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Adverse Selection and Online Platforms: Evidence from Amazon's Digital Freight Platform

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Abstract

We study how Amazon's introduction of an online platform for truckload services in 2018 affected their supply base. Using a database of U.S. Department of Transportation inspections before and after the introduction of the platform and using Walmart and Costco as control groups, we show that Amazon's online platform had its intended effect – Amazon's supply base changed dramatically after the platform's introduction, with a large increase in Amazon's use of smaller and newer suppliers (carriers). However, the online platform had the unintended effect of worsening the safety profile of Amazon's carrier base. After the platform's introduction, the carriers that Amazon used had substantially worse safety scores along three measures – unsafe driving scores, hours-of-service compliance, and a crash indicator.

Conference Track

Operations, Logistics and Supply Chain Management