

Do Political Conflicts Influence Daily Consumption Choices?

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Abstract

Political conflict is a fixture of modern democracies. Such conflict shapes societal and political outcomes. But does political conflict with a foreign country also influence domestic consumers' daily consumption choices? This study investigates whether consumers boycott goods associated with the opposing country in a setting where the conflict does not directly influence the characteristics of these focal goods. More concretely, we use the US-China trade conflict to analyze whether consumers reduce their visits to Chinese restaurants in the US when political relations deteriorate. We measure the degree of political conflict through the negativity in media reports and rely on smartphone location data of more than 11 million devices to proxy daily visits to over 194,500 restaurants in the US. We find that a deterioration in US-China relations induces a statistically and economically significant decline in visits to Chinese restaurants compared to non-Chinese restaurants in the US. At the same time, visits to other foreign cuisines decrease substantially, while visits to traditional American restaurants increase. We interpret these results as evidence for international conflicts triggering ethnocentric consumer behavior.

Subject Areas: *Consumer Behaviour, Decision-Making, Market Analysis and Response, Product Categorization, Public Policy*

Track: Methods, Modelling & Marketing Analytics