Consumer boycotts due to factory relocation

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Abstract

Multinational companies that decide to relocate subsidiaries often appear socially irresponsible. Consumer boycotts are a common response to this type of action, especially in the subsidiary’s homeland; however, the factors that motivate individual boycott decisions remain largely unexplored. Consumers’ degree of concern and level of trust in the management might influence this reaction. Furthermore, consumers may distinguish between the role of the multinational holding company and that of the subsidiary when making the decision to boycott. Seven hundred and twenty-four subjects were surveyed during an ongoing consumer boycott in Germany providing data that support the assumptions of the study. Multiple-group SEM shows that the intervening variables have a stronger impact on the boycott decision for those subjects who are customers of the company. Lastly, the article provides implications of these findings for managerial strategy.

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1. Introduction

In the age of globalization, multinational companies (MNCs) shift their subsidiaries around the world to reduce costs (especially labor costs). From a financial viewpoint, this strategy may be reasonable; however, a marketing perspective identifies significant risks. In many industrialized countries, people blame rising unemployment on the cost-driven location strategy of MNCs. The loss of goodwill is presumably even greater when MNCs relocate factories that have a good local reputation and that manufacture products that are part of a region’s self-image. To avoid feeling helpless, consumers may use their purchase decision as a weapon. This assumption leads to the following question: under what circumstances do consumers react to factory relocations by joining a boycott?

Various political motivations, including patriotism, ethnocentrism, and animosity, influence consumer behavior (Riefler and Diamantopoulos, 2007; Shimp and Sharma, 1987). A boycott is an attempt to change, or at least punish, a corporation’s controversial behavior, representing ‘an attempt by one or more parties to achieve certain objectives by urging individual consumers to refrain from making selected purchases in the marketplace’ (Friedman, 1985, p. 97). Current research identifies some of the consumer motivations behind this choice of action (e.g., Klein et al., 2004; Sen et al., 2001). Scholars, however, have not explored consumer boycott as a reaction to factory relocation.

This study investigates the antecedents of the individual’s decision to boycott a foreign MNC, in particular one that is shifting a subsidiary from an industrialized country to a low-wage country. First, this article analyzes how the variables ‘feeling affected by the closing of the subsidiary’ (labeled ‘concern’ for convenience) and ‘trust in the holding company’ influence the boycott decision. Additionally, the study investigates the reputations of the multinational holding company and the subsidiary in order to determine whether these variables generate different impacts on the intention to boycott. Finally, this article examines whether or not these relationships are stronger among individuals who have purchased the company’s products in the past.
2. Theoretical background

The literature on consumer boycotts consists of three areas of research: (1) the frequency, causes, and goals of boycotts; (2) the consequences of boycotts; and (3) the motivations of participating individuals. The first group of authors gathered historical data depicting the frequency and nature of consumer boycotts. The frequency of boycotts shows a steady increase since the 1960s (Putnam, 1993; Economist, 1990). According to the World Values Survey (European Values Study Group and World Values Survey Association, 2006; Inglehart and Welzel, 2005), boycott participation is on the rise in many industrialized countries. For example, during the first wave of the WVS (in 1982), 16% of the questioned United States subjects indicated that they had already boycotted a company (35% answered that they may do so in the future). During the fourth wave (in 2000), 26% of those surveyed reported boycott participation (51% stated that they may do so in the future).

Friedman (1991) distinguishes between instrumental boycotts, which seek to coerce a target company to change a disputed policy, and expressive boycotts, which serve to vent the frustration of the boycotters. According to his subsequent research, the causes of boycotts have become increasingly diverse (Friedman, 1999): whereas early boycotts focused mainly on economic concerns such as prices (Tyran and Engelmann, 2005), recent boycotts address a wide variety of social concerns, including the rights of minorities, animal welfare, and environmental protection (Innes, 2006; Clouder and Harrison, 2005). Furthermore, in the tradition of consumer boycotts supporting labor struggles, an increasing number of boycotts focus on corporate practices (Wiedenhoft, 2006).

The second line of research examines the consequences of consumer boycotts, including loss of reputation (e.g., Garrett, 1987; Putnam and Muck, 1991) and financial implications (e.g., Koku et al., 1997; Teoh et al., 1999). Pruitt and Friedman (1986) provide evidence that even the announcement of a boycott tends to have a negative effect on the stock price of the target firm. According to Davidson, Worrell, and El-Jerry (1995), one third of companies experiencing a boycott change their behavior as a consequence.

A third group of authors investigate the underlying motivations of individuals who participate or decline to participate in a boycott. Most of these studies rely on a cost–benefit approach and socio-psychological theories. Sen et al. (2001) describe the boycott decision as a social dilemma. Individuals have to choose between maximizing their individual benefit by not boycotting (i.e., continuing to consume) and maximizing the collective benefit by participating in (and hopefully achieving the goals of) the boycott. Sen et al. (2001) demonstrate experimentally that this decision depends on the cost of constrained consumption, the susceptibility of individuals to normative social influences, and the perception of the boycott’s likelihood of success. John and Klein (2003) describe a boycott decision as a problem of collective action. The conviction that the individual’s potential contribution is very small compared to the contribution of the collective reduces the individual’s motivation to join a boycott. The free riding effect (Kerr and Bruun, 1983) further reduces an individual’s motivation to actively take part in a boycott; consequently, rational cost–benefit calculations cannot fully explain the boycott decision. To overcome this limitation, researchers integrate psychological theories into research in this field (e.g., by defining boycott participation as a pro-social behavior). The content analysis of Kozinets and Handelman (1998) reveals that individuals do not boycott merely to achieve a collective effect: consumers also perceive boycotting as a means of moral self-actualization, or as an attempt to express themselves emotionally. In the most sophisticated study to date, Klein et al. (2004) combine cost–benefit assumptions with the socio-psychological foundations of boycott participation in order to examine boycotting motives. Klein et al. (2004) also propose an ‘awareness–egregiousness–boycott’ model (AEB). Hence, consumers first need to be aware of a company’s controversial behavior. The perceived egregiousness of the behavior is the main driver of boycott participation. Several variables moderate the relationship between the perception of the company and the decision to boycott. Two factors tending to decrease motivation are the individual cost of constrained consumption and the concern that a boycott may prompt the company to engage in even more antisocial actions (e.g., mass dismissals). Variables that promote boycott participation include the individual consumer’s desire to make a difference and the expected degree of self-enhancement.

3. Conceptual framework

The present paper extends the scope of the AEB model from factory closing to factory relocation politics. The principal contribution of the study, however, is an investigation of influencing factors so far neglected in research on consumer boycotts.

3.1. Concern and trust

Smith (1987) provides a simple explanation for an individual’s decision to join a boycott: ‘consumers have to be concerned, willing and able’. Previous research focuses on what makes consumers ‘willing’ and ‘able’ to boycott (e.g., Sen et al., 2001). Until now, however, research neglects the prerequisite of ‘concern’. Therefore, the present paper introduces ‘concern’ as a theoretical construct related to research on sustainable consumption (Maloney and Ward, 1973). The individual’s ‘level of concern’ represents the degree to which they are emotionally involved in an egregious act. A high level of concern is more likely when the individual is personally affected by the decision (e.g., by the loss of their job); however, individuals who are not directly affected might also feel concerned (e.g., when the corporate decision contradicts their core attitudes and values). Frustration, a typical emotional reaction to undesirable events such as mass dismissal, is included as ‘perceived egregiousness’ in the AEB model. According to the frustration-aggression hypothesis (Dollard et al., 1939), frustration leads to aggressive behavior. Participating in a boycott thus is an act of aggression, one that serves to vent the consumers’ frustration toward the
company (Nerb and Spada, 2001). The present paper therefore expects (see also Fig. 1):

**H1.** The higher the level of concern, the greater the tendency to boycott.

Klein, Smith, and John (2003) measure ‘perceived egregiousness’ as the individual’s level of disagreement with the company’s actions (by applying the following indicators: ‘I think that Nestlé’s actions are very wrong’ and ‘Nestlé’s promotion of artificial infant feeding is inexcusable’). To examine their AEB model, Klein et al. (2004) later change the indicators of egregiousness (this work measures an individual’s confidence that managers ‘...will not close factories except when necessary’, ‘...will ensure that the closing of a factory takes place in the best possible way for the workers’, and ‘...must close unprofitable factories to avoid putting the entire [product] line in danger.’) This operationalization of the construct indicators measures the individual’s trust in management rather than the perceived egregiousness of a factory closing. The findings of the second study thus provide greater support for the effect of ‘trust’ on the boycott decision than the effect of ‘perceived egregiousness’.

Many authors analyze the impact of ‘trust’ on consumer behavior. Sen, Bhattacharya, and Korschun (2006), for example, show empirically that the consumer’s awareness of a corporation’s social responsibility promotes the intent to purchase. The consumer’s trust in the company moderates this relationship (e.g., Lafferty and Goldsmith, 1999; Osterhus, 1997). Individuals even take into account whether the company’s decisions are altruistic or egoistic (e.g., Webb and Mohr, 1998). Some researchers therefore state that individuals care less about what a company is doing than why (Gilbert and Malone, 1995).

**H2.** The less an individual trusts the holding, the greater the tendency to boycott.

Trust results from a previous experience (Ross and LaCroix, 1996; Rotter, 1967). If an individual feels affected by the irresponsible acts of a company (meaning that they have had a bad experience), he or she will lose trust in the company.

**H3.** The higher an individual’s level of concern, the less the individual trusts the holding.

Taken together, hypotheses H2 and H3 imply that ‘concern’ influences the boycott decision indirectly, mediated by ‘trust’.

### 3.2. Reputation and social identification

Knowledge and beliefs both influence an individual’s reaction to an organization (Brown et al., 2006). Marketing literature suggests a variety of terms to characterize stakeholders’ associations with companies, such as company evaluation (Sen and Bhattacharya, 2001), corporate association (Brown and Dacin, 1997), and image (Barich and Kotler, 1991). Following Brown et al. (2006), the present paper uses the term ‘reputation’, defined as the ‘mental associations about the organization actually held by others outside the organization’.

According to Swift (2001), reputation and experience are antecedents of trust, and trust is the degree of confidence in another’s goodwill. Thus, the better the reputation, the more likely a consumer will trust the company.

**H4.** The more positive the reputation of the holding, the more an individual trusts the holding.

Belch and Belch (1987) confirm that reputation also influences the boycott decision. In particular, the assumption that a company is socially responsible legitimizes the organization and enhances the buying decision of consumers (Handelman and Arnold, 1999). Moreover, reputation can decrease negative reactions to a harmful product crisis, because long-standing positive assumptions about the company will influence the consumers’ evaluation of the crisis (Klein and Dawar, 2004). Thus, a positive reputation can buffer a crisis whereas a negative reputation will intensify the negative reactions of consumers: the worse the reputation of the company, the more likely consumers will feel concerned by the egregious action of the company and the more likely the decision to boycott.

**H5.** The more negative the reputation of the holding, the higher the concern.
H6. The more negative the reputation of the holding, the greater the tendency to boycott.

If only one company is involved, these arguments are reasonable. However, when a foreign multinational holding announces the relocation of a traditional subsidiary, consumer reactions in the home country of the subsidiary are presumably more complex. According to social identity theory and the minimal group paradigm, one common characteristic is sufficient to create a sense of “we” (Tajfel and Turner, 1985). Individuals in the subsidiary’s country therefore identify with the factory to be closed and not with the foreign holding; the latter is considered the out-group. Based on cognitive consistency theories (e.g., balance theory; see Heider, 1958), Bhattacharya and Elsbach (2002) claim that individuals are motivated to maintain their positive associations with those they identify with, as well as their negative associations with those they are distanced from. Consumers living in the country of the subsidiary might therefore retain a positive image of the subsidiary while perceiving the foreign holding in a more negative way (Bergami and Bagozzi, 2000; Dutton et al., 1994). Consequently, the reputation of the subsidiary and the reputation of the holding may impact on the boycott decision unequally which makes separate analyses expedient. Consumers who differentiate between the subsidiary and the holding may consider the subsidiary as a victim and the multinational company as an aggressor. The more positive the reputation of the victim, the more the closure of the subsidiary affects consumers and the more consumers tend to boycott.

H7. The more positive the reputation of the subsidiary, the higher the concern.

H8. The more positive the reputation of the subsidiary, the greater the tendency to boycott.

3.3. Moderating effect of consumer history

All of the previously discussed relationships (see H1–H8) may be stronger for customers than for non-customers. Contact with an organization strengthens identification (Dutton et al., 1994; Ashforth and Mael, 1989). Social identification with a company will be higher among the company’s customers than among non-customers. Indeed, previous research reveals that customer–company identification promotes loyalty and positive word-of-mouth (Bhattacharya and Sen, 2003). Ahluwalia, Burnkrant, and Unnava (2000) confirm that commitment moderates the impact of unfavorable information concerning the company. Highly committed consumers counter-argue unfavorable information to a greater degree than consumers with low commitment. Einwiller, Fedorikhin, Johnson, and Kamins (2006) suggest that customers are motivated to maintain their positive associations with a company that they identify with to preserve the company as a source of positive identity and self-esteem. They provide empirical support for this assumption by showing that the negative influence of disadvantageous publicity on corporate associations is stronger for those who do not or only weakly identify with a company than for individuals with strong customer–company identification.

Moreover, a company’s customers are more involved in the company’s affairs than non-customers. Customer involvement moderates the relationship between a company’s reputation and product evaluations (Maheswaran et al., 1992). According to the elaboration likelihood model (Petty and Cacioppo, 1981), highly involved individuals tend to base their decisions on more elaborate arguments. This assumption implies that customers who feel a strong involvement will take into account their previous knowledge and beliefs (e.g., the reputation of the subsidiary, the reputation of the holding, and the degree of trust in the management) in making the boycott decision. Given that non-customers are less involved, the firm’s reputation and trustworthiness will only weakly influence the level of concern and the boycott decision. Non-customers’ evaluation of an irresponsible corporation’s decision instead depends mainly on situational factors, such as the perceived seriousness of the trigger event.

H9. The relationships among the reputation of the holding, the reputation of the subsidiary, concern, trust, and the tendency to boycott (H1–H8), are stronger for customers than for non-customers.

4. Data and method

4.1. Objective and sample

This paper analyzes the reactions of German citizens to the planned relocation of a Swedish appliance manufacturer’s German subsidiary. Data were collected during a consumer boycott initiated by the labor union. Quota sampling was undertaken to control for age, sex, education, and occupation. To assure regional diversity, the survey recruited subjects in four cities located in different regions of Germany. Eight hundred and fifteen persons were interviewed in the city centers over a period of three weeks at the time the media discussed the relocation intensively. Since problem awareness is a necessary precondition of the boycott decision, the inquiry included only respondents who were aware of the planned factory closing. Restricting the analysis to those who answered all of the survey questions, the sample consists of 724 respondents.

4.2. Measures

In order to measure boycott participation the study uses the three responses of Klein et al. (2004): ‘I am boycotting the products of XY’, ‘I am tempted to boycott, but I don’t know if I will’, and ‘I am not boycotting the products of XY’. Following Sen et al. (2001), this study adds the social dimension as a fourth category (‘If many people boycott the products of XY, I will also join the boycott’).

Respondents first indicated whether they were customers of the company and then evaluated corporate reputation on seven-point scales (‘How reliable/likeable/trustworthy is the...')
Further analyses evaluate the improvement in each parameter separately by fixing the values of all other parameters. In other words, several unconstrained models are compared to the constrained model, each allowing only one parameter to take on a different value in the two sub-samples. In this case, a significant improvement corresponds to a chi-square difference exceeding 3.84 because the difference in the degrees of freedom is one. This process analyzes the moderating effect of consumer history for each structural relationship individually (H₁–H₈).

4.4. Reliability and validity

Confirmatory factor analysis shows that all factor loadings are statistically significant (p < .001; t-values ranging from 5.27 to 27.41). The composite reliabilities range from .70 to .94. According to Fornell and Larcker (1981), discriminant validity is a valid assumption because the average explained variance each multi-item construct extracts (ranging from .44 to .83) is higher than the corresponding construct’s squared correlation with other factors (ranging from .02 to .32).

5. Results

Seventeen percent of the subjects declare their willingness to join the boycott. As expected, boycott participation is higher among customers (24%) than non-customers (7%).

Table 1 presents the global fits of Model 1 and Model 2; the ratio $\chi^2/df$ is less than 3.0. The goodness-of-fit index (GFI) and adjusted goodness-of-fit index (AGFI) both exceed .90 (Bagozzi and Yi, 1988; Baumgartner and Homburg, 1996), and RMSEA is less than .05 (Browne and Cudeck, 1992). In Model 1, the 90% confidence interval varies from .041 to .050, while in Model 2 the range is .033 to .048. Thus, both models are reasonable, although Model 2 provides a better fit to the data than Model 1. The overall chi-square difference between the two models confirms this finding ($\Delta \chi^2 = 61.8; 9 df; p < .001$).

The squared multiple correlations of the endogenous variables provide additional support for the moderating effect of consumer history. Among non-customers, influencing factors explain only 2% of ‘concern’, 5% of ‘trust’, and 21% of ‘decision to boycott’. These coefficients are much stronger among customers, rising to 26% for ‘concern’, 28% for ‘trust’, and 51% for ‘decision to boycott’. Thus, influencing factors have a much greater impact on the boycott decision within the customer sub-sample.

In Model 1 (constrained), six of the structural parameters are statistically significant (p < .001; see Table 2). Within this

<table>
<thead>
<tr>
<th>Specification</th>
<th>$\chi^2$ (df)</th>
<th>$\chi^2/df$</th>
<th>GFI</th>
<th>AGFI</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model 1</td>
<td>Constrained</td>
<td>263.0 (101)</td>
<td>2.60</td>
<td>.945</td>
<td>.928</td>
</tr>
<tr>
<td>Model 2</td>
<td>Unconstrained</td>
<td>201.2 (92)</td>
<td>2.19</td>
<td>.958</td>
<td>.939</td>
</tr>
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Table 1 Goodness-of-fit indices for Model 1 (constrained) and Model 2 (unconstrained)

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model, hypotheses H2–H7 are accepted, whereas H1 and H8 are rejected. As shown above, however, Model 2 (unconstrained) is a more appropriate description. The following section therefore focuses on Model 2 (see Fig. 2). Consumer history is a significant moderator of the six structural effects. Only the influence of the subsidiary’s reputation on ‘concern’ and the influence of ‘concern’ on ‘trust’ are similar in both sub-samples (Δχ² < 3.84). Moreover, the analysis strongly supports H9, as all effects are stronger in the customer sub-sample. Finally, while all structural coefficients are significant for the customers, hypotheses H1, H4, H5, and H8 are rejected for non-customers.

6. Discussion

Analysis of the sample data confirms most of the proposed hypotheses. In particular, the model provides a superior fit to the data when distinguishing between customers and non-customers. The improvement in chi-squared values obtained by allowing relationships to vary between the two sub-samples greatly exceeds that expected from the additional degrees of freedom. Moreover, the model has more power to explain the boycott decisions of customers than those of non-customers. In both sub-samples, the reputation of the holding and trust in the holding exert the strongest total influence on boycott participation (see Fig. 2). The worse the reputation of the holding and the less the individual trusts the company, the greater the tendency to boycott.

Within the non-customer sub-sample, a significant positive relationship exists between the reputation of the holding and the reputation of the subsidiary (.42, p < .001; see Fig. 2), indicating that non-customers tend to treat the holding and the subsidiary as a unit. Customers, however, strongly distinguish between the two roles: the customers’ sub-sample shows no significant

### Table 2
Results of multiple-group analysis

| Hypothesis | Model 1 | Model 2 | Model 2
<table>
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</tr>
<tr>
<td>H1</td>
<td>.04</td>
<td>.00</td>
<td>.02</td>
</tr>
<tr>
<td>H2</td>
<td>−.40</td>
<td>−.34</td>
<td>−.20</td>
</tr>
<tr>
<td>H3</td>
<td>−.21</td>
<td>−.18</td>
<td>−.19</td>
</tr>
<tr>
<td>H4</td>
<td>.21</td>
<td>.13</td>
<td>.16</td>
</tr>
<tr>
<td>H5</td>
<td>−.20</td>
<td>−.09</td>
<td>−.27</td>
</tr>
<tr>
<td>H6</td>
<td>−.27</td>
<td>−.22</td>
<td>−.50</td>
</tr>
<tr>
<td>H7</td>
<td>.19</td>
<td>.16</td>
<td>.02</td>
</tr>
<tr>
<td>H8</td>
<td>.02</td>
<td>−.09</td>
<td>−.40</td>
</tr>
</tbody>
</table>

**Notes:** Δχ² is the difference in chi-squared values between the constrained model (Model 1) and a model for which the indicated parameter can take on different values in each sub-sample (Model 2). C.R. is the critical ratio (t-value). Significance is indicated by the number of stars: * (p < .05), ** (p < .01), and *** (p < .001).

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relationship between the reputations of the holding and the subsidiary (.03; \( p > .05 \)). Thus, customers are obviously very aware of the fact that the holding is responsible for the factory closing, not the subsidiary. This finding indicates that customers blame the holding for the egregious act and perceive the subsidiary to be a victim.

The total effect of the subsidiary’s reputation on boycott participation is positive within the customer sub-sample (see Table 2). While good consumer associations are desirable in general, a positive reputation of the subsidiary fosters negative reactions (such as boycotts) toward the holding when MNC decides to relocate the subsidiary. The impact of the holding’s reputation on the boycott decision, on the other hand, is negative. A positive reputation of the holding can serve as a buffer.

7. Management implications

MNC should not primarily base location strategy on a cost-cutting philosophy. While stockholders may welcome a reduction in labor costs, stakeholders who represent the social environment of the company (e.g., customers and employees) demand social responsibility. In this survey, almost 25% of the company’s customers decided to join the boycott. Moreover, 7% of those who had not previously bought the company’s products explicitly announced their intention to refrain from future purchases. Even if a company bases the relocation decision purely on financial considerations, managers must take into account a potential decrease in sales figures countervailing the saving in labor costs. The aftermath of a company’s decision may be costly if some of its stakeholders consider the company’s behavior to be irresponsible.

The degree of trust in the management and the reputation of the holding mainly influence the individual’s decision to boycott. MNCs need to create a positive corporate reputation in every market they enter. As a matter of course managers will sometimes have to make decisions that consumers perceive as egregious. In such situations, paying lip service to corporate social responsibility is insufficient as a means of managing the crisis. The company must show social responsibility beforehand through concrete actions, thus gaining the reputation of a trustworthy and responsible organization. Only a proactive approach can help a company to endure such crises. Trust in the management will reduce the magnitude of negative public reactions to controversial decisions.

This study analyzes consumers’ reactions to the relocation decision of a foreign holding that acquired a subsidiary and decided to retain the subsidiary’s traditional brand. In adopting this strategy, the MNC intended to take advantage of the subsidiary’s reputation in its home country (Jaju et al., 2006), on the assumption that if the company keeps the traditional brand, consumers will continue to identify strongly with the subsidiary and thereby remain purchasers. In the short-term, this strategy seems reasonable because switching to the umbrella brand of the holding (or some other brand) increases the risk of losing the subsidiary’s loyal customers. However, high consumer-company identification may also have negative impacts for the company: the stronger the identification with the subsidiary, the greater consumer’s concern and willingness to boycott the holding in the case of relocation. If the relocation of a subsidiary is unavoidable, a decrease in the level of customer identification is indicated.

Consider applying the following three-stage process. In stage one, the holding relinquishes the traditional brand. Stage two is characterized by a reduction in the consumers’ identification with the traditional factory (which is now under the ownership of the foreign holding). In stage three, the company relocates the subsidiary. While relinquishing the traditional brand causes a loss of brand value at stage one, this strategy reduces the risk of a consumer boycott in the subsidiary’s homeland when the company announces the relocation at stage three. Managers should bear in mind that a consumer boycott is an apparent sign of corporate irresponsibility that could result in long-lasting negative corporate associations and a reduction in brand value.

8. Limitations and directions for future research

The present study recruits informants from inner-city areas. Although the study takes into account the socio-economical structure of the population via quota-sampling, the representativeness of the sample is not completely assured. However, conducting field research on consumer boycott via surveys planned over a longer period of time is not usually feasible. Unexpected events (such as a factory closing) commonly trigger boycotts, meaning that researchers must react quickly. Presumably, further studies will solve this problem by identifying and analyzing consumer boycotts that are evolving slowly (such as those triggered by poor working conditions).

Other limitations of the present study derive from the cross-sectional design. For example, this approach does not provide evidence of the future behavior of individuals who stated that they are tempted to boycott but remain unsure as to whether they will do so. Panel studies are able to identify the necessary conditions for the tempted individuals to become boycotters. Moreover, the present study focuses on the consumer’s short-term reaction to a controversial act of a company. In this research design, the question of whether some consumers boycotted only to vent their frustration remains unanswered. Panel studies should investigate whether boycott participation is itself only a brief act of defiance or a long-lasting phenomenon. Moreover, the economic impact on the company and the long-term effectiveness of boycotts requires further analysis.

The present study shows that the reputations of both the holding and the subsidiary have a significant impact on the individual’s degree of concern; however, Klein et al. (2004) assume the opposite stance. Neither the study of Klein et al. nor the present study are able to empirically solve this contradiction of arguments, since both base upon cross-section data; however, a company’s reputation evolves over a long period of time, is resistant, and changes slowly. The latter argument strongly indicates that reputation influences the boycott decision and not vice versa. On the other hand, from a process viewpoint the relationship between reputation and concern works in both directions: shortly after the announcement of a controversial act,
the company’s reputation may influence the degree of concern felt by individuals. This concern may in turn influence the future reputation of the company because stakeholders have now experienced that the company is less likeable and reliable than they once assumed. Future research could examine this effect by longitudinal studies analyzing company’s reputation before, during, and after an eggregious act.

Previous research demonstrates the importance of social influences on boycott participation (e.g., Sen et al., 2001). Many consumers state that they would only boycott if many others also boycott (i.e., if they believe the action is likely to be successful). Further research could analyze social influences on the boycott idea in the context of diffusion theory (e.g., Rogers, 2003). Who are the ‘innovators’ that initiate a boycott even when efficacy is expected to be low? Presumably, motivation can change as the number of individuals who are already boycotting increases. Because the likelihood of success is low at first, early boycotters presumably are more idealistic than those who follow. Perhaps the early movers strive more intensively for self-enhancement.

Furthermore, future research should focus on the external validity of the findings. Many external factors presumably influence the consumer’s level of concern, such as the number of dismissed workers, the branch of industry, and the status of the local economy (e.g., highly industrialized, low levels of economic development). The relationship between national identity and the product category may also influence the boycott decision. French consumers, for example, may react sensitively to controversial management actions in the food sector, with which they strongly identify. A closure in the fashion industry may produce a stronger impact on Italian consumers than closures in other sectors. US consumers, on the other hand, identify with Microsoft, Oracle, and other IT-related services. Approximately two decades ago, the same was true for the three largest US car manufacturers. Since that time, however, worldwide competition has changed dramatically (e.g., the rise of the Japanese automobile industry, global restructuring of value chains that resulted in outsourcing to low-wage countries, and the increase in direct foreign investment of competitors in the US). Consequently, GM, Ford, and Chrysler are disappearing from American self-identity. With regard to the present study, the merger, failure and recent separation of Daimler-Chrysler is of particular interest. Given the German managerial predominance at DaimlerChrysler, further research could examine the extent to which American consumers still perceive Chrysler as belonging to the in-group they identify with.

Finally, cultural influence on boycott behavior requires further analysis. Boycotting is more likely in egalitarian cultures than in cultures where acceptance of power distance is the standard (Hofstede, 2001). The ethnocentrism of consumers may also play a significant role in this regard. The present study analyzes the reactions of German consumers to the decision of a Swedish holding. Since the relationship between Germany and Sweden is not troubled by historical events, animosity is not crucial; however, if the holding were located in a different country, animosity toward the holding’s home country could influence the boycott decision.

References


