutch.co/agencies/ppc/amazon (last accessed Nov. 18, 2021).

Amazon is number three in online ads, closing in on Google and Facebook, CNBC (September 19, 2018), https://www.cnbc.com/2018/09/19/amazon-third-largest-digital-ad-platform-behind-facebook-google.html.
 Amazon Surpasses 10% of U.S. Digital Ad Market Share, WALL ST. J. (April 6, 2021), https://www.wsj.com/articles/amazon-surpasses-10-of-u-s-digital-ad-market-share-11617703200
 Id.

²³ Id.

²⁴ Amazon seen triumphing over Apple privacy changes in digital ad business, Reuters (Oct. 27, 2021), https://www.reuters.com/technology/amazon-seen-triumphing-over-apple-privacy-changes-digital-ad-business-2021-10-27/.

²⁵ Google's biggest threat in advertising is Amazon, WPP's Sorrell says, CNBC (March 1, 2017), https://www.cnbc.com/2017/03/01/amazon-is-the-biggest-threat-to-google-in-advertising-snap-facebook-thraet-martin-sorrell-wpp-ceo-says.html.

2. FTC's digital ad guidelines require clear and conspicuous labeling of advertisements.

Section 5(a) of the FTC Act, 15 U.S.C. § 45(a), prohibits "unfair or deceptive acts or practices in or affecting commerce." According to the FTC, "a representation, omission, or practice is deceptive if it is likely to mislead consumers acting reasonably under the circumstances and is material to consumers – that is, it would likely affect the consumer's conduct or decisions with regard to a product or service." Only a "significant minority of reasonable consumers," need be deceived for the representation to be found deceptive. 27

According to the Commission, "advertising and promotional messages that are not identifiable as advertising to consumers are deceptive if they mislead consumers into believing they are independent, impartial, or not from the sponsoring advertiser itself. Knowing the source of an advertisement or promotional message typically affects the weight or credibility consumers give it... [and] may influence whether and to what extent consumers choose to interact" with the message. ²⁸ Misleadingly formatted advertisements "are deceptive even if the product claims communicated are truthful and non-misleading." ²⁹

Applying these well-established principles to advertising placed on online search engine result pages (SERPs), the FTC has advised digital search providers that it is deceptive to fail to "clearly and prominently" visually distinguish advertisements from organic search results, ³⁰ and identified a set of specific guidelines to prevent such deception. These guidelines provide that advertisements should be distinguished by borders and/or shading as well as prominent text labels:

[I]n distinguishing any top ads or other advertising results integrated into the natural search results, search engines should use: (1) more prominent shading that has a clear outline; (2) a prominent border that distinctly sets off advertising from the natural search results; or (3) both prominent shading and a border.

B. Text Labels

In addition to the visual cues a search engine may use to distinguish advertising, it also should have a text label that: (1) uses language that explicitly and unambiguously conveys if a search result is advertising; [and] (2) is large and visible enough for consumers to notice it.³¹

The guidelines also provide that text labels should be placed where consumers are most likely to notice them, in the upper left corner:

²⁶ FTC Policy Statement on Deception, appended to Cliffdale Assocs., Inc., 103 F.T.C. 110, 174 n.20 (1984).

²⁷ Id.

²⁸ Id.

²⁹ See, e.g., Complaint, ADT LLC; Georgetown Publ'g House Ltd. P'ship, 121 F.T.C. 392; JS&A Grp., Inc., 111 F.T.C. 522

³⁰ Sample Letter to General Purpose Search Engines, Fed. Trade Comm'n, June 24, 2013, at 3, https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-consumer-protection-staff-updates-agencys-guidance-search-engine-industryon-need-distinguish/130625searchenginegeneralletter.pdf.
<a href="https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-consumer-protection-staff-updates-agencys-guidance-search-engine-industryon-need-distinguish/130625searchenginegeneralletter.pdf.
https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-consumer-protection-staff-updates-agencys-guidance-search-engine-industryon-need-distinguish/130625searchenginegeneralletter.pdf.

[The text label should be] located near the search result (or group of search results) that it qualifies and where consumer will see it.

We have observed that search engines have reduced the font size of some text labels to identify top ads and other advertising and often locate these labels in the top right-hand corner of the shaded area or "ad block," as is the case with top ads. Consumers may not as readily notice the labels when placed in the top right-hand corner, especially when the labels are presented in small print and relate to more than one result. Web research suggests that web pages are normally viewed from left-center to right, with substantially less focus paid to the right-hand side.

Thus, we recommend that search engines place any text label used to distinguish advertising results immediately in front of an advertising result, or in the upper-left hand corner of an ad block, including any grouping of paid specialized results, in adequately sized and colored font.³²

In short, the FTC recommends that advertisements be distinguished according to five criteria: by use of prominent background shading and/or borders, *and* by use of text labels that are properly-worded, positioned, and sized/visible to ensure consumers readily identify digital content as advertisements.

3. SOC conducted a replicable analysis of more than 130,000 Amazon search results pages according to the FTC's digital advertising guidelines.

As described below, advertisements are integrated into Amazon's search pages using multiple different formats. The SOC conducted a replicable analysis, explained further below, of more than 130,000 search pages collected from mobile and desktop searches, over several different dates, and with respect to a broad range of products, and analyzed these search pages according to the FTC's guidelines for identifying advertisements on digital platforms to avoid deceiving consumers. The analysis also examined for which advertisements Amazon delays loading the ad label, the so-called "lazy load" described below.

Each Amazon SERP used a similar general format. Product search results are displayed either in a grid with four products per row or as a list with one product per row. The primary differences depend on whether the SERP is displayed on a mobile device like a cell phone (hereafter referred to as mobile) or on a computer monitor (hereafter referred to as desktop). Amazon uses the label "Sponsored" on content that is paid for by third-party advertisers, although as explained in Section 4 below, this identification does not necessarily otherwise conform to FTC guidelines for online advertisements.

At the top of each SERP is a top banner advertisement ("Top Banner Ad") that displays one to three advertised products. Below the Top Banner Ad is the main grid or body that mixes organic search results and advertisements. Advertisements that appear in the main body with organic search results are referred to herein as "Main Body Ads." A visual of the flow of a typical Amazon SERP is in Appendix A.

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³² Id. at 4.

Featured subsections are visually distinct from the main list of search results and typically contain two to five results. These subsections can sometimes have other features like product videos. Featured subsections have titles like "Amazon's Choice" (which feature non-advertised search results), "Highly rated" (which feature third-party advertisements), and "Editorial Recommendations" (which feature commission-based search results), among others. One such break away is a subsection comprised only of advertisements, referred to herein as a "Subsection Ad." All of the subsections are typically frontloaded in the top half of the SERP.

Lastly, at the bottom of each SERP is a display ad banner. While these ads are broadly related to the search term, they are often not specifically responsive and, thus, are excluded from the analysis.

SOC conducted a replicable analysis of more than 130,000 Amazon search pages according to FTC criteria.

Our findings are based on data SOC analysts collected from Amazon search pages on ten separate days³³ over a period of ten weeks (from August 30 to November 11, 2021).

SOC analysts collected data on both the desktop and mobile versions of Amazon SERPs. 34 For each, the most common screen sizes in the U.S. were used. For desktop this was the size of a standard wide screen monitor (1920 by 1080 px), and for mobile it was the size of an iPhone 5/6/7 plus (414 by 726 px). 35

On each day that data was collected, SOC analysts conducted 155 searches on the desktop SERP and 155 searches on the mobile SERP. The 155 search terms were compiled by combining 75 of the top 100 keyword searches on Amazon³⁶ with 80 diverse items from the Consumer Price Index basket of goods.³⁷ Given that these searches were conducted on ten different days, SOC analysts ran a total of 3,100 searches for the full period.³⁸ The complete list of these search terms is provided in Appendix B. This

³³ The specific dates on which data were collected are Aug. 30, Aug. 31, Sept. 1, Sept. 4, Sep 13, Sept. 30, Oct. 6, Oct. 18, Nov. 10, and Nov. 11, all in 2021.

³⁴ The analysts did not collect data using Amazon's mobile app. However, a review of a number of searches on the app suggest the compliance issues flagged in this complaint via mobile are consistent on Amazon's app. This is not surprising given that Amazon indicates that "the app experience should be as consistent as possible with the desktop experience and [mobile] store experience..." Why retailers are still playing catch-up to Amazon's app, Retail Dive, https://www.retaildive.com/ex/mobilecommercedaily/why-retailers-are-still-playing-catch-up-to-amazons-app.

³⁵ Screen Resolution Stats United States Of America, Statcounter (Oct. 2021), https://gs.statcounter.com/screen-resolution-stats/all/united-states-of-america.

³⁶ Top Amazon Searches (2021), ahrefs (Jan. 1, 2021), https://ahrefs.com/blog/top-amazon-searches. The 75 search terms selected from the top 100 keyword searches on Amazon exclude Amazon brand products, video streaming titles, and duplicative search terms such as "bluetooth earbuds" when "wireless earbuds" was already included. *Id*.

³⁷ Consumer Price Index, U.S. Bur. of Labor Statistics, https://www.bls.gov/cpi/additional-resources/entry-level-item-descriptions.htm (last accessed on Nov. 18, 2021). The 80 search terms selected from the CPI basket of goods are for items that are available for purchases on Amazon's online platform and exclude items such as rent, new vehicles, physician services and airfare.

³⁸ 155 searches x 2 devices x 10 days = 3,100 total searches.

search process yielded a total of 131,690 product results. These products formed the dataset analyzed for the submission, hereafter referred to as the SOC Dataset.

For each individual search, SOC analysts downloaded the entire HTML code of the SERP and took a screenshot of the first page fold (the part of the SERP that is visible before scrolling). SOC analysts developed an algorithm to review each downloaded SERP's HTML code to categorize the results into a "Category" (organic results, third-party advertisements, etc.) and a "Subcategory" which is based on the placement of the results (placement as Top Banner Ad, Main Body Ad, etc.).

SOC analysts grouped the 131,690 product results into the result categories and subcategories set out in Table 1.

Search Result Category	Product Subcategory (Location)
Organia	Organic result in main body of results
Organic	Non-featured Amazon brand product in main body of results
	Product advertisement in main body of results (Main Body Ad)
	Product in banner advertisement (Top Banner Ad)
Third-party advertisements	Product in subsection advertisement (Subsection Ad)
	Product in video advertisement
	Advertised product in subsection
Non-advertised featured	Product in non-advertised subsection
	Amazon brand featured product in main body of results
Amazon brand featured	Amazon brand featured product in 'Top from our brands' subsection
	Amazon brand featured product in brand banner
Commission based featured	Product in a subsection where a third-party earns commission

Table 1: Online SERP results categorization

- "Organic": includes products that appear in the main body of results, do not have a "Sponsored" label, and are not, as far as we know, advertisements paid for by third parties.
- "Third-party advertisements": includes all products that have a "Sponsored" label regardless of where the product appears on the page.³⁹
- "Non-sponsored featured": includes non-advertised subsections that are visually distinct from the main body of results, have a title such as "Amazon's Choice" and "Parent's Pick," and feature a list of products.
- "Amazon brand featured": includes Amazon products that have a "featured from our brands" label or appear in Amazon's "Top from our brands" subsection.

³⁹ The ad banners at the bottom of SERPs were excluded because they are not directly responsive to the specific search terms.

• "Commission based featured": includes products that appear in subsections like "Editorial recommendations" and "Best [product] by [reviewer]" whereby third-party reviewers receive a commission from sales of the products they recommend. 40

Further details on the subcategories in Table 1 are available in Appendix C.

The SOC analyzed three subcategories of advertisements: Top Banner Ads, Main Body Ads, and Subsection Ads, all of which are a type of paid third-party advertisement. Together, these three categories comprise 93% of third-party advertisements in the SOC Dataset.

In addition, the SOC algorithm was developed to determine whether the advertisements conform to the FTC's guidelines for distinguishing advertised content from organic search results on SERPs, according to the following criteria:

- 1. Prominent shading
- 2. Prominent border
- 3. Clearly worded text labels
- 4. Text label "large and visible"
- 5. Text label placement in left or top left corner of the advertised results

SOC independently analyzed which advertisements in the SOC Dataset used the "lazy load" feature once that issue was discovered.

4. SOC's analysis determined deception on Amazon's online search pages was massive because Amazon's advertisements both categorically violated the FTC's guidelines and constituted an overwhelming portion of Amazon's search pages.

SOC analyzed the SOC Dataset according to two sets of criteria. First, the SOC Dataset was analyzed to determine, of the third-party advertisements, which adhered to the FTC guidelines for properly identified and distinguished online advertisements. Those results are reported immediately below. That analysis showed that Amazon is failing to comply with the FTC's guidelines for online ads, and that **none** of its third-party advertisements analyzed comply with **all** of the FTC's guidelines. Second, SOC analyzed the Dataset for the prevalence of Amazon ads on its SERPs, and found that advertisements are an overwhelming portion of Amazon's search results, constituting more than one-quarter (28 percent) of all search results.

Amazon's advertisements massively and categorically violated FTC's digital ad guidelines.

The SOC analyzed 3,100 SERPs, and found rampant violations of the FTC's online advertising guidelines. This section discusses the findings according to each FTC guideline and provides examples of violations, which are illustrated by screenshots. The screenshot can be referenced in Appendix D according to the

⁴⁰ Amazon Affiliate Program: How to Become an Amazon Associate to Boost Income, HubSpot, https://blog.hubspot.com/sales/amazon-affiliate (last accessed Nov. 18, 2021).

screenshot number provided in the text. SOC results are summarized in Table 2 at the end of this subsection.

As these results show, *none* of Amazon's third-party paid ads analyzed complied with **all** the FTC's guidelines, even though the FTC has found that complying with all guidelines substantially increases consumers' ability to distinguish ads. *No* Amazon ads were distinguished from organic search results by prominent shading, and only 1% were distinguished by a prominent border. More than 6 in 10 (61%) lacked a large and visible label.

Guideline 1: Prominent Shading

FTC guidelines state that online search page advertisements should have "more prominent shading that has a clear outline." ⁴¹ SOC found no instances in the SOC Dataset of Amazon using shading, prominent or otherwise, to distinguish advertisements from organic content.

On both the desktop and mobile SERPs in the SOC Dataset, Amazon used the same white background for both advertised and organic content. Amazon placed a light gray shaded square around some images of individual products, but its use was random; that is, it did not use this format to actually distinguish advertised from organic content.

On the desktop, for example, Screenshot 1a of a desktop SERP for "camera" shows that while the product images in the Top Banner Ad at the top of the page are each backed by a gray shaded box, both organic search result images and Main Body Ads are placed against white backgrounds, with no shading to distinguish organic search results from ad content.

Similarly, with respect to mobile results, Screenshot 1b of a mobile SERP for "jewelry" illustrates that Amazon displayed product images in Top Banner Ads, Main Body Ads, *and* organic search results backed by a gray shaded box. Again, however, the gray shaded box was not used to distinguish advertised from organic content because it was used with every image, ad or not.

Screenshot 1c of a mobile SERP for "mens sport coats & blazers" shows no shading behind the product images in the Top Banner Ad whereas, again, both organic search results and advertisements below are backed by a gray-shaded box.

Guideline 2: Prominent Borders

Online advertisements should have a "prominent border that distinctly sets off advertising." ⁴² However, in all but a small minority of instances (1.1%), the advertisements in SOC's Dataset did not comply with this guideline. As with shading, borders were used in some instances, but were used for both advertisements and organic search results and not to identify or distinguish advertisements.

⁴¹ Supra n.30 at 3.

⁴² Id.

As stated above, product search results in Amazon's desktop SERPs in the SOC Dataset were displayed either in a grid with four products per row or as a list with one product per row. Amazon did not place any kind of border between advertised and non-advertised products in these sections.

Screenshot 2a, of a desktop SERP for "baby clothes" is an example of this layout which shows no border between the results on each row.

Screenshot 2b, of a desktop SERP for "bicycles" illustrates the one product per row layout. Although the rows are separated by a light gray line, the same line is used to separate both advertised and non-advertised content.

Among the SERPs in the SOC data, Amazon separated sponsored subsections with a reasonably visible gray line. However, as Screenshot 2c of a desktop SERP for "sofas" illustrates, it used the same horizontal line to differentiate the "Customers frequently viewed" subsection — a third-party advertisement — as it did to differentiate the "Today's deals" subsection with non-advertised results.

Similarly, as Screenshot 2d of a SERP for "airpods" illustrates, Amazon placed a gray horizontal line between the Top Banner Ad and the main body of the SERP below, but used the same gray line between all rows whether they contained advertisements or not.

Of the Top Banner Ads in the mobile SERPs in the SOC Dataset, 41 percent were enclosed with a faint gray border. (Color code #dddddd, width 1). This border did not adequately distinguish the advertisements, however, because it was only slightly darker than the gray border enclosing all product results. (Color: #f5f5f5, width 1). This format is illustrated in Screenshot 2e of a mobile SERP for AAA batteries.

Guideline 3. Clearly-Worded Text Labels

The FTC requires that text labels on online advertisements "use[] language that explicitly and unambiguously conveys if a search result is advertising." Three-quarters (76.6 %) of Amazon advertisements in the SOC Dataset complied with the standard because they were consistently labeled "Sponsored." However, the key category of Subsection Ads – in which 22 percent of all advertised products in the SOC Dataset appeared – failed to comply. This was the case because although Amazon used the "Sponsored" label, it greatly reduced the clarity and explicitness of this label by burying the label within text that did not communicate that the content was an advertisement, and in fact tended to contradict that message.

First, Amazon placed the labels immediately below far more prominent section titles displayed in larger, darker font (24 point black font) than the "Sponsored" label (11 point gray font). These titles used the phrases "Highly rated," "Customers frequently viewed," and "Today's deals."

In addition, for the subsections labelled "Highly rated" – which accounted for 92 percent of sponsored subsections, Amazon placed the phrase "Based on star rating and number of customer ratings," immediately following the "Sponsored" label in the same font and shade. The combined effect of the section title and the text following the "Sponsored" label is to confuse and distract from the label's meaning. This formatting is illustrated by Screenshot 3a of a desktop SERP for "sofas."

Amazon further muddied the waters by using the identical subsection titles for subsections that sometimes contain advertised products and sometimes do not. This is illustrated by Screenshots 3b and 3c which show mobile SERPs for "girl's footwear" and "women's tops." Both subsections use the same title – "Customers Frequently Viewed" – but in the instance of the girl's footwear, the subsection features third-party advertisements while the one for women's tops feature non-advertised results. For these reasons, these subsections violate the FTC's clear wording guideline.

Guideline 4. Text label "large and visible enough for consumers to recognize"

FTC guidelines state that text labels should be "large and visible enough for consumers to recognize." While Amazon's mobile SERPs in SOC's Dataset complied with this guideline, none of Amazon's desktop SERPs complied. Overall, only 39% of Amazon's ads in the SOC Dataset had large and visible text labels identifying advertisements.

With respect to desktop SERPs, SOC found *no instances* in which Amazon identified any of its desktop advertisements with a text label that was large and distinctive enough to be conspicuous. Amazon used a size 11 gray font (color code #565959) for "Sponsored" labels on its desktop SERPs, and a size 16 black font for its product titles. The significant color and font size differences between the product title and "Sponsored" label made the product title far more prominent than the "Sponsored" label, making it difficult for consumers to distinguish the ad label. Amazon used the same inadequate formatting for "Sponsored" labels and titles for Top Banner Ads, Main Body Ads, and Subsection Ads. This formatting is illustrated by Screenshot 4a of a desktop SERP for "bedroom furniture."

With respect to mobile, Amazon used the same font and color for "Sponsored" labels on mobile SERPs as it did for desktop SERPs. These labels appear more conspicuous on mobile SERPSs, however, because font sizes for other elements of the mobile display are smaller than they are on the desktop. Hence, it appears that Amazon is arguably compliant with this standard on mobile SERPs.

Guideline 5. Text labels located left or top left corner of the advertised results

The FTC requires text labels for advertised products on SERPs to be "located near the search result (or group of search results) that it qualifies and where consumer will see it." The FTC further specifies that labels be placed "immediately in front of an advertising result, or in the upper-left hand corner of an ad block." SOC's Dataset included no instances where Amazon's text labels for Top Banner Ads on desktop SERPs were properly positioned, and SOC found that Amazon did not comply with this guideline for 59 percent of the Top Banner Ads on mobile SERPs. With respect to all advertisements analyzed, almost 20 percent of Amazon's ads did not comply with this guideline.

Top Banner Ads that appeared on desktop SERPs entirely failed to comply with this guideline. On these ads, the "Sponsored" label was always placed on the lower-**right** corner of the screen although the

⁴³ Id.

⁴⁴ Id. at 3-4.

⁴⁵ *Id*.

guideline specifies left, as illustrated by Screenshot 5a, a desktop SERP for "chromebook." This mislabeling is particularly egregious because labels for Top Banner Ads often serve to identify multiple product search results and not just one, making the difficult-to-locate label particularly misleading.

On mobile SERPs, the text label placement for Top Banner Ads varied, including among the searches for the same terms conducted on different days. For example, Screenshots 5b and 5c, of mobile SERPs for "blender" retrieved on consecutive days, shows the "Sponsored" label appearing in one case to the lower right of the ad (non-compliant), and in the other at the top left corner (compliant) of the ad.

Amazon engaged in deception unanticipated by FTC guidelines by delaying even loading ad labels through "lazy loading" for an entire category of advertisements

In the key category of Top Banner Ads, Amazon uses a deceptive practice so brazen as to be unanticipated by FTC guidance – that of loading the text labels identifying the content as advertising after the ad's product image as well as the rest of the page had loaded. On desktop SERPs, the "Sponsored" label loaded up to 3 seconds after the Top Banner Ad had loaded for internet speeds of 12 to 25 Mbps, the average internet download speed in the U.S. ⁴⁶ The loading time for the "Sponsored" label extended up to 7 seconds for "Basic" Wi-Fi download speeds of 3 to 8 Mbps, and upwards of 15 seconds if accessed through a 3G or 2G hotspot connection.

This deliberately-engineered delay in loading time for the advertising labelling likely has a material impact on Amazon SERP users, and one that falls most heavily on low-income people, people of color, and rural populations. According to a study of by NN/g, SERP viewers on average click on a result in just 3.1 seconds for "fact-finding" tasks.⁴⁷ For the 23 percent of U.S. adults who do not have internet broadband at home the impact is likely worse. Low-income, and Black and Latino households are particularly likely to lack broadband access at home, ⁴⁸ and might have to use 3G or even 2G hotspot to access the internet on a desktop. Because of lack of access to broadband, these populations may be likely deceived because ad labels do not load before they are likely to click on the ad.

In summary, these examples provide visual and descriptive illustrations of the ways in which Amazon's third-party advertisements pervasively violate the FTC's online advertising guidelines. Complete results of the analysis of the SOC Dataset for Amazon's rate of compliance with FTC guidelines for each of the three key subcategories of ads are provided in Table 2.

As the table shows, none of Amazon's SERP advertisements in SOC's Dataset complied with the full set of FTC online advertising guidelines requiring such advertisements to be distinguished by prominent shading, a prominent border, and by text labels that are clearly worded, large and visible, and prominently located. Of the individual FTC guidelines, the guideline requiring prominent shading was

⁴⁶ 'What is a good internet speed?': The internet speeds you should aim for, based on how you use the internet, Bus. Insider (April 20, 2020), https://www.businessinsider.com/what-is-a-good-internet-speed

⁴⁷ Kate Moran and Feifei Liu, *How People Read Online: the Eyetracking Evidence*. 2d ed., at 190, https://www.nngroup.com/reports/how-people-read-web-eyetracking-evidence

⁴⁸ *Internet/Broadband Fact Sheet*, Pew Research (April 7, 2021), https://www.pewresearch.org/internet/fact-sheet/internet-broadband.

never complied with; the prominent border guideline was complied with only in the single category of Top Banner Ads on mobile SERPs – a mere 1.1% of the total dataset; and the guideline for a large and visible text label was complied with in **none** of desktop SERP ads. And for the guidelines requiring a clearly-worded text label, an entire category of ads on desktop, Top Banner Ads, failed to comply with the text label placement requirement because the label was always placed on the right side where consumers are not likely to look before clicking.

Finally, SOC found that on its desktop SERP, Amazon designed the labels required to identify Top Banner Ads as advertisements to load more slowly than the content of the ads by up to three seconds on the desktop SERP on a typical home broadband connection, a so-called "Lazy Load." This delay is long enough to make the identification of the content as an ad irrelevant, because the load time would have given consumers ample time to click on the content before realizing it was an (unidentified) advertisement. Top Banner Ads comprised 19 percent of the desktop SERP advertisements in the SOC Dataset, and **all** of these ads displayed the Lazy Load feature.

Table 2: Amazon advertisement compliance with FTC guidelines by device and ad type, SOC Dataset

		Desktop			Mobile			All SERPS				
FTC Online Ad Guideline	Top banner ads	Main body ads	Sub- section ads	Overall	Top banner ads	Main body ads	Sub- section ads	Overall	Top banner ads	Main body ads	Sub- section ads	Overall
Prominent shading		0%		0%		0%		0%		0%		0%
Prominent border		0%		0%	9.1%	0%	0%	2.9%	4.6%	0%	0%	1.1%
Text label clearly worded	100%	100%	0%	82.9%	100%	100%	0%	66.8%	100%	100%	0%	76.6%
Text label large & visible		0%		0%		100%	•	100%	49.9%	26.2%	55.2%	38.8%
Text label at left or top left corner	0%	100%	100%	79.8%	41.4%	100%	100%	81.4%	20.7%	100%	100%	80.4%

Amazon's Advertisements Dominated Amazon Online Search Pages.

While Amazon's blatant and nearly wholesale noncompliance with online ad guidelines is egregious and troubling, the overall pervasiveness of advertising within Amazon's purportedly organic search results is equally disturbing. The results provided in more detail below indicate a substantial portion of what customers may believe are organic search results were instead content for which third parties paid Amazon to attempt to influence customers' clicks and purchases. Moreover, SOC found the most prevalent type of ad occurred in the main body of results – that is, the Main Body Ads that appear directly alongside organic results with, as noted above, no shading or borders to distinguish them from organic results. SOC also found Amazon front-loaded ads so that they are even more dominant in the top quartile of the SERP, so that fully *half* of the top quartile of SERPs comprised ads, with *two-thirds* of the top quartile on mobile phones comprising advertisements. These results indicate such an intense use of advertising by Amazon that they call into question whether Amazon's search pages as a whole are truly even "search results," or something else entirely.

As shown in Table 3, third-party advertisements accounted for more than a quarter of all search results (28 percent) on both desktop and mobile in the SOC data. This figure is higher with respect to the mobile SERPs alone, in which advertised products accounted for a third (32.5%) of all search results. SOC analysts found that organic results accounted for only 61 percent of results across the desktop and mobile SERP results in the Dataset, and just over half of mobile SERP results.⁴⁹

Table 3: Number and share of Amazon SERP results, by category and device, SOC Dataset

Colombia	Desl	ktop	Мо	bile	Total		
Category	Number	Share	Number	Share	Number	Share	
Organic	56,160	64.4%	23,926	53.8%	80,086	60.8%	
Third-party advertisement	22,129	25.4%	14,442	32.5%	36,571	27.8%	
Non-advertised featured	5,434	6.2%	3,422	7.7%	8,856	6.7%	
Amazon brand featured	2,310	2.6%	1,580	3.6%	3,890	3.0%	
Commission based featured	1,167	1.3%	1,120	2.5%	2,287	1.7%	
Total	87,200	100%	44,490	100%	131,690	100%	

As shown in Table 4, breaking down the category of third-party advertisements further reveals that advertised products that appear in the main body of search results – Main Body Ads – made up the largest share of third-party advertisements on both desktop (59.1%) and on mobile (32.2%) devices.

⁴⁹ The three other categories – Non-advertised featured, Amazon brand featured and Commission based featured – accounted for less than 12 percent of the products combined.

Table 4: Share of Amazon third-party advertisements, by subcategory and device, SOC Dataset

Third-party advertisements subcategories	Desktop	Mobile	Overall
Product advertisement in main body of results (Main Body Ad)	59.1%	32.2%	48.5%
Product in banner advertisement (Top Banner Ad)	19.1%	29.1%	23.0%
Product in subsection advertisement (Subsection Ad)	16.1%	30.5%	21.8%
Product in video advertisement	4.9%	8.3%	6.3%
Advertised product in subsection	0.8%	0.0%	0.5%

The next two subcategories – 'Product in banner advertisement,' or Top Banner Ads, and 'Product in sponsored subsections,' or Subsection Ads – each made up just over 20 percent of the advertised products.⁵⁰

Furthermore, Amazon frontloads its advertising content and emphasizes high-visibility placements for its advertising. One way to capture this is to examine the share of advertisements per SERP quarter, where the first SERP quarter is the first 25 percent of product rows that are returned by Amazon search function, the second SERP quarter is the next 25 percent of product rows, the third SERP quarter is the next 25 percent of product rows, and the fourth quarter is the last 25 percent of product rows.

Table 5: Amazon ad share by device and SERP quarter, SOC data

SERP Quarter	Desktop	Mobile	Overall
First	44.2%	66.3%	51.0%
Second	18.3%	40.9%	27.0%
Third	16.1%	13.7%	15.3%
Fourth	20.5%	2.2%	14.5%

As displayed in Table 5, advertisements dominate the most immediately visible and best-positioned results on Amazon's SERP pages. Specifically, *half* of the search results that are returned in the first SERP quartile are composed of ads. Put differently, of the top results that consumers view, half are third-party advertisements. On mobile devices, the share of advertisements is highest, with two of every three search results an advertisements in the first SERP quartile. Ads dominate the top two screenfuls of the SERPs where, according to studies, consumers spend most of their viewing time. ⁵¹ Over a quarter of the

⁵⁰ Because 'Product in video advertisement' and 'Advertised product in subsection' made up fewer than seven percent of results overall, we did not include these two subcategories in our discussion of violations.

⁵¹ 10 Useful Findings About How People View Websites, CXL (Feb 23, 2020), https://cxl.com/blog/10-useful-findings-about-how-people-view-websites.

results in the second SERP quartiles are also composed of advertisements. The share of results that are paid advertisements falls sharply in the third and fourth SERP quartiles, where far fewer consumers scroll to view results.

5. Amazon's digital advertising practices overwhelmingly violate Section 5 because they are deceptive in multiple ways.

Amazon's virtually wholesale disregard for the FTC's online advertising guidelines, together with the widely pervasive domination of search results by advertisements and unprecedented deceptions such as the "lazy load" feature – well-positioned to attract maximum customer attention – are clearly likely to mislead consumers, affect their choices, and impact far more than a "significant minority" of consumers, ⁵² and thus constitute unlawful deception under Section 5 of the FTC Act. In fact, Amazon's violations are so blatant and pervasive, they suggest Amazon may have deliberately formatted its ads to deceive customers. Moreover, the overwhelming presence of surreptitious advertisements on Amazon's search results pages calls into question whether the entire enterprise of representing Amazon's platform as producing "search results" is itself unlawfully deceptive. ⁵³

Amazon's pervasive and categorically deceptive advertisements violate Section 5 because they clearly have a significant impact on consumers.

A practice is deceptive under Section 5 if it is likely to mislead consumers, if it is material to consumers – in other words whether it is likely to affect a consumer's "conduct or decisions," ⁵⁴ and if it affects at least a "significant minority of reasonable consumers. ⁵⁵

Amazon's misleading formatting choices clearly constitute unlawful deception. As Section 4 shows through detailed examples and summary findings, Amazon's advertising practices so thoroughly violate the FTC's online ad guidelines that assuming the guidelines are effective at preventing consumer deception – and FTC supporting research suggests they are – Amazon's widespread failure to follow the guidelines make it highly likely these practices are misleading consumers. A survey by Goat Consulting, an Amazon seller consulting company, found that fully **half** (50%) of Amazon customers say they are unable to distinguish Amazon advertisements from search results. ⁵⁶ The FTC has concluded that where advertisers fail to use the full set of visual cues set out in its guidelines, the percentage of consumers who fail to accurately identify ads increases from 47 percent to 68 percent. ⁵⁷ Because **none** of Amazon's

⁵² *Supra* n.26.

⁵³ Searching and Browsing for Items, Amazon.com, https://www.amazon.com/gp/help/customer/display.html?nodeId=GSUNWNFT2ALMPR3L (last accessed Nov. 18, 2021).

⁵⁴ *Supra* n.26.

⁵⁵ *Id*.

⁵⁶ Amazon Customer Research, Goat Consulting (Aug. 2019), at 46, https://static1.squarespace.com/static/57e99ddc8419c2d1fa85c7a8/t/5d6401c9e074e4000115ed42/1566835165 264/Amazon+Customer+Research.pdf.

⁵⁷ Blurred Lines: An Exploration of Consumers' Advertising Recognition in the Contexts of Search Engines and Native Advertising, Fed. Trade Comm'n (Dec. 2017), at 22, https://www.ftc.gov/system/files/documents/reports/blurred-

advertisements examined by the SOC complied with **all** of the FTC's online advertisement guidelines, the advertisements in the SOC Dataset were likely to deceive consumers.

Amazon's Top Banner Ads may be particularly likely to deceive customers. As the FTC recognizes, nearly half of consumers do not recognize top ads as distinct from natural search results. ⁵⁸ Advisors to Amazon third-party sellers counsel that ads and products appearing at the top of the page, or "Top of Search" ads, tend to be clicked on more often by consumers. ⁵⁹ Furthermore, a study ran by PPC Ninja found that Top of Search ads usually generate the most sales relative to other types of ads. ⁶⁰ Advertisers can adjust their bids for advertising space based on placement, ⁶¹ and e-commerce intelligence firm Pattern describes the top of search results as "the most sought after spot." ⁶² In an example cited by Pattern, Top of Search ads made up just 3 percent of total ads but accounted for 71 percent of sales. ⁶³ The effectiveness of Top of Search ads has made them highly competitive among advertisers. ⁶⁴

Amazon not only makes extensive use of Top Banner Ads (Amazon's Top of Search ads that appear across the top of the page), which appeared on every search result page in SOC's Dataset, but its Top Banner Ads are also among the most blatantly noncompliant under the FTC's guidelines. The Top Banner Ads are the subcategory of ad for which SOC found Amazon always placed the ad label in the lower right hand corner on desktop SERPs, rather than the upper left corner where FTC guidelines state it should be placed because this is where customers look first. Because multiple items are grouped together in the Top Banner Ads, with only a single ad label for the entire group of items that is deceptively placed away from where consumers most tend to look, these ads are particularly likely to deceive consumers. Most disturbing, these are the ads that on the desktop use the "Lazy Load" feature designed to deliberately delay loading the "Sponsored" label for several seconds, which prevents consumers from seeing the information identifying them as ads before they are likely to click on them.

Amazon's deception is also material, because substantial evidence from multiple sources indicates that Amazon's advertising practices are likely to affect consumers' conduct or decisions. Industry sources show that several of the aspects of Amazon's advertisements that violate FTC guidelines are the precise qualities Amazon business advisors have highlighted as advantages of placing ads with Amazon. Webretailer, a resource for businesses that sell on Amazon and similar websites, counsels advertisers

<u>lines-exploration-consumers-advertising-recognition-contexts-search-engines-native/p164504 ftc staff report re digital advertising and appendices.pdf.</u>

⁵⁸ Id

⁵⁹ The complete guide to Amazon PPC ad placements, Downstream (July 4, 2018), https://www.downstreamimpact.com/blog/complete-guide-amazon-ppc-ad-placements/.

⁶⁰ Top of Search or Product Pages? What is the best Ad placement? WEBINAR: Amazon PPC, PPC Ninja (Aug. 16, 2019), at 25:50 to 26:00, https://www.youtube.com/watch?v=8q6ialQa-Hs.

⁶¹ Advertising on Amazon, Goat Consulting (March 2020), at 16, https://static1.squarespace.com/static/57e99ddc8419c2d1fa85c7a8/t/5e6902a1a3b285624dfdedb6/1583940259 558/AdvertisingonAmazonMarch2020.pdf.

⁶² 3 Sponsored Products Ad Placements & How to Use Multipliers to Win Them, Pattern (Nov. 13, 2020), https://pattern.com/blog/3-sponsored-products-ad-placements-and-how-to-use-multipliers-to-win-them/.

⁶⁴ PPC Ninja at 3:30 to 3:45.

⁶⁵ Supra n.30 at 3-4.

that "many [Amazon] shoppers are unaware of paid search placements." ⁶⁶ Downstream, a company that supports digital advertisers on Amazon, states that one of the advantages of "Sponsored Product" ads is that "products appear to be organic results, which encourages high CTR [click-through rate] and conversion rates." ⁶⁷ Ritu Java at PPC Ninja, a digital marketing company, described Amazon ads as "hidden, Amazon likes to kinda just slip these in with this really tiny, sponsored disclaimer... that's kind of good for us because we're advertisers." ⁶⁸ It is reasonable to conclude that these advisors tout these practices because they are effective in influencing consumer behavior.

The research above showing that Amazon's advertisements are likely to deceive substantial portions of Amazon's customers – such as Goat Consulting's survey showing 50 percent of customers cannot distinguish between search results and ads on Amazon – also demonstrates that far more than a "significant minority" of customers is impacted by Amazon's deception. Although not a direct measure of the portion of customers impacted, it is also worth noting the sheer number of customers likely deceived by Amazon, given its gargantuan size and dominance in retail sales: The number of visitors worldwide to Amazon's retail platform varied between 2.3 and 2.8 billion per month between January and June 2021, ⁶⁹ and 68.3% of Amazon's revenue comes from U.S. sales. ⁷⁰ Even if only a small minority of Amazon's customers were affected by its deceptive practices, the raw numbers of consumers impacted would still be sizeable by any measure, raising the importance of Amazon's widespread advertising deception and confirming that Amazon's advertising practices are unlawfully deceptive under Section 5.

Because the violations are so blatant and Amazon can be assumed to have knowledge of its ads' impact on consumers, Amazon's violations are probably deliberate.

In addition, however, Amazon's advertising practices are so categorically at odds with the guidelines for *preventing* deception that it suggests Amazon may have attempted to deliberately deceive customers by formatting ads in ways it knew would prevent them from recognizing advertisements among its search results. The FTC expects online ad publishers to monitor the effectiveness of their disclosures by, for instance monitoring click-through rates for hyperlinks, and to adjust their practices accordingly, so Amazon should understand how its practices affect consumers. Thus Amazon is either violating the requirement to monitor, or has information on whether its ads deceive consumers which industry sources clearly indicate they do.

⁶⁶ Amazon Shopper Survey Results: Four Insights For Amazon Sellers, Webretailer (Oct. 9, 2019), https://www.webretailer.com/b/amazon-shopper-survey/.

⁶⁷ Downstream, https://www.downstreamimpact.com/blog/complete-guide-amazon-ppc-ad-placements/.

⁶⁸ Supra n.60 at 6:30 to 6:50.

⁶⁹ Worldwide visits to Amazon.com from January to June 2021 (in billions), Statista (Aug. 30, 2021), https://www.statista.com/statistics/623566/web-visits-to-amazon.com/.

⁷⁰ Amazon's Revenue By Region (2013 – 2021), BusinessQuant (May 17, 2021), https://businessquant.com/amazon-revenue-by-region.

⁷¹ .com Disclosures: How to make effective disclosures in digital advertising, Fed. Trade Comm'n (March 2013), at 13, https://www.ftc.gov/sites/default/files/attachments/press-releases/ftc-staff-revises-online-advertising-disclosure-guidelines/130312dotcomdisclosures.pdf.

Evidence also indicates Amazon collects and monitors how specific advertising practices impact customers. Amazon emphasizes "high visibility placements" for its advertising. ⁷² Amazon Advertising Marketing Manager Katelynn Gonzalez stressed the importance of promoting complimentary items alongside each other, placing ads for products besides other products they are associated with, ⁷³ and Amazon's own data show that 70 percent of users do not click past page one of search results. ⁷⁴ Within individual pages, Amazon constantly tests different placements in search of what it calls the "best shopping experience" for consumers, which in practice means experimenting with different placements for ads across the top, middle, or bottom of the website and mobile app. ⁷⁵

Widespread industry knowledge discussed above regarding Amazon's specific advertising practices and their effect on customers also indicates it is highly likely that Amazon also knows, as seller-advisors do, that shoppers are unaware some content is paid advertising, ⁷⁶ that putting ads alongside organic content makes those ads appear to be organic results which encourages high click-through rates and conversion rates, ⁷⁷ and that Amazon's ad labels are so "tiny" that they are essentially "hidden." ⁷⁸ Moreover, given Amazon's aggressive collection of customer data and advanced technology and skill for analyzing that data to learn about customer behavior, ⁷⁹ it is inconceivable that Amazon does not possess intimate knowledge of precisely how its advertising affects consumers, including whether consumers are deceived about which content on its search platform are paid advertisements.

Amazon's violations are so omnipresent that Amazon's representation that its platform presents "search results" to consumers is itself deceptive.

Finally, the pervasiveness of Amazon's deceptive advertisements – both in terms of how extensively the ads violate virtually all of the FTC guidelines almost all the time, and what a heavy portion of Amazon's SERPs consist of ads that are in effect often masquerading as search results – raises fundamental questions about the integrity and even definitional quality of Amazon's search result pages and platform. Under FTC enforcement policy and precedent, Amazon's implicit and explicit representation that the platform provides consumers with "search results" is itself a deceptive act, because content whose overall format is designed to suggest it contains objective content rather than advertisements is misleading.

⁷² Amazon Advertising, Amazon.com,

https://web.archive.org/web/20211102125709/https://sell.amazon.com/advertising (last accessed Nov. 18, 2021).

⁷³ Amazon unBoxed 2021: Full Recap, Announcements, and Expert Takeaways, Tinuiti (November 2, 2021), available at https://tinuiti.com/blog/amazon/amazon-unboxed-2021-full-recap-announcements-and-expert-takeaways/.

⁷⁴ Amazon's Search Engine Ranking Algorithm: What Marketers Need to Know, Search Engine J. (Aug. 14, 2018), https://www.searchenginejournal.com/amazon-search-engine-ranking-algorithm-explained/265173/.

⁷⁵ Ad placements for Sponsored Products, Amazon.com,

https://sellercentral.amazon.com/gp/help/external/G201528480?language=en_US (last accessed Nov. 18, 2021).

⁷⁶ *Supra* n.66.

⁷⁷ Supra n.59.

⁷⁸ Supra n.58 at 6:30 to 6:50.

⁷⁹ Jeff Bezos v the world: why all companies fear 'death by Amazon', The Guardian (April 24, 2018), https://www.theguardian.com/technology/2018/apr/24/amazon-jeff-bezos-customer-data-industries.

The Commission's Enforcement Policy Statement on Deceptively Formatted Advertisements addresses advertisements that are "integrated into and presented as non-advertised content" by digital publishers. ⁸⁰ The Statement provides that "advertising and promotional messages that are not identifiable as advertising to consumers are deceptive if they mislead consumers into believing they are independent [or] impartial." It continues, such knowledge "may influence whether and to what extent consumers choose to interact with content." ⁸¹ Further, the Commission states that the format of an ad itself may be misleading, and that in considering whether an advertisement is deceptive, it considers the overall "net impression" it conveys." ⁸²

Amazon's search platform is deceptive as a whole because it is presented in a format that suggests to consumers they are obtaining objective information in the form of search results, when instead the platform effectively functions as an online billboard for Amazon advertisers without identifying it as such. The function and format of SERPs – in which consumers enter search terms, obtain results, and are unable to distinguish "organic" search results from advertisements – conveys a net impression that consumers are performing, and receiving, objectively relevant search results.

Amazon's search platform thus resembles the newspaper restaurant review column the FTC found to be a deceptive advertising format in one of the Commission's first cases addressing advertisements appearing in published news format. In that case, the FTC considered whether a newspaper column advertising the cuisine of local restaurants that "was written in narrative form, with each write-up discussing such details as how a meal was prepared, the name of the chef and/or head waiter, cocktail service offered, whether dancing was permitted, hours, and the price range of the meal" was deceptive. **B** "The Commission found that the column 'use[d] the format and ha[d] the general appearance of a news feature and/or article for public information which purport[ed] to give an independent, impartial and unbiased view of the cuisine facilities of a particular restaurant," *** and that without a clear and conspicuous "ADVERTISEMENT" label in close proximity to the ad, the advertisement was misleading. ***

Like that column, Amazon SERPs contain some objectively useful information in the form of search results, but also contain a large portion of advertising. This advertising is often indistinguishable from organic search content and is, moreover, placed more prominently in many cases than organic search content to entice customers to click on the ads rather than the objective search results. For example, SOC found that advertisements were top-loaded on the SERPs, which indicates results were not placed in order of relevance; rather advertisements were given pride of place over the most responsive results. While customers may reasonably assume that the most relevant results are those closest to the beginning of their "search results," the systematic front-loading of ads shows this is not the case.

⁸⁰ Enforcement Policy Statement on Deceptively Formatted Advertisements, Fed. Trade Comm'n (2017) at 2, https://www.ftc.gov/system/files/documents/public_statements/896923/151222deceptiveenforcement.pdf. ⁸¹ Id. at 1.

⁸² Id.

⁸³ *Id.* at 3 (citing Advisory Opinion No. 191, Advertisements which appear in news format, 73 F.T.C. 1307 (1968)).

⁸⁵ *Id.* at 3 (citing Statement in Regard to Advertisements That Appear in Feature Article Format, FTC Release, (Nov. 28, 1967)).

Moreover, Amazon explicitly represents to consumers that its platform provides them with relevant search results. For example, Amazon's Help and Customer Service page advises consumers who are "looking for a specific item ... [to] enter a few words into the search box" and Amazon will "show you the matching results," stating, "we want to help you easily find what you're looking for." These explicit representations by Amazon are also, therefore, deceptive.

Under FTC policy statements on deceptively formatted advertisements and prior precedent, it is clear that Amazon's platform – which Amazon implicitly and explicitly represents as providing organic search results to consumers – is unlawfully deceptive.

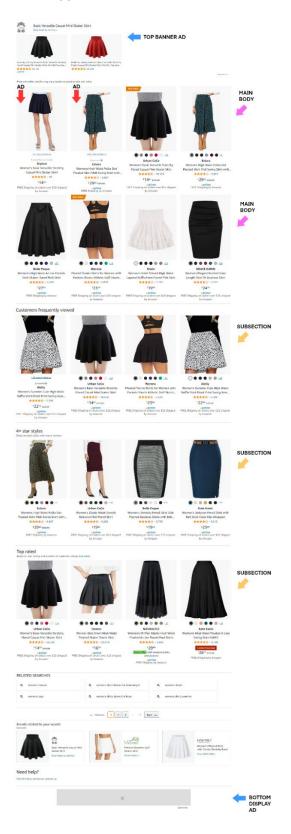
6. The Commission should act decisively to halt Amazon's misleading abuses of consumer trust.

The vast deception being perpetrated by Amazon through its blatantly unlawful advertising practices affects millions of consumers every day and should be halted. In addition, the Commission should investigate Amazon's consumer retail platform for representing to consumers that it provides consumers with "search results" if advertisements have become such a central force in the Amazon customer experience. Amazon has arguably more power than any other advertiser to impact consumers based on targeting advertising because it operates at the point of purchase, has incredibility refined and up-to-date data about its customers – and because of its sheer size and dominance of retail ecommerce. An actor as powerful and dominant as Amazon, that is clearly using this power to deceive customers through its lucrative and growing advertising business, warrants aggressive and swift action by the Commission.

⁸⁶ Searching and Browsing for Items, Amazon.com, https://www.amazon.com/gp/help/customer/display.html?nodeld=GSUNWNFT2ALMPR3L (last accessed Nov. 18, 2021).

⁸⁷ *Supra* n.3 at 5.

Appendix A: Amazon SERP Flow



Appendix B: List of SERP search terms and source in SOC Dataset

Search Term	Source	Search Term	Source
AA batteries	Top 100	dash cam	Top 100
AAA batteries	Top 100	deodorant	СРІ
air conditioning	СРІ	desk	Top 100
air fryer	Top 100	diapers	СРІ
airpods	Top 100	dishes	СРІ
apple watch	Top 100	dog food	СРІ
baby clothes	СРІ	earbuds	Top 100
Backpack	Top 100	entertainment center	СРІ
bath towels	СРІ	external hard drive	Top 100
bedroom furniture	СРІ	fitbit	Top 100
Bicycles	СРІ	food storage	СРІ
Blender	Top 100	gaming chair	Top 100
bluetooth headphones	Top 100	gaming headset	Top 100
bluetooth speakers	Top 100	gaming laptop	Top 100
Boats	СРІ	gaming mouse	Top 100
boys activewear	СРІ	gaming pc	Top 100
boys footwear	СРІ	girls dresses	СРІ
boys outerwear	СРІ	girls footwear	СРІ
boys shirts	СРІ	girls outerwear	СРІ
boys suit	СРІ	girls skirts	СРІ
boys underwear	СРІ	girls sportswear	СРІ
Camera	Top 100	girls tops	СРІ
cbd oil	Top 100	girls underwear	СРІ
Chromebook	Top 100	hair dryer	СРІ
coffee	Top 100	hand tools	СРІ
computer desk	Top 100	hdmi cable	Top 100
cooking range	СРІ	headphones	Top 100
cosmetics	СРІ	home decor	СРІ

Appendix B: List of SERP search terms and source in SOC Dataset (continued)

Search Term	Source	Search Term	Source
households items	СРІ	mens footwear	СРІ
hunting gear	СРІ	mens outerwear	СРІ
hydro flask	Top 100	mens pants	СРІ
indoor plants	СРІ	mens shirts	СРІ
infants furniture	СРІ	mens sport coats & blazers	СРІ
instant pot	Top 100	mens suits	СРІ
ipad	Top 100	mens underwear	СРІ
iphone	Top 100	micro sd card	Top 100
iphone 12 pro max case	Top 100	microwave	Top 100
iphone 12 case	Top 100	monitor	Top 100
iphone charger	Top 100	mouse pad	Top 100
jewelry	СРІ	music instruments	СРІ
keyboard	Top 100	nintendo switch	Top 100
kitchen furniture	СРІ	nintendo switch games	Top 100
kitchen towels	СРІ	office chair	Top 100
lamp	СРІ	outdoor furniture	СРІ
laptop	Top 100	outdoor plants	СРІ
laundry basket	СРІ	paint	СРІ
laundry detergent	СРІ	paper towels	Top 100
lawnmower	СРІ	pokemon	Top 100
led strip lights	Top 100	pop socket	Top 100
lego	Top 100	pots and pans	СРІ
living room chairs	СРІ	power tools	СРІ
living room tables	СРІ	printer	Top 100
luggage	Top 100	projector	Top 100
mattress	Top 100	protein powder	Top 100
mens accessories	СРІ	ps4 controller	Top 100
mens activewear	СРІ	ps5	Top 100

Appendix B: List of SERP search terms and source in SOC Dataset (continued)

Search Term	Source	Search Term	Source
refrigerator	СРІ	usb c cable	Top 100
roku	Top 100	usb hub	Top 100
sd card	Top 100	vacuum cleaner	Top 100
sewing machines	СРІ	washing machine	СРІ
shampoo	СРІ	watches	СРІ
sheets	СРІ	water bottle	Top 100
shoe rack	Top 100	water sports equipment	СРІ
shoes	Top 100	weighted blanket	Top 100
shower curtain	Top 100	wireless earbuds	Top 100
silverware	СРІ	wireless mouse	Top 100
smart watch	Top 100	womens activewear	СРІ
socks	Top 100	womens dresses	СРІ
sofas	СРІ	womens footwear	СРІ
sports equipment	СРІ	womens hosiery	СРІ
ssd	Top 100	womens outerwear	СРІ
tablet	Top 100	womens skirts	СРІ
toasters	СРІ	womens suits	СРІ
toilet paper	Top 100	womens tops	СРІ
tooth brush	СРІ	womens underwear	СРІ
toys	СРІ	xbox one controller	Top 100
tv	Top 100	yoga mat	Top 100
tv stand	Top 100		

Appendix C: Online SERP results categorization

This appendix defines the categorization system for the SERP results displayed in Table 1.

Table 1: Online SERP results categorization

Search Result Category	Product Subcategory (Location)
Organia	Organic result in main body of results
Organic	Non-featured Amazon brand product in main body of results
	Product advertisement in main body of results (Main Body Ad)
	Product in banner advertisement (Top Banner Ad)
Third-party advertisements	Product in subsection advertisement (Subsection Ad)
	Product in video advertisement
	Advertised product in subsection
Non-advertised featured	Product in non-advertised subsection
	Amazon brand featured product in main body of results
Amazon brand featured	Amazon brand featured product in 'Top from our brands' subsection
	Amazon brand featured product in brand banner
Commission based featured	Product in a subsection where a third-party earns commission

- Organic result in main body of results: a product that appears in the main search results grid and does not have a "Sponsored" label.
- Non-featured Amazon brand product in main body of results: an Amazon brand product (such as Amazon essentials) that appears in the main search results grid and neither has a "Sponsored" nor "featured from our brands" label.

Third-party advertisements:

- Product advertisement in main body of results (Main Body Ad): a product that appears in the main search results grid and has a "Sponsored" label.
- Product in banner advertisement (Top Banner Ad): a product that appears in the top brand banner where the banner has a 'Sponsored" label.
- Product in subsection advertisement (Subsection Ad): a product that appears in a subsection within the main search results grid where the subsection has a "Sponsored" label.
- Product in video advertisement: a product that appears in a subsection within the main search results grid containing one product video within the main search results and has a "Sponsored" label.
- Advertised product in subsection: a product that appears in a subsection within the main search results grid where the product, but not the subsection, have a "Sponsored" label.

Non-sponsored featured:

• *Product in non-advertised subsection*: a product that appears in a subsection within the main search results grid where neither the subsection nor the product has a "Sponsored" label.

Amazon brand featured:

- Amazon brand featured product in main body of results: a product that appears in the main search results grid and has a "featured from our brands" label.
- Amazon brand featured product in 'Top from our brands' subsection: a product that appears in a subsection within the main search results gird titled "Top from our brands."
- Amazon brand featured product in brand banner: a product that appears in the top brand banner where the banner has a 'featured from our brands' label.

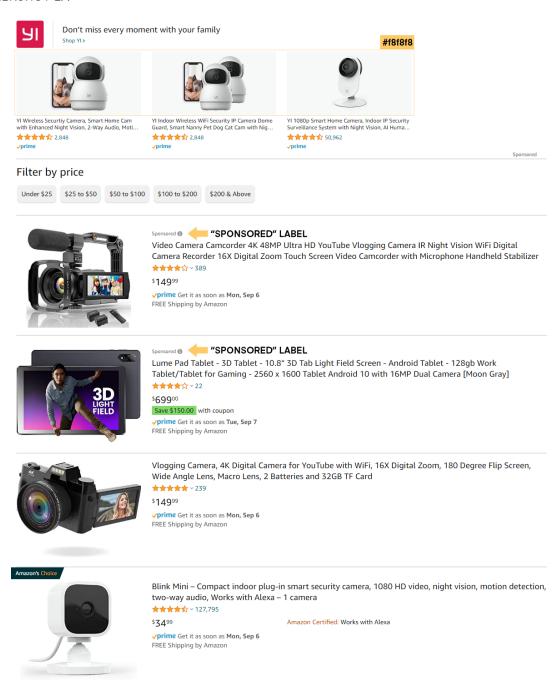
Commission based featured:

• Product in a subsection where a third-party earns commission: a product that appears in a subsection within the main search results grid where the section has a "earns commission" or "onsite affiliate program" label.

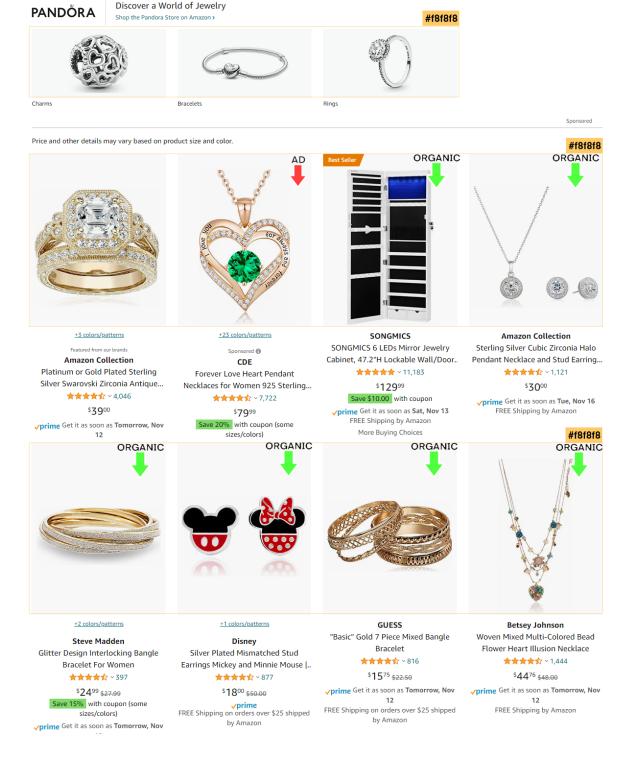
APPENDIX D

FTC GUIDELINE VIOLATIONS SCREENSHOTS

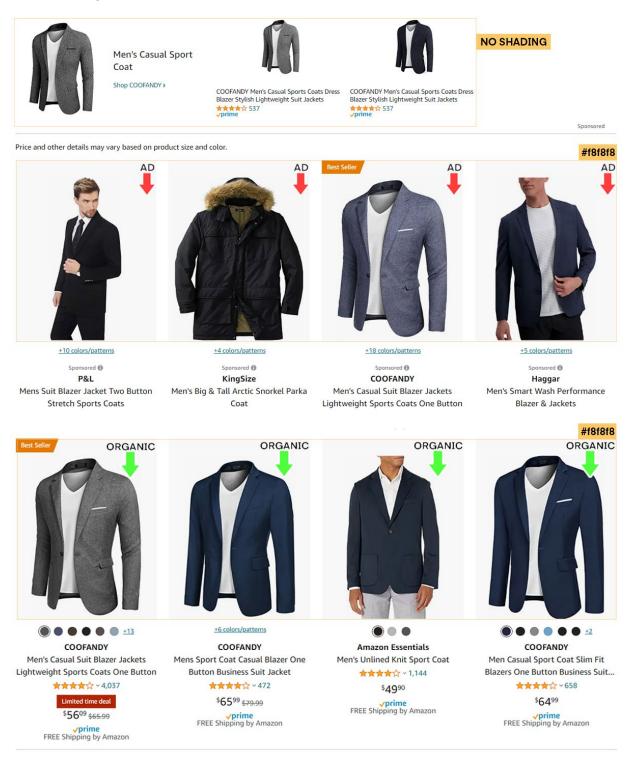
SCREENSHOT 1A



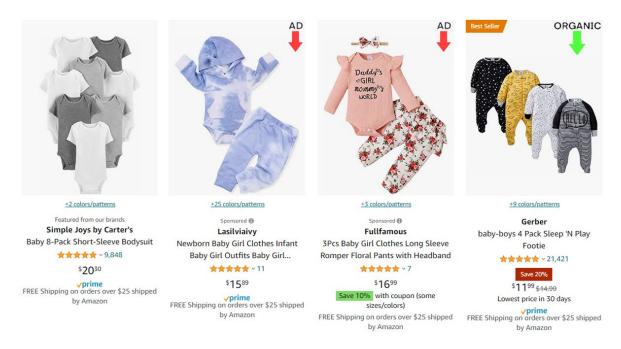
SCREENSHOT 1B



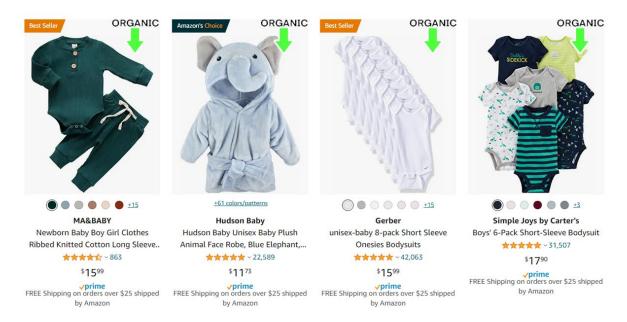
SCREENSHOT 1C



SCREENSHOT 2A



NO BORDER



SCREENSHOT 2B



Venzo Bicycle Men's Road Cycling Riding Shoes - with Bike Clipless Sealed Bearing Look Delta Compatible Pedals & 9 Degree Float Cleats

\$11998

✓prime Get it as soon as **Sun, Oct 3** FREE Shipping by Amazon Only 10 left in stock - order soon.

#dddddd



EPIKGO Electric Bike 250W Motor Powered Mountain Bicycle 26" Tire, 20MPH Adult Ebike with P.A.S and 21 Speed-Gear Shifter 36V/8AH Removable Lithium Battery

★★★☆☆ ~ 13

\$1,09742

✓prime Get it as soon as Sat, Oct 2 FREE Shipping by Amazon

#dddddd

ORGANIC Kent International Hybrid-Bicycles Springdale Hybrid Bicycle



√primeFREE Shipping by Amazon

SCREENSHOT 2C

Highly rated

Sponsored | Based on star rating and number of customer ratings







SUBSECTION AD





+4 colors/patterns

ZINUS Ricardo Loveseat Sofa / Tufted Cushions / Easy, Tool-Free Assembly, Chestnut Brown

★★★☆ ~ 1,456

\$46999

√prime

+1 colors/patterns

HONBAY Reversible Sectional Sofa Couch L-Shape Sofa Couch 4-seat Sofas Sectional for Apartment Bluish Grey

★★★☆ ~ 2,305

\$54999 \$649.99

Save \$31.00 with coupon

+11 colors/patterns

Modway Empress Mid-Century Modern Upholstered Fabric Sofa In

★★★★ ~ 234

\$1,05338

+2 colors/patterns

Christopher Knight Home Desdemona Mid-Century Modern Fabric Settee, Light Gray, Natural Finish

**** ~ 138

\$39999

√prime

Amazon's Choice Highly rated and well-priced

Shop by brand

Shop by price

Novogratz

Serta

Zinus









Novogratz Brittany Sofa Futon -Premium Upholstery and Wooden...

★★★☆ ~ 6,844

\$47058

√prime Get it as soon as Fri, Sep 3 FREE Shipping by Amazon More Buying Choices \$388.09 (7 new offers)



+2 colors/patterns

Serta Rane Collection Convertible Sofa, L66.1 x W33.1 x H29.5,...

★★★☆ ~ 6,495

\$15999

√prime Get it as soon as Fri, Sep 3 FREE Shipping by Amazon



ZINUS Josh Sofa Couch / Easy, Tool-Free Assembly, Beige

★★★☆ ~ 1,468

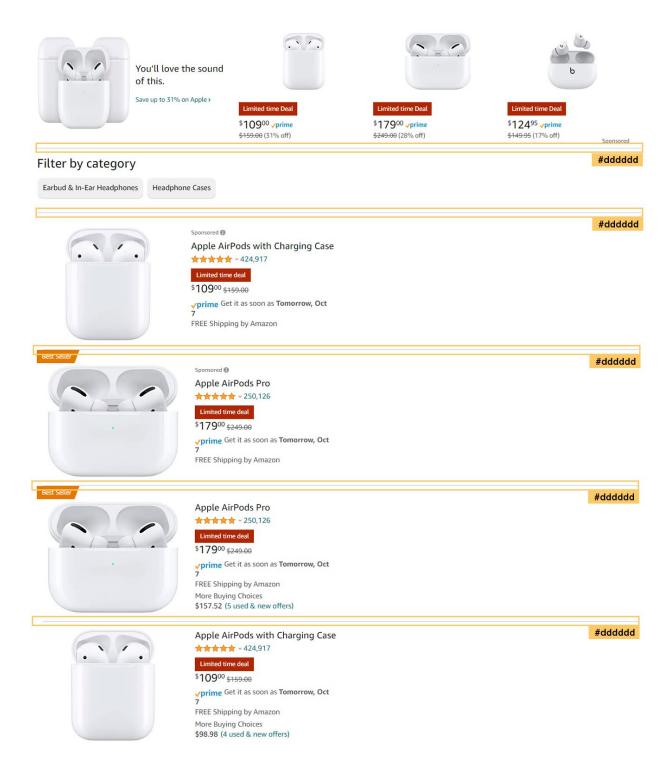
\$43018

√prime

FREE Shipping by Amazon

Only 20 left in stock (more on the way).

SCREENSHOT 2D



SCREENSHOT 3A

Highly rated

Sponsored | Based on star rating and number of customer ratings











+4 colors/patterns

ZINUS Ricardo Loveseat Sofa / Tufted Cushions / Easy, Tool-Free Assembly, Chestnut Brown

★★★☆ ~ 1,456

\$46999

√prime

+1 colors/patterns

HONBAY Reversible Sectional Sofa Couch L-Shape Sofa Couch 4-seat Sofas Sectional for Apartment Bluish

★★★☆ ~ 2,305

\$54999 \$649.99

Save \$31.00 with coupon

+11 colors/patterns

Modway Empress Mid-Century Modern Upholstered Fabric Sofa In Gray

***** ~ 234 \$1,053³⁸

530

+2 colors/patterns

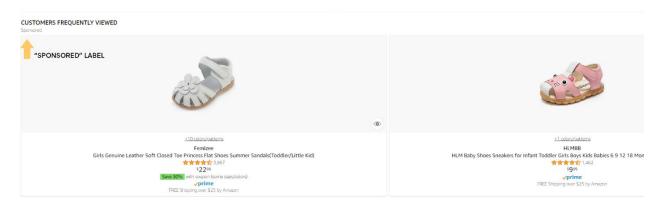
Christopher Knight Home Desdemona Mid-Century Modern Fabric Settee, Light Gray, Natural Finish

**** ~ 138

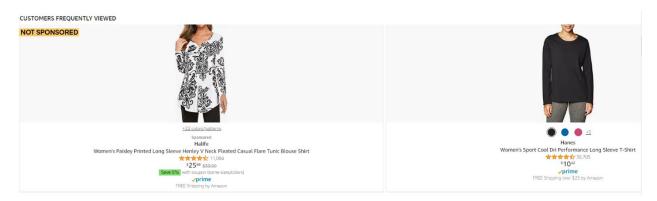
\$39999

√prime

SCREENSHOT 3B



SCREENSHOT **3C**



SCREENSHOT 4A



Sleep well with all your dreamy pieces



VASAGLE Vanity Table with Upholstered Stool Set Dressing Table Desk, Makeup Table with Tri-Fol...

★★★☆ 481



VASAGLE Lowell Nightstand, Night Table with Open Shelf, Inner Adjustable Shelf, Steel Frame, ★★★☆☆ 1,852



VASAGLE End Table, Nightstand, Side Table for Small Spaces, Storage Compartment, Industrial.

"SPONSORED" LABEL

Price and other details may vary based on product size and color.



Featured from our brands

Amazon Basics Modern Metal Platform Bed Frame with Headboard - 14 Inch Leg Height, Full Size, Black

★★★★☆ ~ 10

\$20140

✓prime Get it as soon as Mon, Sep 13
FREE Shipping by Amazon



WLIVE Dresser with 5 Drawers, Dressers for Bedroom, Fabric Storage Tower, Hallway, Entryway, Closets, Sturdy Steel Frame, Wood Top, Easy...

★★★☆ ~ 11,753

\$6999

✓prime Get it as soon as Fri, Sep 3 FREE Shipping by Amazon More Buying Choices \$64.39 (9 used & new offers)



Allewie Queen Platform Bed Frame with 4 Drawers Storage and Headboard, Square Stitched Button Tufted Upholstered Mattress...

**** × 3,053

 $$259^{99} ($6.81/sq ft)$

Get it **Tue, Sep 14 - Mon, Sep 20** \$79.99 shipping



USB Table Lamp, Aooshine Bedside Table Lamps with 2 Useful USB Charging Ports, Solid Wood Nightstand Lamp with Grey Fabric...

★★★★ ~ 4,623

\$43⁹⁹ (\$22.00/Lamp)

Save 20% with coupon

✓prime Get it as soon as Tomorrow, Sep 2

FREE Shipping by Amazon

Highly rated bedroom furniture

Sponsored | Based on star rating and number of customer ratings



+3 colors/patterns

Hasuit 6 Drawer Double Dresser, Accent Storage Tower Clothes Organizer, Sturdy Steel Frame, Large Storage Cabinet for Bedroom,...

★★★☆☆ ~ 320

\$189⁹⁷



NSdirect Extra Wide Drawer Dresser Storage Organizer 8-Drawer Closet Shelves, Dressers Storage Chest for Bedroom, Living Room, Hallway &... ★★★☆ ∨ 415

\$114⁹⁹

√prime



Sauder Palladia Dresser, Select Cherry finish

★★★☆☆ ~ 478

\$305⁴² \$329.99

√prime



+1 colors/patterns

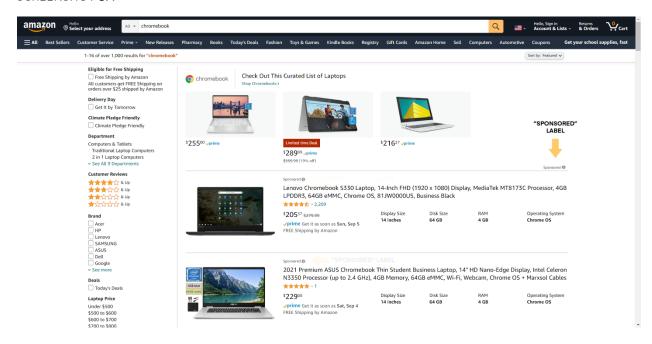
Sauder Harvey Park 4-Drawer Chest, Grand Walnut finish

★★★★ ~ 295

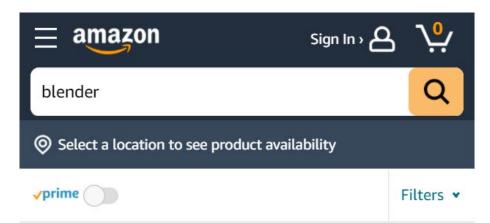
\$231⁴⁶ \$249.99

√prime

SCREENSHOT 5A



SCREENSHOT 5B



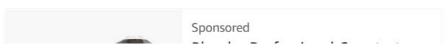




FILTER BY PRICE

Under \$25 \$25 to \$50 \$50 to \$100 \$100 to \$200 \$200

RESULTS



SCREENSHOT **5C**

