

HOW SOCIAL INFLUENCE AFFECTS U.S. DEMAND FOR MILK

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Abstract: Per capita consumption of fluid milk dropped by about 40 percent since 1975, whereas the popularity of plant-based milk products has been growing. We use retail-scanner data from 2008 to 2016 to understand how social influence affect U.S. demand for milk. A random coefficient discrete choice framework provides evidence that other buyers' expected choices affect consumers' choices of milk type. Consumer valuations of cow's milk, almond milk, soymilk, goat's milk, rice milk, and coconut milk beverages converge when social influences are absent. The model specifies that consumers receive greater utility from milk types as they become fashionable—the so-called bandwagon effect, but only up to a threshold point. Consumers' utility decreases when popularity exceeds the point, leading to an anti-bandwagon effect. Social influence affects both mean and variance of milk preferences, willingness to pay, own- and cross-price elasticity, and price-cost markup. The results indicate that marginal utility received from each dollar spent on milk beverages has fallen over time. However, consumer preferences for organic and no-added-sugar product attributes are growing over time even after accounting for bandwagon effects.

Keywords: Milk Demand, Social Influence, Scanner Data, organic milk, InfoScan, United States
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