

A Three-Country Study on Consumer Responses to Political Conflicts: Boycott, Buycott or Standby

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1 Introduction

- **Deglobalization and political conflicts**
- **Political consumption**
 - **Boycott and Buycott**
 - **Boycotts:** consumers refrain from purchasing products to express hostility toward firms or countries
 - “**Buycotts**”: consumers support certain suppliers by purchasing products beyond their normal demand levels
 - **Specific cases:** political conflict, economic conflict, impact of boycott on the financial situation of **producers**
 - **Motivation:** political or ethical, economic or marketing

Background

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H&M: Fashion giant sees China sales slump after Xinjiang boycott

2 July 2021



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• Editorials

Xinjiang cotton boycott US-led burlesque: China Daily editorial

chinadaily.com.cn | Updated: 2021-03-31 19:43

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Retail & Consumer

H&M's China sales hit as boycott bites

Reuters

campaign

Region

MARKETING, PR, NEWS

Surekha Ragavan, Minnie Wang | Mar 26, 2021

Nike, Adidas, Burberry, Uniqlo ensnared in Xinjiang cotton controversy



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人民网 >> 文旅-体育

国货品牌通过人民体育发起“力挺新疆棉 共赏新疆美”联合倡议

2021年03月27日09:13 | 来源: 人民网

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Contribution and Objectives

➤ **Gaps in literature**

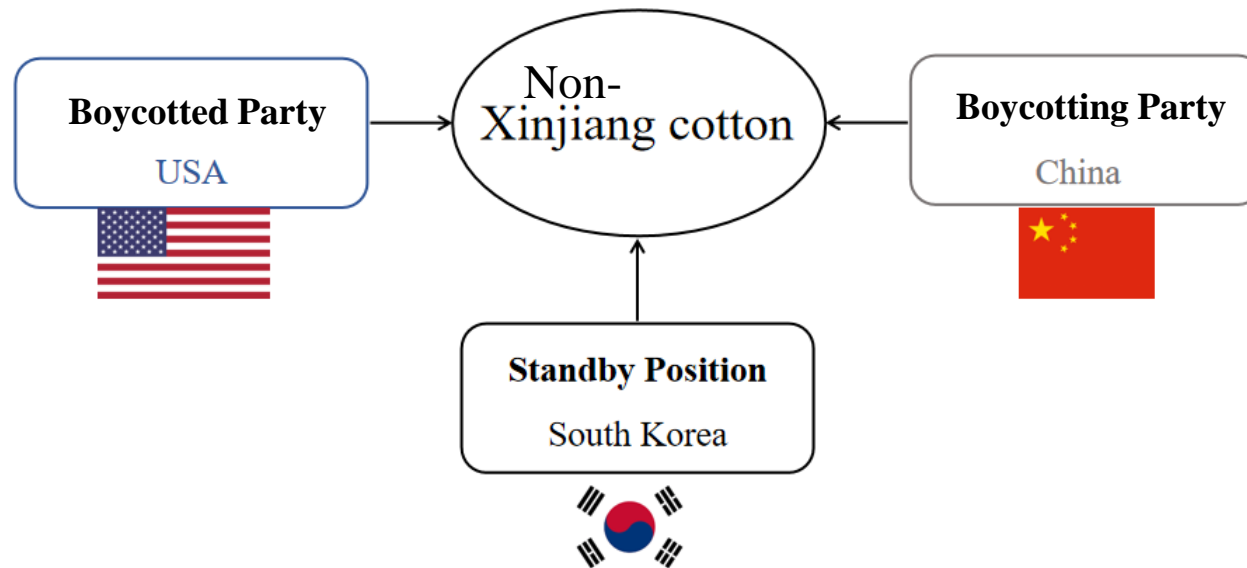
- Most boycotting studies are in the marketing and behavior sciences, lack of quantitative measurement
- Most studies only consider boycotting consumers and boycotted producers, not consumers on boycotted side
- Few studies on the consumer behavior of third-party countries

➤ **Contributions**

- Economic study using Willingness-to-Pay to measure political behavior
- Study bystander, or a third party consumer behavior, Korea
- Study consumers of the side being boycotted, or boycotting behavior, US

Theory

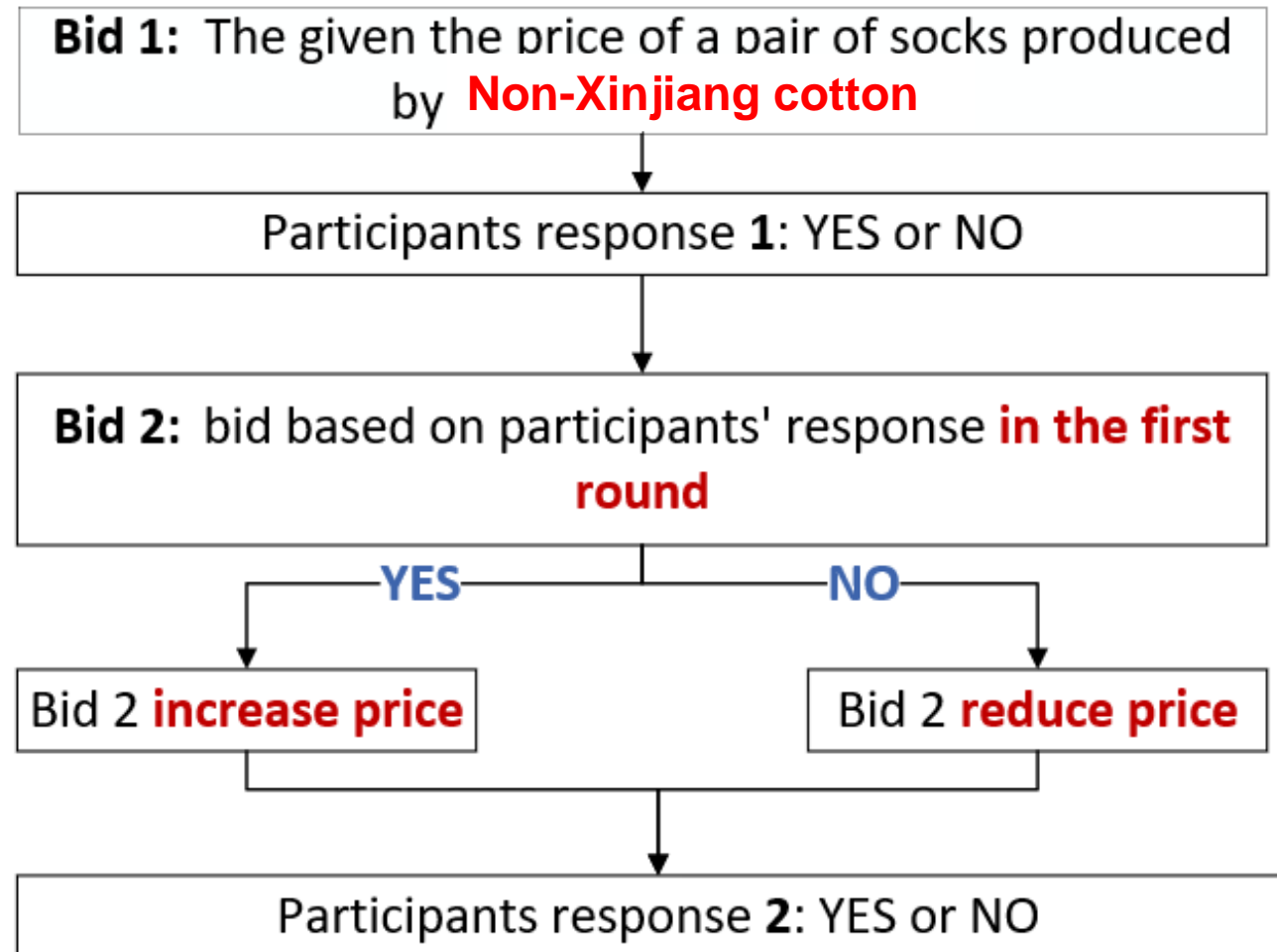
- Lancaster utility
 - Consumers' utility of consuming one unit of a good depends on its quality attributes
 - Country of origin is an important attribute



2 Methodology

Double-Bounded Bidding model

This study used double-bounded model to measure consumers' willingness-to-pay(WTP) (Hanemann, 1999).



Double-Bounded Bidding model

The four possible outcomes of double bounded bidding are: “yes-yes”; “yes-no”; “no-yes”; and “no-no”.

Latent variable *Willingness-To-Pay (WTP)* $WTP_i = \alpha + X_i\beta + \mu_i$, where i denotes consumer i

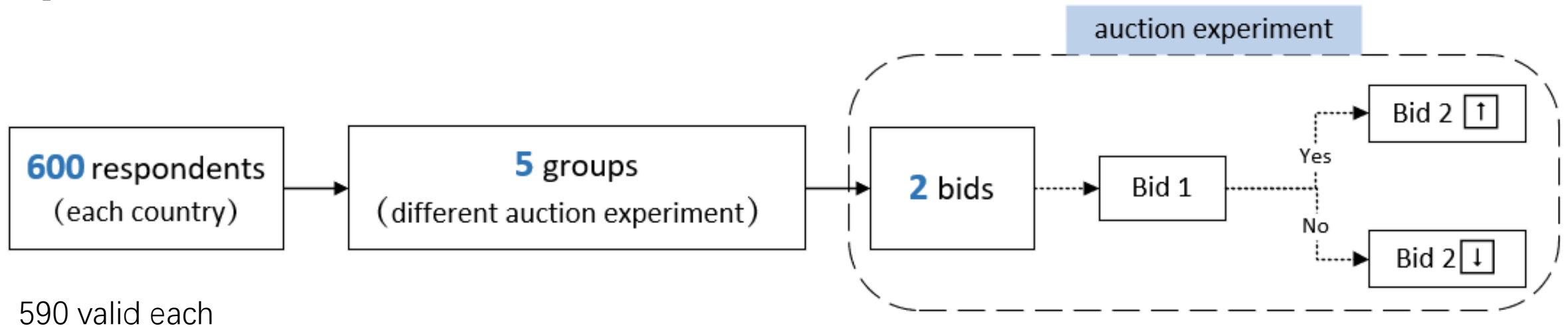
Ordered Probit Model, $\mu_i \sim N(0, \sigma^2)$.

Response 1	Response 2	WTP	Empirical Model
Yes	Yes	$B_{2i}^h < WTP < \infty$	$P^{yy}(B_{1i}, B_{2i}^h) = Pr(B_{2i}^h \leq \max WTP_i) = 1 - \Phi\left(\frac{X_i'\beta - B_{2i}^h}{\sigma}\right)$
Yes	No	$B_{1i} < WTP < B_{2i}^h$	$P^{yn}(B_{1i}, B_{2i}^h) = Pr(B_{1i} \leq \max WTP_i < B_{2i}^h) = \Phi\left(\frac{X_i'\beta - B_{2i}^h}{\sigma}\right) - \Phi\left(\frac{X_i'\beta - B_{1i}}{\sigma}\right)$
No	Yes	$B_{2i}^l < WTP < B_{1i}$	$P^{ny}(B_{1i}, B_{2i}^l) = Pr(B_{2i}^l \leq \max WTP_i < B_{1i}) = \Phi\left(\frac{X_i'\beta - B_{1i}}{\sigma}\right) - \Phi\left(\frac{X_i'\beta - B_{2i}^l}{\sigma}\right)$
No	No	$0 < WTP < B_{2i}^l$	$P^{nn}(B_{1i}, B_{2i}^l) = Pr(B_{2i}^l \geq \max WTP_i) = \Phi\left(\frac{X_i'\beta - B_{2i}^l}{\sigma}\right)$

Note: $B_1 < B_2$, when the result is "yes-yes" or "yes-no"; $B_1 > B_2$, when the result is "no-yes" or "no-no"

Experiment Design and Procedure

- In 2021, we conducted **online surveys** in three countries to understand consumers' reactions to the "Xinjiang cotton" event. New York, Los Angeles, Beijing, Shanghai, Seoul and Pusan.
- White cotton socks made with cotton not from Xinjiang
- The bidding rules are explained before the survey to give participants a comprehensive understanding of the auction process.



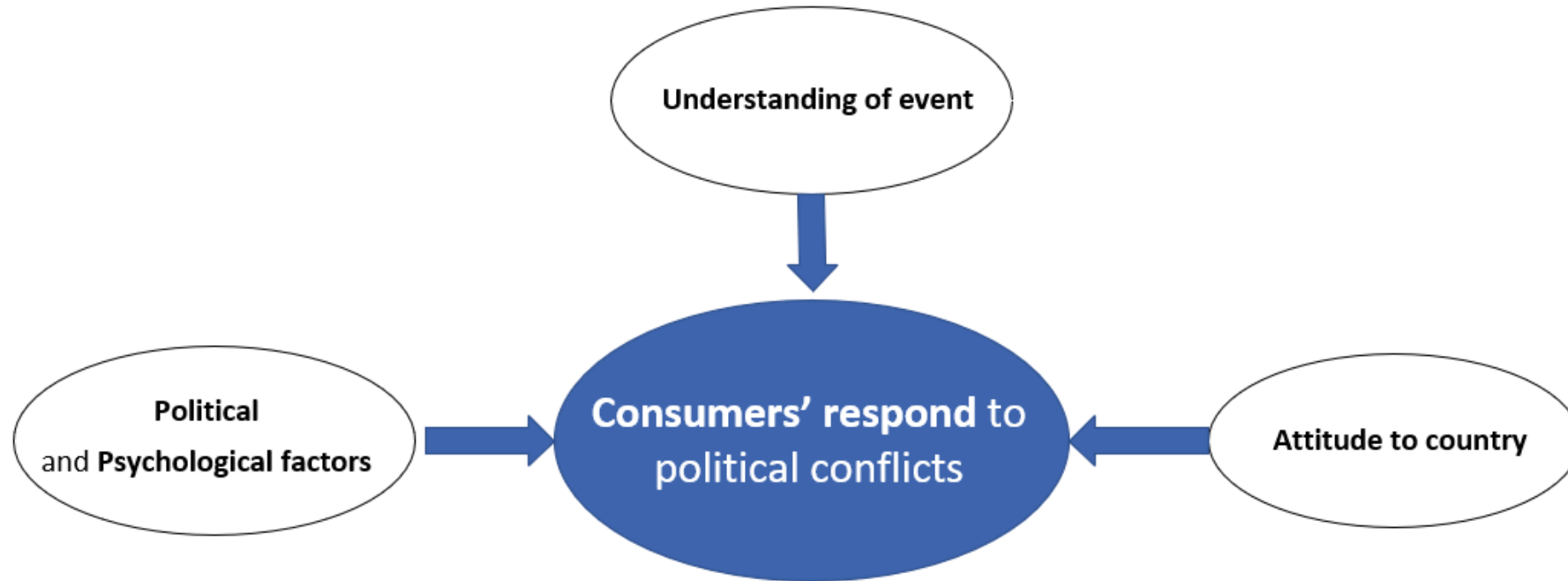
Experiment Design and Procedure

Suppose the price of the original Xinjiang cotton socks is P_{xj} . The bids for the five groups of random auction experiments are as follows.

Table 3. Information on random auction experiments

Group	First Bidding	Response 1	Second Bidding	Response 2
1	$50\% \times P_{xj}$	Yes	$75\% \times P_{xj}$	Yes/No
		No	$10\% \times P_{xj}$	Yes/No
2	$75\% \times P_{xj}$	Yes	$100\% \times P_{xj}$	Yes/No
		No	$50\% \times P_{xj}$	Yes/No
3	$100\% \times P_{xj}$	Yes	$125\% \times P_{xj}$	Yes/No
		No	$75\% \times P_{xj}$	Yes/No
4	$150\% \times P_{xj}$	Yes	$200\% \times P_{xj}$	Yes/No
		No	$125\% \times P_{xj}$	Yes/No
5	$200\% \times P_{xj}$	Yes	$300\% \times P_{xj}$	Yes/No
		No	$150\% \times P_{xj}$	Yes/No

Factors affecting consumers' preference



3 Data

Survey

Dynata: Credible survey and data company

Time: 2021

Obs: 590 (per country)

Explanatory variables:

Type	Explanatory variables
Boycott Xinjiang cotton event	<i>Heard, Know_x, Know_c</i>
Political factors (Stolle et al., 2005; Verba et al., 1995)	<i>Politic, Consideration, Boycott</i>
Psychological factors (Wicks et al., 2017; Micheletti et al., 2012)	<i>Altruism</i>
Social trust (Putnam et al., 1994)	<i>Trust_org, Trust_fri, Trust_peo</i>
Social status (Milbrath, 1972; Ferrer and Fraile, 2006)	<i>H_status, M_status, L_status</i>
Information sources (Zúñiga et al., 2014; Copeland et al., 2020)	<i>Main_media, Social_media</i>
People's attitude towards the country	<i>Like_US, Like_China</i>
Demographic variables	<i>Male, Age, Income, Edu, Married, Fam_num</i>

Summary statistics

Table 2. Part of the variable description

Variables	Description	Statistic		
		China	South Korea	USA
<i>Dependent variables</i>				
Bid_1	Compared to Xinjiang cotton, price that participants willing to pay for cotton products from other regions (percentage)	Mean: 115 Std.Dev: 53.9	Mean: 115 Std.Dev:53.9	Mean: 115 Std.Dev:53.9
Response_1	=1, if participants are willing to accept the first round of bids;=0, otherwise	1:50% 0:50%	1:62% 0:38%	1:60% 0:40%
Bid_2	Compared to Xinjiang cotton, price that participants willing to pay for cotton products from other regions (Adjust based on Response_1)	Mean: 116.16 Std.Dev: 65.62	Mean: 122.52 Std.Dev: 59.43	Mean: 120.37 Std.Dev: 54.71
Response_2	=1, if participants are willing to accept the second round of bids; =0, otherwise	1:44% 0:56%	1:55% 0:45%	1:58% 0:42%

Summary statistics

Table 2 (Continued)

Variables	Description	Statistic		
		China	South Korea	USA
<i>Explanatory variables</i>				
Heard	=1, if participants heard the Xinjiang cotton boycott that happened in April 2021 before the survey; =0, otherwise	1:96% 0:4%	1:38% 0:62%	1:19% 0:81%
Know_x	=1, if participants know that Xinjiang is part of China; =0, otherwise		1:55% 0:45%	1:67% 0:33%
Know_c	=1, if participants know that companies boycotting Xinjiang cotton are mainly from the United States, Europe and Japan;=0, otherwise		1:28% 0:72%	1:27% 0:73%
Altruism	Altruism Scale Score	Mean: 15.72 Std.Dev: 2.46	Mean: 15.27 Std.Dev: 2.03	Mean: 14.48 Std.Dev: 2.5
Politic	=1, if participants actively participate in organizations with a political or social mission and regularly participate in activities such as donations, volunteering, voting, and meetings; =0, otherwise	1: 62% 0: 38%	1: 81% 0: 19%	1: 68% 0: 32%
Boycott	=1, if respondents participated in a boycott; =0, others	1: 40% 0: 60%	1: 31% 0: 69%	1: 50% 0: 50%
Consideration	Level of "1-5" indicating whether consumers take politics into account when making purchasing decisions: "1" means no consideration at all, "5" means particularly concerned	Mean: 3.8 Std.Dev: 0.93	Mean: 3.56 Std.Dev: 0.77	Mean: 3.53 Std.Dev: 1.07
Like_US	=1, if participants like US; =0, otherwise	1: 17% 0: 83%	1:86% 0:14%	1:93% 0:7%
Like_China	=1, if participants like China; =0, otherwise	1: 93% 0: 7%	1:2% 0:98%	1:10% 0:90%

4 Results

Table 4 WTP for socks made with cotton from elsewhere than Xinjiang by consumers in three countries

Variable	Mean	Std.Err.	P50	Min	Max
WTP_C	107.05	44.58	106.88	-45.57	270.07
WTP_K	139.03	38.03	136.31	36.75	266.22
WTP_U	127.5	41	125.1	16.08	248.31

China: had the lowest WTP for cotton socks elsewhere, means a large portion show boycotting non-Xinjiang cotton.

South Korea and the U.S.: outperformed China by 32% and 20%, respectively. Show boycotting behavior

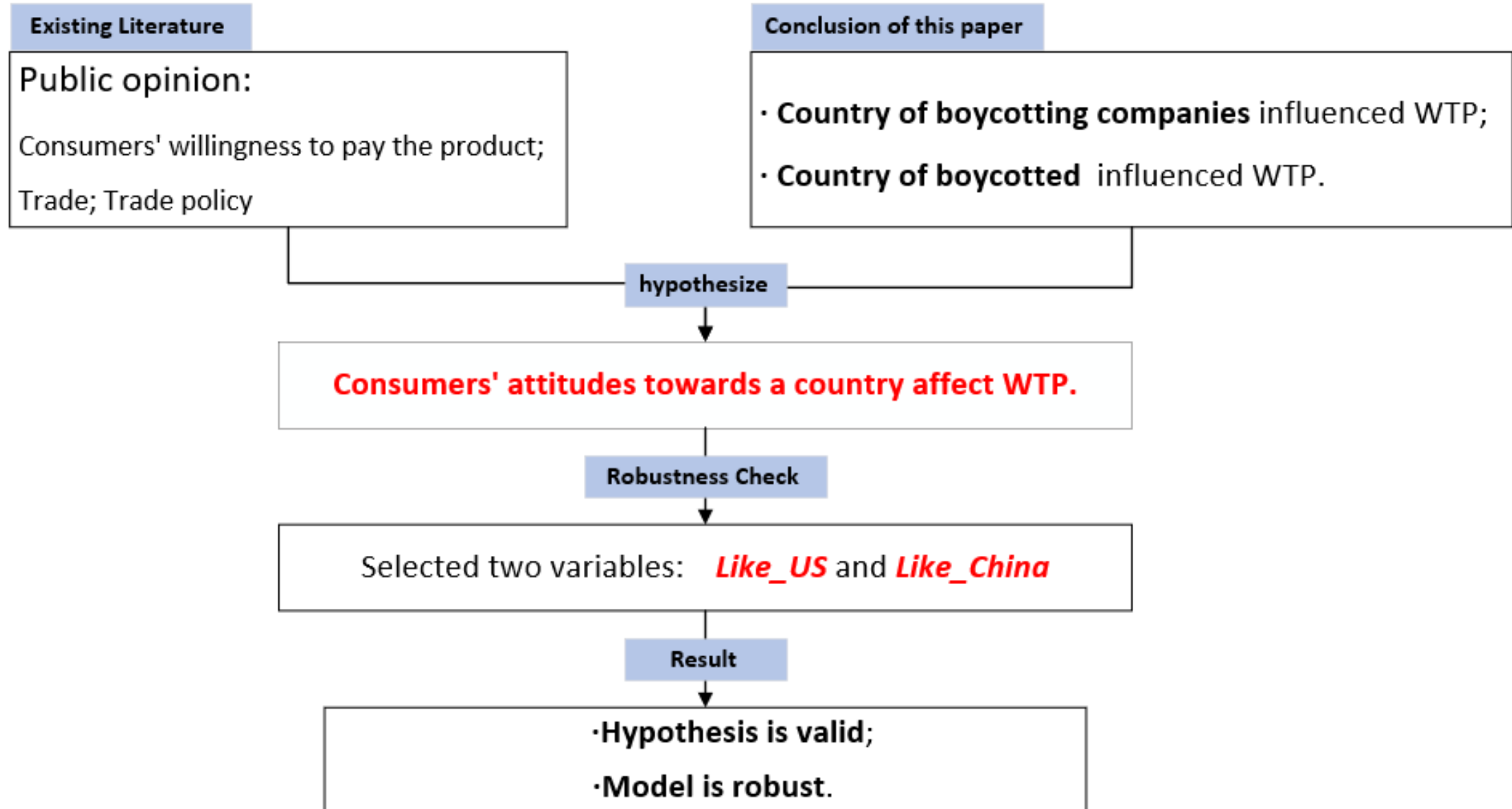
4 Results

Table 5 Part of estimation results

Variables	China	Korea	US
	Bid	Bid	Bid
Heard	-53.342* (27.588)	25.003** (10.272)	39.158*** (10.961)
Know_x		-6.752 (8.974)	20.912*** (8.016)
Know_c		21.887** (10.900)	0.589 (9.177)
Altruism	-6.821** (2.666)	2.549 (2.402)	-0.026 (1.508)
Politic	-34.601*** (12.063)	-13.766 (11.767)	7.908 (8.593)
Consideration	0.075 (6.590)	23.119*** (6.174)	11.218*** (3.734)
Boycott	-22.689* (11.817)	-20.331** (9.573)	4.657 (7.568)
_cons	235.107*** (85.465)	-3568.88 (2649.973)	589.465 (741.228)
Sigma:_cons	108.422*** (6.332)	86.782*** (4.76)	70.545*** (3.732)
Observations	600	600	600
Pseudo R ²	.z	.z	.z

Standard errors are in parentheses, *** $p < .01$, ** $p < .05$, * $p < .1$

5 Robustness Check



5 Robustness check

Table 5 WTP of three countries of robustness text result

Variable	Mean	Std.Err.	P50	Min	Max
WTP_C	107.54	51.52	103.44	-41.43	299.85
WTP_K	139.16	37.39	136.98	25.32	256.15
WTP_U	138.26	38.64	134.76	37.13	235.66

China: A large portion show boycott to Non-Xinjiang cotton.

South Korea and the U.S.: inclined to buycott Non-Xinjiang cotton.

Table 5 Part of robustness check result

Variables	China	Korea	US
	Bid1	Bid1	Bid1
Heard	-49.163*	34.766***	43.158***
	(27.156)	(9.432)	(10.572)
Like_US	70.190***	5.658	7.076
	(16.969)	(13.289)	(15.610)
Like_China	0.257	-35.174	-23.635*
	(23.868)	(30.930)	(12.608)
Altruism	-6.313**	2.321	0.386
	(2.619)	(2.389)	(1.495)
Politic	-35.935***	-15.153	9.189
	(11.856)	(11.828)	(8.576)
Consideration	4.275	23.930***	11.851***
	(6.625)	(6.160)	(3.735)
	-24.225**	-18.045*	5.956
	(11.623)	(9.645)	(7.643)
_cons	227.946***	-3873.606	740.844
	(85.729)	(2639.232)	(741.439)
Sigma:_cons	106.171***	86.545***	70.648***
	(6.179)	(4.748)	(3.743)
Observations	600	600	600
Pseudo R ²	.z	.z	.z

Standard errors are in parentheses, *** $p < .01$, ** $p < .05$, * $p < .1$

6 Conclusion

- There are differences in the **WTP of consumers in the three positions**, which means that countries have different responses to the conflict.
- **Personal factors** also affect WTP.

This study expands our understanding of **consumer boycotting behavior** due to political conflicts and **provides a basis** for firms coping with market turmoil and build sustainable consumption.

THANKS