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Milked Out: The High Stakes of Cancel Culture

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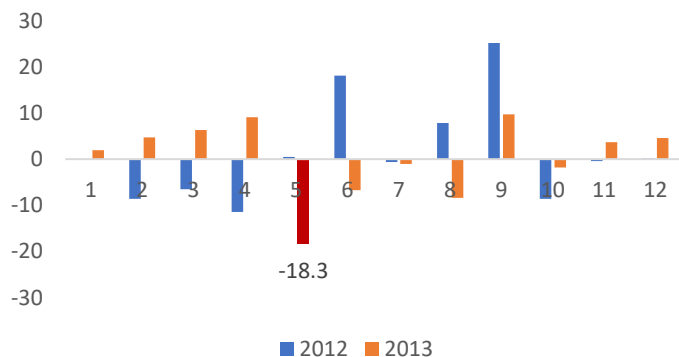
Introduction

Consumer activism:

- Consumer choices are increasingly driven by ethical and moral considerations.
- Activism through boycotting, shaming, and banning is prevalent in today's marketplace.
- Food industry is not an exception.

What happened in the Korean milk industry in 2013?

- In 2013 May, a major controversy shook Korea's dairy industry.
- One of Korea's biggest dairy companies (henceforth A company) was accused of forcing distributors to carry more of their stock, despite already being overburdened.
- An audio recording surfaced, revealing exploitative practices by a leading dairy company.
- This led to widespread distributor backlash and consumer boycotts.
- Major convenience store chains supported the boycott, refusing to stock the company's products.
- Financial repercussions were severe: sales plummeted, and the company incurred significant losses.



Monthly stock price changes (%) of A company between 2012 and 2013

Objectives

Consumer Welfare Loss:

- This research aims to delve deeper into the concept of consumer self-welfare loss associated with boycotts.
- Using the 2013 milk industry scandal in Korea as a case study, the objective is to quantify the economic impact of boycotts not only on the companies targeted but also on the consumers who participate in such boycotts.

Analytical Approach:

- This study will employ the Multiple Discrete-Continuous Extreme Value (MDCEV) model to estimate the loss of consumer welfare.

Contribution to Literature:

- By investigating these aspects, the study aims to contribute new insights to the field of agricultural and applied economics, particularly in understanding the dynamics of market response to consumer activism and the valuation of ethical business practices by consumers.

Data

- This study utilizes data from the 2010-2020 agri-food expenditures survey conducted by the Rural Development Administration in South Korea.
- This comprehensive dataset includes detailed receipts from over 600 household panels.
- Households were required to submit receipts for daily consumption.
- Collected data includes information on the brand, country of origin, purchasing date, and payment method of products purchased.
- The survey also records demographic and economic details of the panel members, such as income, occupation, education, age, residence, family composition, and number of people in each meal.

Methodology

- We apply the Multiple Discrete-Continuous Extreme Value (MDCEV) model to analyze consumer behavior during the boycott.
- The MDCEV model allows for the simultaneous choice of multiple alternatives, accounting for both the decision to purchase and the quantity purchased, which is ideal for studying changes in consumer buying patterns under the influence of boycotts.

$$U(x) = \sum_{k=1}^K \frac{\gamma_k}{\alpha_k} \psi_k \left\{ \left(\frac{x_k}{\gamma_k} + 1 \right)^{\alpha_k} - 1 \right\}$$

- Where $U(x)$ is quasi-concave and increasing utility function, and differentiable when consumption x_k for any good k is positive.

Future works

How to define boycotters?

- Decrease the average number of purchase or expenditure per month by more than 10%, 20%, or 30%.

Policy Implications:

- We will investigate the policy implications of boycotts, particularly in terms of consumer protection and corporate accountability.

Selected Reference

- Hendel, I., Lach, S. and Spiegel, Y., 2017. "Consumers' activism: the cottage cheese boycott," *The RAND Journal of Economics*, 48(4):972-1003.
- Liaukonytė, J., Tuchman, A. and Zhu, X., 2023. "Frontiers: Spilling the beans on political consumerism: Do social media boycotts and buycotts translate to real sales impact?" *Marketing Science*, 42(1): 11-25.