The Effectiveness of a Social Media-Based Boycott and Social Media Marketing Capabilities in Mitigating Its Impact

Shu Wang
California State University, Fresno

Jing Liu
Northern Kentucky University

This study evaluates the effectiveness of a social media-driven consumer boycott using market response and explores the role of social media marketing capabilities in mitigating its impact. Using an event study methodology, the findings reveal that a social media-driven consumer boycott can negatively affect firm value, as social media accelerates word-of-mouth dissemination about the boycott. Additionally, this study explores how word-of-mouth and firms' social media capabilities influence the boycott's effectiveness.

Keywords: social media-driven boycott, word-of-mouth, social media capabilities, event study

INTRODUCTION

Boycotts are widely used as a coercive tactic in the marketplace (John & Klein, 2003). However, the impact of boycotts on firms is difficult to measure. Advocacy groups are quick to claim victory when companies comply, whereas companies typically minimize the effect of boycott activity on their performance (John & Klein, 2003). Nevertheless, businesses have long expressed concern about boycotts since boycotts can be an effective consumer movement tactic (Friedman, 1999).

The rise of social media has significantly transformed consumer-corporate communication (Mangold & Faulds, 2009). It has reshaped consumer behavior and empowered individual consumers like never before, as consumers can now communicate directly with other consumers on social media platforms (Mangold & Faulds, 2009). Social media significantly changes the power dynamics between companies and consumers. Compared to traditional media (e.g., TV, radio, print), the digital age allows consumers' opinions and feedback to spread easily and go viral. As a powerful consumer behavior, boycotting enables individuals to strategically use their purchasing power and voices to support or oppose companies based upon consumers' societal values and beliefs (Dickinson & Hollander, 1991; Smith, 1990). Although troubling for marketers, widely backed boycotts indicate that targeted firms have likely failed to prioritize consumers (Klein, Smith, & John, 2004).

In the digital age, could consumer boycott pose an even greater threat to marketers? Admittedly, organizing a boycott online is strategic, and individual consumers may struggle to wield it effectively (Koku, 2012). Yet, does it change the narrative if an individual leverages social media to organize a boycott? If so, how should marketers address the potential harm caused by a consumer boycott? This issue has received limited attention in marketing. In this context, this study aims to examine the effectiveness of a social media-based consumer boycott and discuss marketing capabilities that may effectively mitigate its threat.

Purpose and Objectives

This research proposal aims to 1) evaluate the effectiveness of a social media-driven consumer boycott using market response, and 2) propose factors that account for the varying impact of the boycott. Previous studies have discussed the motivations of a consumer in boycott (Klein et al., 2004), the effectiveness of marketing policy boycott (Garrett, 1987), and the effectiveness of consumer boycotts organized using the internet (Koku, 2012). This study investigates the effect of an individual consumer boycott, facilitated by the word-of-mouth (WOM) feature of social media, on firm performance. It also proposes marketing capabilities essential for combating boycott attacks. Examining the impact of a social media-based boycott on firm performance (i.e., stock market performance) will provide valuable insights for both boycott and marketing literature. Additionally, the discussion of firms' social media marketing capabilities contributes to the thematic exploration of marketing research.

Contributions

The potential contributions of this study are twofold. First, it advances knowledge by empirically examining the potential impact of a social media-based boycott on firm value, a topic that is rarely examined in marketing literature. This topic deserves attention, as boycotts fundamentally disrupt consumer-firm relationships and pose significant business threats. Second, social media could be a double-edged sword for an online boycott campaign. While it can amplify the reach and impact of a boycott, it also provides businesses with tools for real-time marketing responses and the ability to shape WOM dynamics. Therefore, understanding the role of firms' social media marketing capabilities in navigating boycotts is crucial for marketers.

THEORETICAL BACKGROUND

Boycotts have drawn the interest of scholars who have examined them from various perspectives (Koku, 2012). Scholars have explored phenomenon through the lenses of sociology, history, psychology, economics, and marketing (Friedman, 1991; John & Klein, 2003; Klein et al., 2004).

Boycotts represent a compelling aspect of consumer behavior (Klein et al., 2004). Friedman (1985) defines a consumer boycott as "an attempt by one or more parties to achieve certain objectives by urging individual consumers to refrain from making selected purchases in the marketplace" (p. 97). Consumers who perceive the firms' actions as egregious are likelier to boycott the firm (Klein et al., 2004). Research has identified four main factors influencing boycott participation: the motivation to create change, the potential for personal gain, opposing arguments that deter boycotting, and the financial or practical burden of restricted consumption on the individual (Klein et al., 2004).

From an economic and psychological perspective, boycott participation may be driven by factors such as guilt, the desire to maintain self-esteem, the avoidance of dissonance, the pursuit of victory, and these factors could jointly constitute consumers' motivations to boycott (John & Klein, 2003). Individual consumers may overestimate their influence on a firm, assuming their actions will inspire others or misunderstanding the connection between their behavior and the company's decisions (John & Klein, 2003). However, consumers' participation in both economic and social-issue boycotts is likely influenced by a combination of factors, including their perception of the boycott's chances of success, their sensitivity to social norms, and the personal costs involved (Sen, Gürhan-Canli, & Morwitz, 2001).

Boycotts in the Digital Age

Boycotts have received relatively less attention in marketing literature. However, they can disrupt the relationship between consumers and businesses, threatening firms' marketing investments (e.g., Garrett, 1987). Few studies have examined how boycotts impacted firm value. Koku (2012) examined consumer boycotts launched via Internet and found that they did not significantly impact firm value. Koku, Akhigbe and Springer (1997) examined the impact of both actual boycotts and boycott threats on firm value (i.e., stock price) and found that, surprisingly, the value of target firms increased on the day of boycott. Pruitt and Friedman (1986) found that the consumer boycotts in their study successfully led to financial losses for the target firms. Similarly, Pruitt, Wei, and White (1988) examined the financial impact of 16 union-sponsored boycotts and found that these boycotts inflicted financial losses on the target firms.

In the digital age, the Internet and social media can further empower "atomistic consumers" by uniting them into a coordinated force capable of organizing and executing consumer boycotts to pose significant business threats (Hendel, Lach&, & Spiegel, 2014). The rise of social media has transformed how firms engage with consumers and activists who challenge them (Richter & Werner, 2014). Communication on the social media platforms is faster, easier, and more cost-effective (Sen et al., 2001). Social media can be a powerful tool for organizing boycotts more efficiently and effectively. Social media also plays a crucial role in efficiently reaching consumers across different geographic locations.

Recent research in this emerging field offers intriguing insights. Ward and Ostrom (2006) applied protest-framing theory to examine customer-created websites and found that consumers use rhetorical tactics to rally others against perceived corporate injustice or betrayal. Koku (2012), who assessed the effectiveness of internet-driven consumer boycotts, found no significant stock market reaction to online boycotts initiated by individuals. Koku (2012) provided an interesting perspective though, emphasizing that a boycott must have a credible cause and garner widespread support from consumers willing to withhold their purchases.

Hendel et al. (2014) studied a Facebook-organized cottage cheese consumer boycott in Israel, focusing on price elasticity before and after the boycott. They emphasize that the success of a boycott relies on activists mobilizing a dedicated supporter base, and social media platforms like Facebook and Twitter help address this challenge by visibly displaying supporter numbers, which in turn encourages broader participation (Hendel et al., 2014).

Studies examining social media or internet-based boycotts are sparse and have yielded mixed results. However, in the digital age, social media may amplify the magnitude of boycotts like never before. This highlights the need for more research to examine and discuss the mechanisms and effectiveness of boycotts facilitated by social media. Additionally, from a strategic perspective, it is crucial to explore firms' marketing capabilities and strategies to respond to consumer boycotts. Thus, this study examines how a social media-based boycott affects firm value and discusses the contingencies that may influence this relationship.

HYPOTHESIS AND PROPOSITIONS

The efficient market theory suggests that investors' reactions fully and accurately incorporate any new information with value relevance and that changes in the stock market prices can be used as proxies for assessing investors' expectations of how firms' marketing efforts will impact future earnings (Srivastava, Shervani, & Fahey, 1998). Boycotts express consumers' dissatisfaction and rejection of a business (Garrett, 1987; Klein et al., 2004).

However, whether a company or the market responds to a consumer boycott is different. Reasonably, a consumer boycott must be substantial enough to draw attention, compelling target companies to address it, considering its scale and potential consequences. Individual boycotters may overestimate their impact on the firm (perceived effectiveness), believe their actions will inspire others (illusion of control), or misunderstand the link between their choices and the firm's behavior (John & Klein, 2003).

However, social media like Facebook and Twitter not only connects individual boycotters with others, but also provide a means for boycotters, companies and investors to better assess the magnitude of a boycott. In addition, the WOM feature of social media could amplify or weaken a boycott's impact and be perceived as a proxy for the likelihood of its success (e.g., the number of retweets, comments, or likes of the boycott campaign).

In this context, we argue that a social media-based boycott makes customers' dissatisfaction more visible in the marketplace and to investors. Thus, a social media-based boycott should significantly impact firm value. Additionally, social media WOM enables boycott activity to go viral quickly and can amplify the effectiveness of social media-based boycotts. The following hypothesis and proporsition are developed:

H1: *A social media-based boycott reduces the value of the target firms.*

Proposition 1: *The stronger the word-of-mouth surrounding a social media-based boycott, the greater its impact on the target firms' value.*

Marketing capability refers to an organization's competence in market sensing and customer engagement (Day, 1994). Marketing capability is built on market knowledge and the ability to anticipate and meet customer needs (Day, 1994; Krasnikov & Jayachandran, 2008). A firm with strong marketing capabilities excels in identifying customers' potential needs and understanding the key factors shaping consumer decisions and thus can achieve superior financial performance (Day, 1994; Jaworski & Kohli, 1993). Marketing capability could moderate the relationship between news and stock returns. Xiong and Bharadwaj (2013) found that firms with varying levels of marketing capability experience different financial impacts when negative news is published.

Additionally, social media marketing is an important component of marketing capability that enables firms build strong connections with consumers. By engaging in social media activities, firms can mitigate misunderstandings, counter negative perceptions, and enhance brand value as social media platforms enable direct, two-way communication with a broad consume base (Kim & Ko, 2012). Platforms such as Facebook brand pages and Twitter accounts allow firms to leverage social media's interactive nature to build personalized, one-on-one relationships with customers (Kumar, Bezawada, Rishika, Janakiraman, & Kannan, 2016).

As a defining feature of social media, WOM offers consumers numerous channels to share opinions and preferences while providing firms opportunities to leverage WOM marketing (Trusov, Bucklin, & Pauwels, 2009). Given its influence, firms may actively generate WOM where it may not naturally occur, such as through viral seeding campaigns (Godes & Mayzlin, 2009).

We argue that social media capabilities are crucial for firms to manage the perceptions of consumers, investors, and the marketplace. Firms with strong social media marketing capabilities may have the ability to manage not only firm-created WOM but also user-generated WOM. That being said, a firm's social media capabilities in managing WOM may moderate the impact of a social media-based boycott on firm value.

Proposition 2*: A social media-based boycott has a smaller impact on target firms with higher social media marketing capabilities.*

Boycott Background

The GrabYourWallet boycott began on October 11, 2016, following the release of the Trump Tapes, a video in which Donald Trump was recorded having a conversation about women with Access Hollywood host Billy Bush (Taylor, 2016). The founders of this boycott claimed on a dedicated website that they would boycott any retailer carrying Trump products, aiming to pressure these retailers into removing them. The founders released a list of such retailers on October 11, 2016. More than 50 retailers were on the boycott list, including Marcy's, Amazon, Bloomingdale's, Hudson Bay, etc. On October 14th, the founders of this boycott introduced the #GrabYourWallet hashtag, along with the list of retailers, on Twitter. The hashtag quickly gained traction, receiving widespread attention and coverage from multiple media outlets. As a result, many retailers from the list discontinued the product lines that carried Trump brands in the aftermath.

METHODOLODY

For this study, we use an event study to test hypothesis 1. The methodology is based on measuring changes in stock prices immediately following the event date, which is October 11, 2016, in this case. And this boycott introduced the #GrabYourWallet hashtag on Twitter on October 14th. According to the efficient market theory, investor should react to new value-relevant information, and thus such reactions should be reflected in the stock market price changes (Srivastava et al., 1998). A database of publicly traded retailers selling Trump family products is constructed. From the short list published by the boycott website, 15 retailers are identified as publicly traded companies and included in the initial sample. Two of these 15 retailers lack trading data on the event date and are therefore dropped, resulting in a final sample of 13 retailers. Stock market data are collected from central databases such as Compustat. We applied event study methodology to calculate the abnormal returns (Brown & Warner, 1980). In this study, we selected event window empirically to examine the firms' mean cumulative average abnormal returns. The results are shown in the following table.

RESULTS

TABLE 1
MEAN CUMULATIVE ABNORMAL RETURN, PATELL Z, AND P-VALUE

Event Window	Mean Cumulative Abnormal Return	Patell Z	p-Value
[0,+2]	0.07%	0.20	0.579
[+3,+5]	**-1.35%**	**-1.88**	**0.030**
[+6,+10]	-0.09%	0.18	0.571

Note : Day 0 – initial boycott announcement by the founders
Day 3 – #GrabYourWallet hashtag introduced on Twitter

Table 1 presents the mean cumulative abnormal return information for different event windows. The results of the Patell Z test and their corresponding p-values are also reported. The mean cumulative abnormal return for the t = [0, +2] window is not significant (p = 0.579). Notably, the mean cumulative abnormal return for the t = [+3, +5] window is significant (p = 0.030) and negative. This result supports our hypothesis 1 that a social media-based boycott reduces the value of target firms. We conclude that the mean cumulative abnormal return is not significant for the t = [0, +2] window but becomes significant for the t = [+3, +5] window. Day 0 was the day of the initial boycott announcement made by the founders; on day 3, the #GrabYourWallet hashtag was introduced on Twitter. The results suggest that a boycott must receive enough attention for the market to respond, and social media facilitates the acceleration of WOM about the boycott. The nonsignificant results for the t = [+6, +10] window are likely due to the dilution of the boycott effect by subsequent unrelated factors or random market fluctuations. Figure 1 visualizes the mean cumulative abnormal return over a window spanning 10 days before to 10 days after the event.

CONCLUSION AND FUTURE DIRECTION

Focusing on the #GrabYourWallet boycott, a social media-based consumer boycott launched in 2016 in response to Donald Trump’s recorded conversation about women, this study explores how a social media-driven boycott may affect firm value (Hypothesis 1) and how this relationship may vary based on contingent factors (Propositions 1 & 2). We empirically test Hypothesis 1 employing an event study approach and using stock market data from 13 publicly traded retailers targeted by the boycott. We reveal that a social media boycott can negatively impact firm value. Our findings advance knowledge on the role of social media-driven boycotts, a topic that has received insufficient attention in marketing literature. By empirically demonstrating the significant impact of social media-driven boycotts, our study offers valuable insights for publicly traded firms that can be vulnerable to such consumer actions.

We propose a cross-sectional model for future research to examine the factors influencing variations in firms’ abnormal returns, as explored in our propositions. Specifically, we encourage future research to examine how word-of-mouth surrounding a particular boycott event and a firm's social media effectiveness may affect this relationship. We speculate that the negative effect of a social media-driven boycott on firm value will be amplified by word-of-mouth but mitigated by the firm's social media capabilities. Empirically testing these predictions could provide valuable theoretical insights into key contingencies while also offer practical guidance on potential marketing strategies that firms can adopt to minimize the negative impact of social media-fueled boycotts.

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APPENDIX

TABLE 2
RETAILERS INCLUDED IN THE INITIAL EVENT-STUDY

Retailer	Ticker	PERMNO
Dillard department store	DDS	49429
Amazon	AMZN	84788
Bed Bath & Beyond	BBBY	77659
DSW INC	DSW	90751
BLUEFLY INC	BFLY	85204
HSN INC new	HSNI	92771
ROSS STORES INC	ROST	91556
BON TON STORES INC	BONT	76847
Perfumania Holdings, Inc	PERF	77186
LIBERTY INTERACTIVE CORP	QVCA	91277
Stein Mart	SMRT	77530
TJX Companies New (Winners, Marshall)	TJX	40539
LENDINGTREE INC	TREE	92775
MillerCoors (a molsoncoor company)	TAP	90562
Neiman Marcus	NMG	87283

Note: two companies are dropped as missing values in this study since their data ends before the event date.

FIGURE 1
MEAN AND 95% CONFIDENCE INTERVALS OF CUMULATIVE ABNORMAL RETURN