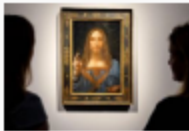




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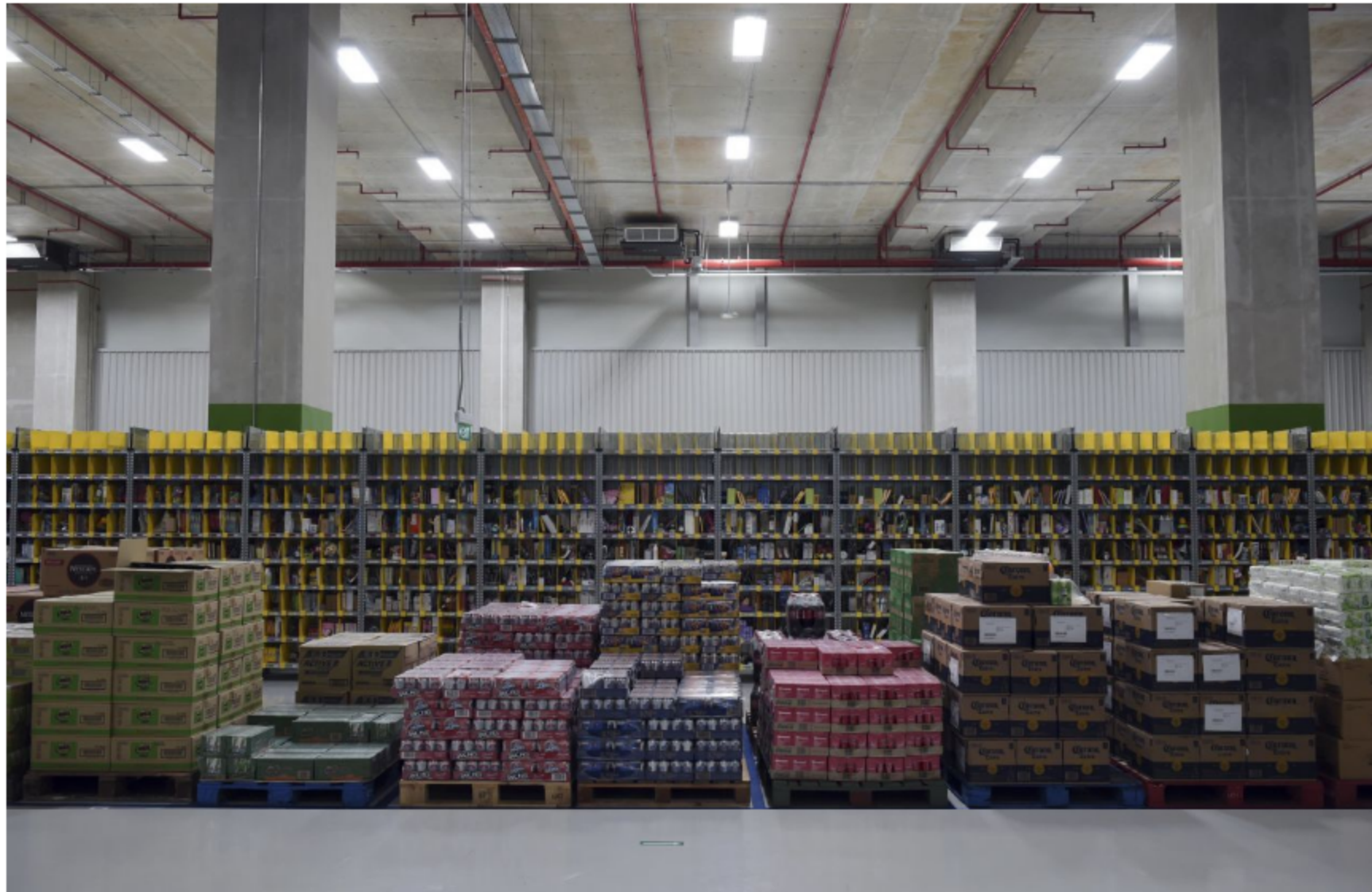
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The Other Amazon Effect: How Prices Have Become Less Insulated From Supply Shocks

Retailers' prices have grown more uniform across locations, finds a paper presented at Jackson Hole



Merchandise is stacked in an Amazon fulfillment center in Singapore. PHOTO: JOSEPH NAIR/ASSOCIATED PRESS

By [Nick Timiraos](#)

Aug. 25, 2018 10:00 a.m. ET

5 COMMENTS

JACKSON HOLE, Wyo.—Increased online competition has made retailers faster to adjust prices and more likely to hold prices constant across geographic locations, according to [new research](#) presented here.

This could make retail prices more sensitive to shocks from tariffs or oil prices than they were in past periods, according to a paper released Saturday at the Kansas City Fed's annual symposium.

The popular press has focused on the disinflationary forces of online retailers, or the so-called Amazon effect, that has led to declines in consumer goods prices. Harvard Business School's Alberto Cavallo took a different tack in his paper examining pricing behaviors in the Amazon era. After all, the disinflationary effects of online retailing could eventually run their course because markups can only fall so far, he wrote.

JACKSON HOLE RESEARCH PAPERS

- [More Amazon Effects: Online Competition and Pricing Behaviors](#)
- [Increasing Differences Between Firms: Market Power and the Macro-Economy](#)
- [Understanding Weak Capital Investment: the Role of Market Concentration and Intangibles](#)
- [Competition, Stability, and Efficiency in Financial Markets](#)

2014 to 2017.

The increased frequency of pricing changes, moreover, is particularly pronounced in sectors where online retailers have a stronger presence, such as electronics and household goods.

Mr. Cavallo also examined how several large retailers—Amazon, [Walmart](#), [Best Buy](#) and Safeway—set prices across different sales locations. Because Amazon is primarily an online retailer, its prices are the most uniform. But he found the degree to which the other retailers with predominantly bricks-and-mortar operations maintained uniform pricing was nearly as high as Amazon. Food and beverage sales, he found, are the one area in which prices are more geographically dispersed.

“The transparency of the web imposes a constraint on brick-and-mortar retailers’ ability to price discriminate across locations,” wrote Mr. Cavallo.

The upshot for policy makers, including central bankers that are on watch for higher inflation, suggests that retailers that are both faster to adjust prices and more likely to charge the same prices across locations will react faster to shocks, such as higher import tariffs or changing oil prices.

“These results suggest that retail prices are less insulated from this type of aggregate shock than in the past,” wrote Mr. Cavallo.

Write to Nick Timiraos at nick.timiraos@wsj.com

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