

Coordination problems in Dark Net drug markets

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Our study

- Drug markets on the encrypted web
 - Dark net markets or cryptomarkets
 - Silk Road 2.0
- Economic sociology and transaction costs economics
 - Coordination problems (Beckert & Wehinger, 2013)

Aim

- To gain a better understanding of the structure of dark net markets
 - An online context – a different market structure?
- Analyzing empirical data by linking it to broader theory on:
 - Organization of illegal drug distribution
 - And economic activities

Background info

- The original Silk Road
 - February 2011 – November 2013
 - First and largest cryptomarket
- Silk Road 2.0
 - November 2013 – November 2014
 - A near copy of the original version
- The Onion Router (TOR)
 - A software offering an encrypted, open network

Drug market structure

- Risk management
 - Visibility vs. security
 - Open vs. closed
- Dark net drug markets – new possibilities
 - Anonymity
 - Physical distance
 - Visibility

Economic sociology

- Ideal type structures for economic activity
 - Markets, networks and hierarchies (Thompson, 2003)
- Illegal markets are inefficient
 - Coordination problems (Beckert & Wehinger, 2013)

Coordination problems

(Beckert & Wehinger, 2013)

- Competition
 - Lack of competition
- Cooperation
 - No contractual obligations or legal recourse
- Valuation
 - Information asymmetry

Method and data

- Qualitative analysis of profiles and product sites
- Top 20 vendors from Silk Road 2.0
 - Gathered in September 2014
 - Almost 600 screen shots

ThePinkPanther

[send a message](#)

51 listings

vendor score: **85** out of 100
has been a vendor for **10 months**
was last seen: **today**
ships from: Netherlands
ships to: Worldwide

[report this vendor](#)

vendor profile

===== WELCOME TO TPP's SUPER STORE =====

STATUS: 15-09-14 - Please people do not forget to leave a "5" star feedback if you are satisfied otherwise it appears completely empty.

ADMIN QUOTE: All 2/5, 3/5, 4/5 currently appear as 1/5. The development team are actively working on fixing it.

Hello everybody,

As you all noticed i have been away for a while due to security reasons. I have noticed major bad feedback in the past few days. this is something im not happy about. Please wait with leaving feedback to early as i was not able to answer messages in the mean time while i was away. I am a 100% sure that most of you whom left bad feedback will eventually still receive there order, and yet you will not be able to change your feedback afterwards!! thnx for that

To BE CLEAR I have been vending here for 9 months and gained one of the most successful status on SR. I would appreciate if some of you respect that and understand that this job aint always the easiest.

I never scammed one of you in my entire carrier!! I am positive that eventually this will have its turn in the right direction. Even thou i am back the once who left me 1 star without even given me a chance to solve it will not be helped whatsoever.

For those who kept there faith i want to apologize for my sudden disappearance there was no option for me left at that point. I will make everything right with you as i always do. And i want to thank you for your patients my hart is filed with gratitude towards you. Thank you for understanding.

Sincerely yours,
ThePinkPanther

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√ Update: 27-07-2014 - NEW PREMIUM Cocaine batch! This is truly the best cocaine you will find on here. Real quality cocaine is very hard to find these days. The prices went up everywhere so also with us. We choose quality over price!

√ Update: NEW: Cocaine batch. Flake cocaine only the BEST of the BEST

√ Update: NEW: Rolls-Royce 3D XTC pills rectangle with breaking line. The new generation 160mg MDMA party pills!

√ Update: 100gr Premium dutch MDMA Crystals 84% EURO 997.- !!!

√ Update: 50 gr Premium dutch MDMA Crystals 84% EURO 525.- !!!

The top 20 vendors

- 19 of 20 vendors had been selling for 10-11 months
- 18 of the vendors had been active that day
- Average vendor score was 91.9/100
- 13 vendors from English-speaking countries, the other 7 were from European countries
- 14 vendors shipped «worldwide», the other «domestic» in US/Canada/Australia

Coordination problems in cryptomarkets

- Competition
- Cooperation
- Valuation

Competition in cryptomarkets

- A visible drug market
 - Profiles and product sites
 - Easy to compare prices and goods

- Drugs 13966
 - Stimulants 1791
 - Psychedelics 1658
 - Prescription 3611
 - Precursors 29
 - Other 472
 - Opioids 362
 - Ecstasy 1923
 - Dissociatives 104
 - Cannabis 1801
 - Steroids/PEDs 1006
- Alcohol 354
- Apparel 543
- Art 4
- Books 176
- Computer equipment 26
- Custom Orders 85
- Digital goods 348
- Drug paraphernalia 192
- Electronics 33
- Erotica 55
- Forgeries 112
- Hardware 12
- Herbs & Supplements 1
- Jewelry 52
- Lab Supplies 1
- Lotteries & games 8
- Medical 28
- Money 138
- Packaging 27
- Services 121

browsing drugs

sort by: bestselling



ships to my region



ships from my region

update



1g Platinum Standard Pure Fire MDMA

B0.220730

ships from: United States
ships to: United States

★★★★★ (2454)

sold by Platinum Standard **95**



5g White Widow

B0.155024

ships from: Netherlands
ships to: Worldwide

★★★★★ (1867)

sold by DutchMagic **92**



Symbiosis - 1g MDMA - UK First Class

B0.098102

ships from: United Kingdom
ships to: Worldwide

★★★★★ (1835)

sold by Saint Symbiosis **93**

Competition in cryptomarkets

- Increased competition
 - 450-550 active vendors (Munksgaard, Demant & Branwen, 2016)
 - Competing for attention
 - Profiles and discussions
 - User name as brand

Coordination problems in cryptomarkets

- Competition
- Cooperation
- Valuation

Cooperation in Cryptomarkets

- Formal market structure
- The administrator, moderators and website
 - Sanctions
- Formalizing reputation: feedback system
 - Ranking scores and comments

vendor feedback

30 day average: **4.60**

60 day average: **4.70**

Overall average: **4.80**

rating	feedback	item	freshness
★★★★★	awesome stuff, clean, mega rushes, can redose more than you would normally get any feeling from too so mega long session possible!! nice!!	item	today
★★★★★	10/10 thank you	item	today
★★★★★	10/10 tank	item	today
★★★★★	Splendid! (=^_^=)	item	today
☆☆☆☆☆	Very Good Quality... Fast shipping	item	today
★★★★★	thx a lot :)	item	today
★★★★★	intoxicator - germany. Always 2-3 Days shipping / best Stealth / best Stuff / best Vendor	item	today
★★★★★	3 day delivery, nice stealth bang on weight. lovely gear, best 90€ blow i ever had. thanks mate, keep on the good work! will be back for sum more soon!	item	today
★★★★★	Everything great as usual!!	item	today
★★★★★	Generous weight, good gear, will buy again	item	today

Cooperation in cryptomarkets

- Motivated vendors to run clean businesses and show customer service
- Safer buyers due to an open reputation system
 - Feedback and discussion forum

Coordination problems in cryptomarkets

- Competition
- Cooperation
- Valuation

Valuation in Cryptomarkets

- Transparency of cryptomarkets (Tzanetakis et al., 2015)
- Product presentation

This is the RG Deal of the Week! Here you'll find weekly specials on a select choice of my offerings for a great price!

This weeks (2/3-2/10) deal includes:

1. QUAD DOSE C&C Bars! (X4) - \$55 value
2. Hash Gummies! (X16) - \$53 value
3. FREE First Class Mail Shipping - \$4 value

All this for only \$79.99 when it would normally cost \$112! You will save a whopping 29% off normal prices if you purchase this deal :) Buy now before it's too late! No limit to how many you can purchase!

“The connoisseur’s first choice, the best quality, the strongest potency, the ultimate seduction. (...) Flawless delivery rate – Buy with confidence!”

“I’m a small farmer who grows his herb with care and has the medical user in mind. So clean, healthy and potent cannabis. Supplied also to local clinics. This is a passion of mine and I enjoy providing this wonderful plant to others to enjoy and utilize in whatever way they choose whether recreationally or medically.”

Valuation in cryptomarkets

- New risks
 - Border control, hacker attacks and scams
- Vendors setting limitations and restrictions
 - Such as delivery destinations

Summary of coordination problems in cryptomarkets

- Competition problem
 - Highly decreased due to the visibility that makes it easier to compare prices and goods
- Cooperation problem
 - A more formalized structure with sanctions and feedback/reputation makes it easier to cooperate
- Valuation problem
 - Transparency makes it easier to validate products, vendors and buyers. But new risks also appear.

Conclusion

- Silk Road 2.0 experiences less coordination problems than physical drug markets
- A more efficient drug market due to new opportunities to be highly visible without risking too much

THANK YOU!

References

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