



SETH'S BLOG

The Amazon tax

It's not technically a tax. Taxes produce valuable public benefits, like medical research and parks. This is simply legal theft.

Amazon makes nearly a billion dollars in profit from search ads. Every week. Each week, they sell merchants and publishers enough search-distorting ads to capture a billion dollars in revenue. Amazon makes enough in search ad revenue to give every single one of their employees a \$35,000 cash bonus and still have change left over.

My publisher is terrific, and they're working hard to introduce people to my [new book](#). Last week, they began buying search ads on Amazon.

At first glance, this is compelling. Someone who isn't sure what they're looking for, who is looking for a book or a kitchen appliance, might find one if the right ad showed up at the right time.

But of course, that's not what yields, or what most of the ads you see on Amazon do.

If you're searching for an air fryer, Amazon already knows quite a bit. They know the best-reviewed, least-returned, best-priced model. The only purpose of the ads is to get you to pick an air fryer that isn't that one (or for the best air fryer, to keep you on track to buy the one you wanted in the first place). *The ads make the search worse.* [[Cory](#) wrote about this three years ago, and the scale has already doubled.]

When there are plenty of ads, the maker of the best air fryer now has to bid on ads as well, if only to protect the sales they were entitled to in the first place. Businesses continue to buy the ads—not because they're dumb, but because the system has created a situation with few options. Folklore implies that buying the ads somehow shifts how search responds in the long run, even after the ads stop running, but there's little data to confirm this.

Traditional ads increase demand. We see something that's clearly an ad, it might spark desire, and sales go up. But zero-sum search ads aren't like that—the total sales in the category stay the same, and merchants are merely competing for a share of a static pie. This [study](#) argues that an ecommerce site with search ads actually sells fewer items than the same site without ads.

The highest-yielding ad my publisher has tested so far is the search "[Seth Godin The Knot](#)". It costs about a dollar per click. My publisher is paying Amazon a dollar to show you an ad for the book you went to buy in the first place.

Who ends up paying the more than \$50 billion a year spent on these ads? It's not the sellers. Sellers can't make heartfelt donations for long. It's you. By making the marketing of products significantly less efficient, Amazon's theft

makes products more expensive or sucks the energy out of the development of new products.

It leads to two perverse side effects. First, producers realize that if brand reputation matters less than a budget for clicks, they will shift to shoddy and cheap versions of their products so they have a bigger budget for clicks. And second, Amazon (and Google before it) have an incentive to make their organic search results worse—giving producers more incentive to buy more ads.

For decades, Amazon created value for consumers by lowering the price of just about everything. And they opened the doors to merchants who didn't have sufficient distribution. They claimed to be customer-centric, and they were.

I don't think they can claim this any longer. The ad system they built isn't illegal, but it's pretty clear who it's for.

Amazon is stealing from the customers they said they were here to serve.

August 18, 2026