

**Reasons for the (in)effectiveness of consumer boycotts:  
Economic analysis approach**

*The frequent use of consumer boycotts by certain environmental protection and civil society protagonists makes one wonder about the true potential effectiveness of this tool. By cross-checking the elements of behavioural economic analysis and game theory, we propose to differentiate between the main sources of ineffectiveness of such actions and, in particular, the weakness of coordination between participants, the potentially massive presence of free-riders, the characteristics of markets and alternative technologies, and so on. These studies will help towards the identification of areas for reflection on the relative effectiveness of the socially aware consumption. We illustrate the subject with the example of tropical timber logging.*

In recent years, consumption became more “socially aware”. Through their consumption choices, individuals express their environmental, ethical and political preferences. A major element of this socially aware consumption is the use of boycotts which enable consumers to express their disapproval of a targeted firm. Some non-governmental organizations (NGO), lobbies or individuals protest in this way against corporate environmental or social practices (oil companies, agricultural and agrifood industries, tropical timber producers) that they consider to be intolerable. The aim is to punish the targeted firm by reducing its profits. Boycotters hope to induce a change in the firm’s behaviour. But a large number of factors reduce the effectiveness of these boycotting behaviours and their ability to modify the targeted firms’ behaviours.

**Limits of collective action as seen by economists**

The ability of consumer boycotts to drive change is classically limited by crucial problems linked to collective action: free-riding or coordination failure.

Boycotts face the well-known problem of free-riding. When a consumer boycott is announced,

each individual considers two choices: either he ignores the boycott and keeps on consuming the good; or he decides to participate in the collective action and stops consuming the boycotted good. Boycotting is costly in terms of utility: the individual must give up a good he likes and brings him utility and fall back on a substitute which may be imperfect. Yet the participation of just one additional agent can only have a very limited impact on the potentialities of modifying the targeted firm’s behaviour. So this is the well-known case of the voting paradox: an expensive action (doing without the consumption of a good that we are fond of; going to the polling station) for a very unlikely result (a personal boycott action being a decisive factor in the change of the targeted firm’s behaviour; just one consumer’s vote tipping the result of an election in a precise direction). Therefore, each agent is encouraged to be a free-rider: ignoring the boycott while hoping for its success.

Even in the absence of free-riding, poor coordination of the participants may cause the boycott action to fail. The scattered nature of consumers limits the possibilities of direct coordination. We may suppose that some of the consumers are automatic participants in boycotts.

For example, people with very pronounced environmental preferences are likely to participate in all sorts of boycotts for environmental reasons, even if these have little probability of success and of inspiring a behavioural change from the targeted firm. These first participants have a crucial role to play. If there are enough of them, they are capable of creating a dynamic, giving the boycott sufficient magnitude to encourage the most indecisive participants. Conversely, if these almost automatic participants are too few, the boycott will quickly run out of steam and indecisive participants will not join the boycott operation.

### **Consumer boycotts: a war of attrition**

Aside from these limits of collective action, we may see consumer boycotts as wars of attrition between a consumer group and a targeted firm. A war of attrition may be described as a game in which two agents face each other. At each period, each agent decides to go on with the war of attrition or quit the game. The strategy which consists of going on with the war is more or less costly to each player and the winner is the one who can remain in the game the longest..

If we see a boycott operation in this way, boycotting a firm is costly to consumers because it involves giving up a satisfying good, while for the firm being boycotted it implies a cut in sales, and therefore lower profits (not to mention a possible impact on its reputation.)

The stake in this war of attrition is a firm's practices (polluting production methods, socially unacceptable working conditions...). If consumers are able to remain in the game long enough and so inflict high enough costs on the firm, it will give way and change practices. In this case, consumers will get satisfaction and obtain more environmentally-friendly methods of production. Conversely, if the firm is able to resist the boycott pressure long enough, consumers will give up and become disheartened, and the firm will be able to carry on with its previous practices.

### **Frame: war of attrition and consumer boycotts**

A war of attrition is a model of aggression between two players: a group of consumers and a firm with polluting production methods. The game takes the form of a succession of identical periods. At each period, both players simultaneously choose to stay in the game (go on with the boycott, carry on with the polluting production methods) or quit the game (give up boycotting, switch to a more environmentally-friendly production method).

Consumers must arbitrate between the boycott cost (being deprived of the consumption of the good they like) and satisfaction in case of potential success (an environmentally friendly production method). The targeted firm must arbitrate between the cost of being boycotted (cut in sales) and the gain in case of failure of the boycott (carry on with a less costly production method). Both arbitrations involve maximal conflict periods which represent the moment when, for the player, it becomes too costly to stay in the game, bearing in mind the gain. The game winner will be the one who plays the longest.

### **Conditions of success for boycotts**

From this simple game, we may infer a few conditions that facilitate the consumer boycott or, conversely, make its success more unlikely. For example, the market structure in which the boycott is introduced is crucial. If the target is a firm on a fairly open market, the boycott action has a better chance of success than if the targeted firm is a monopoly or on a highly concentrated market. The existence of an open market allows the presence of competitors and, therefore, potential substitutes for the boycotted product. The result is that the boycott will be less costly to consumers who will be able to switch their consumption to a close substitute, and their feeling of deprivation will be lower.

Consumers' environmental preferences may play an ambiguous role. In the first analysis, one may think that consumers who have high environmental preferences will tend to conduct harder and longer boycott operations than others, thus enhancing the boycott's chance of success. A consumer who has high environmental preferences will be inclined to better promote the targeted firm's cleaner practices. So he will have more to gain in a boycott and will be ready to conduct longer boycott actions. This judgement, however, must be qualified. Consumers with a high environmental awareness may also have lower consumption levels than others. Therefore, their boycott action may be less costly to the targeted firm, because it only deprives it of a small share of its sales.

The cost that the change in behaviour represents for the targeted firm is also crucial. Let us take the case of a firm which is boycotted because it uses an excessively polluting production technology. In its decision to give in or not to give in to boycotters, a major element for this firm will be the alternative technology cost. If that cost is relatively low, then the loss of earnings represented by the boycott may be sufficient to make the targeted firm change behaviour. Conversely, if that cost is too high, even an intense and long term boycott may not be sufficient to drive the firm to switch its production mode.

### **The reasons for the limited success of campaigns to boycott tropical timber**

The example of tropical timber illustrates these arguments easily enough. Several non-governmental organizations militate in favour of boycotts against non-certified tropical timber, in order to combat illegal logging and excessive felling. This type of boycott appears to be a perfect case of success: timber is a fairly homogenous good which makes the market relatively competitive. Moreover timber certification systems guarantee that certified timber was logged according to good practice, thus offering good substitutes.

But consumers aware of this type of boycott are mainly located in so-called developed countries, while nowadays, most of the tropical timber consumption comes from emerging or developing countries (according to the World Resource Institute, only 20% of logged tropical

timber is exported). In global tropical timber production, the share of consumers likely to participate in such a boycott is low. This type of boycott may be inexpensive for targeted firms. Furthermore, if the certification cost happens to be too high, the boycott will have little chance of influencing operators' behaviour.

### **Other boycotts studied in the light of these results**

In 1995, Shell planned to sink an oil rig in the North Atlantic Sea. Greenpeace launched a vast protest movement against this practice and a wave of boycotts took place. Shell cancelled the project and decided to recycle the structure. First, one may think that the oil market offered perfect costless substitutes to consumers: it is easy not to stop at a Shell service station and to wait for the next service station to fill up with petrol. But, as the platform sinking cost was estimated at 18 billion pounds against 69 billion for the alternative method, it is likely that the variation in cost was not high enough compared to the loss of earnings and international size of this boycott.

Some cosmetics firms are also boycotted for their practice of animal testing. In the light of the intuitions mentioned above, we may think that this type of boycott has little chance of success. It is difficult for a consumer to know which firms practice animal testing and which firms do not. For a consumer, it is quite costly (in terms of time) to investigate and find the list of the firms to boycott and find the good products. This type of list may be found on some NGO websites, but they include a few hundred names of firms. So it seems unlikely that consumers do their shopping with such lists of products to buy and brands to avoid. Here the problem is one of boycott readability, which makes it expensive to potential boycotters and discourages them in their action.

### **Areas of reflection for pressure groups**

Several factors thus limit the chances that a consumer boycott will bring about a change in the behaviour of the firm(s) that it targets. In the first place, consumers attempt to act as free-riders, that is, not to take part in the boycott, even if they think it is legitimate. Second, it is difficult for anonymous, scattered consumers to coordinate their actions, and this increases the

risks to small-scale boycotts. Last, some of the characteristics of the markets considered (competitiveness level, substitute availability, available alternative technologies) and of the boycotters themselves (environmental preference levels, size of the population concerned) condition the effectiveness of consumer boycotts.

These conclusions give pressure groups some food for thought. First of all, recourse to consumer boycotts should concentrate on very

precise cases and situations: easily substitutable products, competitive markets, visibility of boycotted products and potential substitutes, a broad enough base of potential boycotters. Second, it would probably be wise to link these boycott actions with mass educational programmes on environmental damages, in order to make them aware of the consequences of their consumption modes. These actions should allow a global reduction in the consumption of goods generating pollution, while broadening the base of potential participants in boycotts.

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#### **For further information**

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