



BUSINESS

Why is Amazon loaning its sellers money?

By Aaron Schrank

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Amazon founder and CEO Jeff Bezos. - David Ryder/Getty Images

Peter Pajitnov's stock of about 15,000 specialty lightbulbs is currently sitting in an Amazon warehouse. His business, Bulb Nanny, does \$250,000 in sales each year, mostly on Amazon. A few years ago, Amazon asked Pajitnov if he wanted to borrow money from the company too.

"They knew exactly how much I was withdrawing every two weeks through their system, and the amount they offered me was very much based on those volumes," Pajitnov said.

Bulb Nanny is one of more than 20,000 small businesses that have borrowed from Amazon. The company is lending more than ever recently — with \$1 billion in loans over the past year. Amazon has lent a total of about \$3 billion since it launched its lending program in 2011.

Pajitnov borrowed a thousand dollars, and eventually, the \$19,000 he needed to buy out a competitor. The loan application was a page long.

“It took less than a minute probably to finally pull the trigger and get it,” Pajitnov said. “It was as easy as that.”

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A company spokesman highlighted the program in a 2014 promotional video.

“Instead of going to a bank, having interviews, audited financial statements, a three week process and then only a small fraction of people getting approved, our process is literally three fields and three clicks.” he said.

Amazon has a lot of real-time data on its sellers’ businesses, unlike traditional lenders.

“That gives them a lot of very good information about who to lend money to and where they will get the best return on that,” said Gil Luria, director of research at financial services company D.A. Davidson & Co.

Amazon’s loan program is invite-only, so the company can cherry-pick borrowers. Amazon collects interest on the loans.

“They also get the benefit of sellers being able to sell more on Amazon,” Luria said

Amazon gets a cut of all sales on its marketplace platform. Still, Luria says it’s always risky to lend money to small businesses.

“The rates that Amazon charges are quite high, and that’s because of that risk,” Luria said.

Peter Pajitnov was charged between 12 and 14 percent interest on his loans. That’s one reason he says Bulb Nanny hasn’t borrowed from Amazon since — but not the only reason.

“All of my inventory sitting at the warehouse would have been at risk for pretty much instant repossession if they needed to go after me.”

Pajitnov says for now, he’ll use his business credit cards for capital, and Amazon, for everything else.

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ECONOMY

Perry is in Mexico for energy talks

By Andy Uhler

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U.S. Energy Secretary Rick Perry meets today with Mexico's president and its energy secretary in Mexico City. Perry said this week the U.S. has an opportunity to develop a "North American energy strategy." His positive tone extends to the North American Free Trade Agreement, too. President Trump has talked of dismantling NAFTA, but Perry says he favors giving the trade pact a "massage."

Click the audio player above to hear the full story.

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