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Economic Analysis of Consumer Activism and StopHateForProfit Campaign

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Abstract: Consumer activism is used by social movement organisations to mobilise public pressure and cause economic or reputational harm to their target. However, current frameworks do not explain why organisations would engage in indirect consumer activism, which involves targeting one firm in order to elicit change from a third party. This paper aims to explain why groups choose to use indirect strategies by drawing on theories of opportunity structures.

The authors look at facebook' campaign that use indirect strategies, in order to reach inaccessible targets and mobilise the public, groups employ indirect strategies; these strategies assist social movement organisations in raising public awareness at the start of a campaign. The paper concludes that #StopHateForProfit campaign was a success but the extent of the success will be determined in the years to come.

Keywords: Consumer, Market, Facebook.

I. INTRODUCTION

Facebook, the biggest social media corporation with an estimated fortune valued at 527 billion, was forced to change its hate speech moderation policy¹ due to public pressure and risks of high revenue losses.²

This manuscript will discuss consumer activism, market consequences, and how activists weaponize these factors to advance their causes. It will go on to explore "how shopping has become a political act" and will attempt to clarify these ideas using both concrete examples and fictitious scenarios.

The second part of the paper will analyse the #StopHateForProfit campaign; it will do so by first explaining the background of the event. Later, it will dive deep into the economic side of the campaign. The paper will analyse both short- and long-term ramifications for Facebook. To do that, the paper will take a holistic view of the event by not only stating facts but answering the important questions. How does Facebook earn? Why is Facebook indispensable for advertisers? How much of Facebook's revenue comes through ads? What was the impact of the loss of reputation for Facebook? All these questions will help determine the economic effects of the campaign and, to some extent, answer the question – Was the campaign a success?

¹ Business Standard Agencies, 'Facing advertisement boycotts, Facebook to label all rule-breaking posts, even Trump's (Business Standard, June 27 2020) <https://www.business-standard.com/article/companies/facebook-to-label-all-rule-breaking-posts-even-trump-s-as-ad-boycott-widens-120062700116_1.html > Accessed 9th October 2022

² Tiffany Hsu and Elizabeth Lutz, 'More Than 1,000 Companies Boycotted Facebook. Did It Work? (Published 2020)' (NY times.com, Aug 1, 2020) <<https://www.nytimes.com/2020/08/01/business/media/facebook-boycott.html>> accessed 11 October 2022.

II. STATEMENT OF THE RESEARCH PROBLEM

The purpose of the research is to explain how consumer activism and market effects are weaponised by activists for the success of their campaigns. It will further discuss 'how shopping has become a political act' and try to explain these concepts through both real-life examples and hypothetical.

➤ **Hypothesis**

- I. **Null Hypothesis-** Pre-existing norms about the practice of consumer activism don't have social costs in society and substantial costs on the market.
- II. **Alternate Hypothesis-** Changed outlook towards consumer activism and its economic impact on the market and social cost within the society.

III. RESEARCH METHODOLOGY

To better understand consumer activism, market effects, its weaponization by activists for the success of their campaigns, and an articulate, contextual as well as economic analysis of the #StopHateForProfit campaign, The authors have followed the 'black letter' legal research methodology, popularly known as the Doctrinal Method throughout this paper of research. All the data found in this research paper is Secondary in nature, has been collected from reliable sources, and is scrutinized and perused upon.

IV. RESEARCH OBJECTIVE

Objective of the study is to uncover the truth of consumer activism and what all cost the market and the society has to bear because of the coercive practices of these consumer activists.

V. CONSUMER ACTIVISM AND MARKET EFFECTS

Consumer activism refers to action through which activists seek change in the way goods/services are produced.³ It can be done in multiple ways but the aim is the same – to protect the consumer's interests. To force a corporation into listening to the people's demands, activists target the one area where it hurts – Money. For a corporation, revenue is paramount; thus, targeting that revenue is what activists try to do to achieve the aim of their action.

With the rise of consumer activism, people are buying more from the brands they ideologically or ethically agree with and are actively boycotting the brands which do not conform to the ideology of the consumer.⁴ The idea of consumer activism is to make consumerism conscious. The development of consumer activism theory shows that the goal of a consumer activism movement is considerable changes in the practice, principles and policies of a corporation.⁵

A hypothetical illustration of the above can be the boycott of a shoe company by animal activists due to the company's abhorrent and inhumane ways of procuring leather. The campaign will aim to convince the company to change its practices. The movement will aim to garner popular support so that the revenue of the company can be targeted to coerce them into listening to the demands of the people.

³ Roberts V. Kozinets "Adversaries of Consumption: Consumer Movements, Activism, and Ideology." *Journal of Consumer Research*, vol. 31, no. 3, 2004, pp. 691–704. *JSTOR*, <https://doi.org/10.1086/425104> Accessed 11 October 2022.

⁴Stephie Grob Plante, 'Shopping has become a political act, here is how it happened' (Vox, 7th October 2019) <<https://www.vox.com/the-goods/2019/10/7/20894134/consumer-activism-conscious-consumerism-explained>> Accessed 8th October 2022

⁵ Robert V. Kozinets "Adversaries of Consumption: Consumer Movements, Activism, and Ideology." *Journal of Consumer Research*, vol. 31, no. 3, 2004, pp. 691–704. *JSTOR*, <https://doi.org/10.1086/425104>. Accessed 11 October 2022.

But how exactly will a group of commons target the revenue of a multinational giant with a net worth into the high billions? To answer this question, we need to delve deeper into market effects and how these market effects can be weaponized against a corporation to persuade them into listening the demands of people and activists.

Everything that happens in an economy is interconnected on a microscopic level. Even an event perceived as something minor can kick start a domino effect that has a massive impact on the economy.

Imagine a hypothetical where an Islamophobic post by a high-ranking official in a multi-national corporation starts a Twitter boycott against said company. This twitter boycott, at least to some extent, depending on the intensity, will decrease the company's social perception and reduce the trust people have in the company. Due to this, the company's sales will tank and it will also lose the trust of its shareholders. A lot of shareholders may start selling their shares at cheaper prices to disassociate from the company to avoid monetary losses quickly. The quick sale of shares will reduce the price of a share in the market and decrease the company's market value. A fall in sales, perception and share price is bound to cause a fall in the company's revenue and causing this fall in revenue is the primary weapon in consumer activism's 'arsenal'.

The illustration above doesn't mean that consumer activism is only done for targeting a company and plummeting its profits, a lot of times, consumer activism movements are tangents of an ongoing larger political movement. A brand's endorsement or criticism of a campaign can reward it as well. On the other hand, the same can also be the reason for a boycott, that too simultaneously. Consumer activism can take the form of two diametrically opposing actions: mass buying⁶ or mass boycotts.⁷

A closer-to-home case in this regard is the Tanishq boycott in October 2020. A vocal majority started targeting the jewellery designer for publishing an ad which showcased a healthy interfaith marriage citing that it was inaccurate. #boycottTanishq trended on Twitter but simultaneously, the other side of the political spectrum praised the ad for being a beautiful illustration of India's religious harmony.⁸

Shopping has now become a political act. Every consumer movement is bound to have a side supporting it and one against it due to increased politicisation in the internet era. Analysing the market effects in scenarios like this depends on variable factors. Which side had the popular support? Which side had more political support? Which side practices their stance more staunchly? All these factors determine the market effects during a consumer activism movement with two diametrically opposite sides. The case at hand vis-a-vis #StopHateForProfit is similar, but very evidently, one side of the spectrum dominated this particular event as that side garnered more popular and political support.

VI. #STOPHATEFORPROFIT: CONSUMER ACTIVISM AND MARKET EFFECTS

#StopHateForProfit: Background

On 28-29th May 2020, then US president Donald Trump made an extremely controversial tweet where he used the phrase "When the looting starts, the shooting starts" in response to the George Floyd protests turning violent in many parts of the nation.⁹ The tweet and its contents were promptly flagged by the moderation policies of most big tech social media companies. Facebook decided not to follow in its counterparts' footsteps and refused to censor the post. Facebook CEO Mark Zuckerberg

⁶ (Different from bulk buying) in this context Mass buying refers to the action of purposefully buying from one particular brand, even if other brands are offering similar products at a lower price because of a political aspiration attached to that particular brand. For example, the 'Buy Nike!' campaign to show approval of Colin Kaepernick as the brand ambassador of Nike

⁷ Stephie Grob Plante, 'Shopping has become a political act, here is how it happened' (Vox, 7th October 2019) <<https://www.vox.com/the-goods/2019/10/7/20894134/consumer-activism-conscious-consumerism-explained>> Accessed 8th October 2022

⁸ 'Jewellery Brand Pulls Down Ad As #Boycotttanishq Trends Online; Twitterati Ask Why' (*The Indian Express*, 2020) <<https://indianexpress.com/article/trending/trending-in-india/tanishq-ekatvam-interfaith-ad-withdrawn-following-outrage-6723079/>> accessed 11 October 2022.

⁹ @Whitehouse (May 29, 2020). "These THUGS are dishonoring the memory of George Floyd, and I won't let that happen. Just spoke to Governor Tim Walz and told him that the Military is with him all the way. Any difficulty and we will assume control but, when the looting starts, the shooting starts. Thank you!" (Tweet). Retrieved June 2, 2020 – via [Twitter](#).

defended the move and claimed that the posts were different from those that threaten or incite violence because they were about the use of "state force".¹⁰

This move received widespread criticism, and conversations on Facebook policy on moderation of hate had already been brewing, but this was the tipping point and the genesis of the #StopHateForProfit campaign.¹¹ The campaign aims to convince giant corporations to ditch Facebook for their advertisements until it brings about a considerable change in its hate speech moderation policy. The campaign was publicly joined by 1000+ corporations, and many more quietly scaled down their expenditure on Facebook ads.¹²

The growing pressure forced Facebook to make some considerable changes in its hate speech moderation policy, where it started to police antiblack and antisemitic content on the platform more fiercely and followed twitter's footsteps of putting 'objectionable content' tag on posts which could be deemed the same.¹³ Activism forced Facebook to change its staunch policy on moderation of hate speech, and that is the very essence of consumer activism.

What were the economic events which led to Facebook changing its stance? How did #StopHateForProfit target Facebook's revenue? And in totality, what were the market effects of the campaign? and finally, a much more complex and nuanced question – Was the campaign a success?

The next section of the essay will attempt to answer the above questions through careful economic analysis of the market around the campaign.

#StopHateForProfit: An Analysis

The campaign did damage Facebook. The short-term effects may not show a lot of monetary losses but the long-term repercussions of the campaign will definitely show effect sometime in the future. This section of the paper will analyse the campaign and its effects but to do that an overarching idea of Facebook advertisements and their importance is needed

Facebook is free to use. So how exactly does it earn money?

The answer to the above is the exact reason why the campaigners targeted Facebook advertisements. Facebook's business model relies heavily on ads, the free-to-use website brings in a larger crowd to the platform, and the big corporations want to capitalise on that large user base. We are increasingly heading towards a world of virtual reality, if the consumer (the everyday person) has their eyes stuck on the phone, the ads need to be on the phone for visibility. Facebook (combined with Instagram and WhatsApp) has a total user base of 2.9 billion. Thus, it is essential for companies to advertise on Facebook.

Companies, thus, spend a fortune on online marketing. Facebook, by virtue of its extremely large userbase, receives a major chunk of that expenditure. In the year of the boycott i.e., 2020 Facebook earned close to \$85000 million, totalling 97.9% of its revenue.¹⁴ Not only does a high percentage of the revenue come from ads but the rise every consequent year (figure 1) makes Facebook advertisement an important part of its growth trajectory as well.

¹⁰ Mark Zuckerberg's Facebook post - <https://www.facebook.com/zuck/posts/10111961824369871>

¹¹ Rebecca Heilwell, 'Civil rights organisers want advertisers to dump Facebook' (Vox, 17th June 2020) <<https://www.vox.com/recode/2020/6/17/21294451/facebook-ads-misinformation-racism-naacp-civil-rights>> Accessed 11th October 2022

¹² Tiffany Hsu and Elizabeth Lutz, 'More Than 1,000 Companies Boycotted Facebook. Did It Work?' (Published 2020) (NY times.com, Aug 1, 2020) <<https://www.nytimes.com/2020/08/01/business/media/facebook-boycott.html>> accessed 11 October 2022.

¹³ Rachel Griffin, 'How Public Pressure Forced Facebook to Change Its Policies on Hate Speech' (Sciencespo.fr, 2022) <<https://www.sciencespo.fr/public/chaire-numerique/en/2020/07/09/how-public-pressure-forced-facebook-to-change-its-policies-on-hate-speech/>> accessed 10 October 2022.

¹⁴ S Dixon, 'Meta's (formerly Facebook Inc.) advertising revenue worldwide from 2009 to 2021' (Statista, July 27 2022)

<<https://www.statista.com/statistics/271258/facebooks-advertising-revenue-worldwide/#:~:text=In%202020%2C%20about%2097.9%20percent,increase%20in%20comparison%20to%20the>> Accessed 9th October 2022

As previously mentioned, to coerce the corporation into listening demands of the people, activists target the company's profit and thus, the organisers of #StopHateForProfit targeted their biggest source of revenue. As the campaign gained momentum, more and more companies started backing out, at the peak of the campaign more than 1000 backed out of advertising on Facebook until they changed their hate-speech policies. The top 100 advertisers for that year's first month spent \$221.4 million from July 1 through July 29. 12% or approximately \$30 million less than the top 100 the year before (Figure 2).¹⁵ These involved companies which announced a complete boycott and companies which didn't announce the boycott publicly to, most likely, avoid backlash from the other side. Companies like Samsung, Walmart and Geico massively reduced their spending (Figure 3) on Facebook advertisements in the wake of the campaign.¹⁶

Coca-Cola, Adidas, Nike and Unilever, these corporate behemoths alongside many huge corporations joined the boycott. The employees at Facebook staged a massive walkout, and the share price dropped by 8.3% on the day Unilever, one of the world's largest advertisers, announced its boycott.¹⁷ Evidently, multiple shareholders lost faith in Facebook and sold their shares which plummeted the stock price, this loss of faith can be attributed to both ideological and economic reasons. This fall in valuation was a defining moment for the campaign, as the same day Zuckerberg went back on his word of not policing content on Facebook and started using tags to flag content which could be deemed offensive.¹⁸

Critics of the campaign claimed that convincing big companies to ditch Facebook was misplaced, the top 100 biggest advertisers only contributed 6% of the total revenue of the company and that most of the revenue generated came from medium and small-sized enterprises.¹⁹ Although, during that time, due to the pandemic, many small businesses were going shut thus, advertisement money from the big corporations was a steady source of income for Facebook but monetarily it wouldn't hurt Facebook a lot. Secondly, it was also argued that the campaign will not be effective because the campaign asked companies to stop advertisements on Facebook for only the month of July.²⁰ The numbers shown as loss of revenue were also fudged according to critics because there was already a downward sloping trend in the money spent by large corporations on Facebook due to the Covid-19 pandemic.²¹

The criticism is fair but misdirected, the bigger loss was to Facebook's reputation and fall in reputation may create more monetary loss in the long run.²² Big corporations with a lot of visibility openly boycotted the platform.²³ For a corporation that depends on advertisers willing to advertise on their platform for their revenue, a fall from grace is not ideal. Advertisers would be unwilling to advertise their product on a platform surrounded with negativity. Thus, the long-term repercussions of the campaign may be much higher for Facebook as consumers may move to similar platforms like YouTube, Twitch or Tik Tok due to Facebook's negative perception. Consumers prefer positively framed brands because it aligns with their own beliefs, even when the products are almost identical.²⁴ Advertisers follow consumers, because a consumer is an advertiser's target base thus when consumers shift, the advertiser is also bound to shift away. Consumers shifting away will have bigger ramifications for Facebook as it is its user base makes it indispensable for an enterprise looking to advertise itself. If consumers shift away, so will the advertisers thus the implications of large corporations boycotting Facebook could be massive. A bigger time frame is

¹⁵ Tiffany Hsu and Elizabeth Lutz, 'More Than 1,000 Companies Boycotted Facebook. Did It Work? (Published 2020)' (*NY times.com*, Aug 1, 2020) <<https://www.nytimes.com/2020/08/01/business/media/facebook-boycott.html>> accessed 11 October 2022.

¹⁶ *ibid*
¹⁷ Shannon Bond, 'In Reversal, Facebook to Label Politicians' Hateful Posts as Ad Boycott Grows' (NPR, June 26, 2020) <<https://www.npr.org/2020/06/26/883941796/unilever-maker-of-dove-soap-is-latest-brand-to-boycott-facebook>> Accessed 10th October 2022

¹⁸ *ibid*
¹⁹ Brian Fung, 'The hard truth about the Facebook ad boycott: nothing matters but Zuckerberg' (CNN, 26th June 2020) <<https://edition.cnn.com/2020/06/26/tech/facebook-boycott/index.html>> Accessed 10th August 2020

²⁰ James Clayton, 'Could a boycott kill Facebook?' (BBC, 29th June 2020) <<https://www.bbc.com/news/technology-53225139>> Accessed 10th October 2022

²¹ Tiffany Hsu and Elizabeth Lutz, 'More Than 1,000 Companies Boycotted Facebook. Did It Work? (Published 2020)' (*NY times.com*, Aug 1, 2020) <<https://www.nytimes.com/2020/08/01/business/media/facebook-boycott.html>> accessed 11 October 2022

²² *ibid*
²³ Allen Kim and Brian Fung, 'Facebook boycott: view to list of companies boycotting Facebook' (CNN, 2nd July 2020) <<https://edition.cnn.com/2020/06/28/business/facebook-ad-boycott-list/index.html>> Accessed 11th October 2022

²⁴ Pindyck and Rubinfeld (n 18) 191

needed to fully analyse the long-term ramifications of the #StopHateForProfit campaign. Facebook's userbase is dipping, especially among young adults among whom user activity dipped by 13% since 2019²⁵ and for the first time in 17 years Facebook experienced a dip in total active users.²⁶ The total dip is small, half a million from Facebook's (the application not the corporations) total userbase of approximately 2 billion but may be symbolic of a long-term dip resulting in revenue loss.

So, it can be concluded that even though the monetary loss in the short-run for Facebook was minuscule but the loss of reputation can cause long-term repercussions for the revenue of the corporation. Thus, we can safely say that the #StopHateForProfit campaign was successful in hurting Facebook. Zuckerberg recognised the possible ramifications for Facebook and weighed into the demands of the protestors. Facebook recorded a rise in revenue earned through advertisements in 2021 (Figure 1) but the long-term loss due to loss of reputation remains to be seen.

VII. CONCLUSION

This paper discussed the #StopHateForProfit campaign through an economic lens. It explained what Consumer activism is and how market effects are weaponized by activists to coerce corporations. The paper analysed the market effects on Facebook by analysing the Market effects due to the consumer activism campaign against it. The paper delved into why Facebook is so indispensable for advertisers and why big companies boycotting Facebook may not cause much monetary repercussions. It analysed both short-term and long-term repercussions for the social media giant. Finally, the paper determined that the #StopHateForProfit campaign was a success but the extent of the success will be determined in the years to come.

VIII. RECOMMENDATION

On a fairly regular basis, one hears someone discussing efforts to buy less of some commercial product, either out of a desire for global conservation or because he doesn't like how it is produced, or for whatever reason. Invariably, he remarks that his own impact on the market is minor, but he wishes to "send a message" or contribute to a larger trend. There are easily understood conditions within a plausible market model under which this small effect is actually zero, and remains zero even if he is joined by many like-minded individuals. At this point, one wonders if the "message" being sent is "I'm not sure how markets work."

If the market supply of the offending good is fixed, a decrease in demand drives down the market price until the entire supply is sold. As a result, there is no reduction in the amount of the good consumed. If the supply, on the other hand, is completely flexible, then one's personal reduction exactly translates into reduction in use. In general, most markets fall somewhere between these two extremes.

Here are the three possible examples

1. Assume you accept the "peak oil" argument that, while we have plenty of oil, we can only extract so much at a time. This is a loose argument that the supply of oil in a given year is fixed or close to it. Personal conservation efforts, such as purchasing a more energy-efficient home, will lower the price of energy for others, but will have no effect on the amount of oil consumed globally. If the goal is to reduce the price, this is perfectly acceptable. You're out of luck if you want to increase conservation.

2. Assume you don't want to buy certain stocks because you despise the underlying business—Walmart, tobacco companies, or alcohol are three examples. In this case, even if 80-90% of people agreed with you and refused to buy these stocks, the stock price may not change because the remaining people with no such compulsions will bid the price back to market

²⁵ Alex Health, 'Facebook's lost generation' (The Verge, 25th October 2021) < <https://www.theverge.com/22743744/facebook-teen-usage-decline-frances-haugen-leaks> > Accessed 11th October 2022

²⁶ Paresh Dave and Elizabeth Culliford, Analysis: Facebook usage dips for the first time. Will Instagram follow?' (Reuters, 4th February 2022) < <https://www.reuters.com/technology/facebook-usage-dips-first-time-will-instagram-follow-2022-02-03/> > Accessed 11th October 2020

value. The stock price is unlikely to be affected as long as the marginal buyer and seller are not conscientious objectors. In this case, your decrease in demand is not at supply and demand equilibrium, making it irrelevant.

3. Assume you refuse to see a movie because it contains explicit material. The supply responsiveness of theatre seats and DVDs is extremely high (there is always another seat and DVDs are dirt cheap to make). In that case, one's avoidance precisely translates into a decrease in quantity sold and a decrease in profits. Your individual impact may be minor, but it is not insignificant.

Annexure

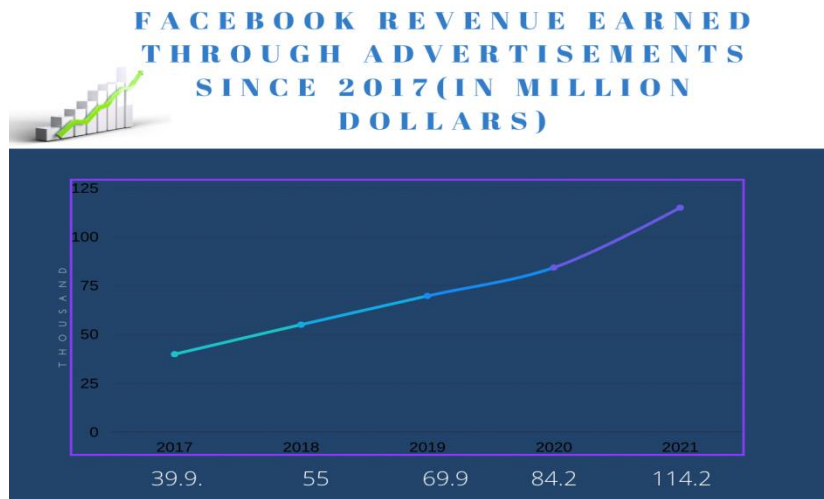


Figure 1 (Data courtesy: PathMatics)

Estimated spending of Facebook’s top 100 advertisers

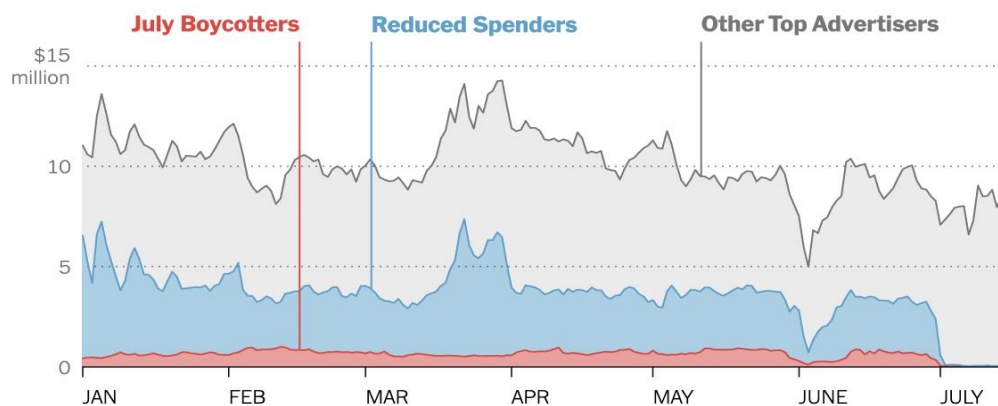


Figure 2²⁷

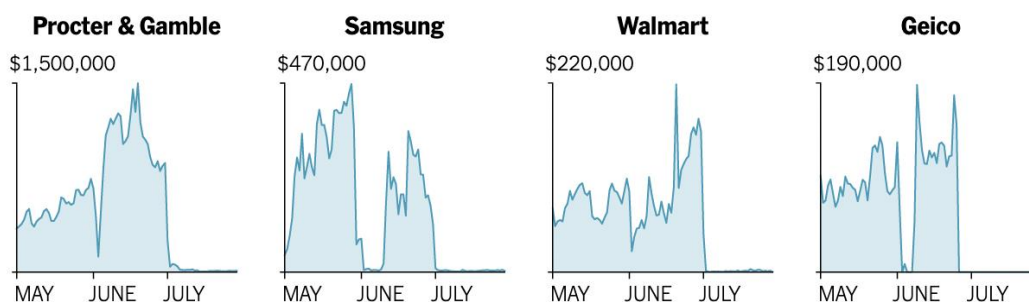


Figure 3²⁸

²⁷ Tiffany Hsu and Elizabeth Lutz, 'More Than 1,000 Companies Boycotted Facebook. Did It Work? (Published 2020)' (NY times.com, Aug 1, 2020) <<https://www.nytimes.com/2020/08/01/business/media/facebook-boycott.html>> accessed 11 October 2022

²⁸ ibid