Platform Promotion and Consumer Welfare: Evidence from the Amazon Books Page by Imke Reimers (joint with Joel Waldfogel)

Abstract

This paper explores the impact of platform promotional choices on book sales and consumer surplus. Using detailed daily data on which books are promoted on Amazon's book page, along with daily estimates of title-level sales, we estimate the causal impact of Amazon's promotion choices on book sales; and we compare this to the effect of New York Times reviews. The effect of Amazon promotion is substantial, accounting for about a tenth of the total sales of promoted books, and it is significantly larger than the New York Times effect. Due to Amazon's substantial role in the US book market, such influence on consumer purchase decisions raises concerns about the possibility that Amazon abuses its power. To explore this possibility, we compare the welfare impacts from promotion of books that Amazon promotes with various benchmarks, including the books the Amazon's largest rival Barnes & Noble promotes, USA Today Bestsellers, and the books reviewed by the New York Times. We find that the books Amazon promotes are similar in consumer appeal to those chosen by its rivals, leading to consumer welfare impacts from promotion that are similar to or exceed those arising from other plausible sets of promoted books. We conclude that, whatever the potential negative effects of platform power, Amazon’s choices of book promotions create large consumer benefits.