

Discussion of  
“Do Minority-owned Business Labels Increase  
Demand?”

by Aneja, Luca, and Reshef

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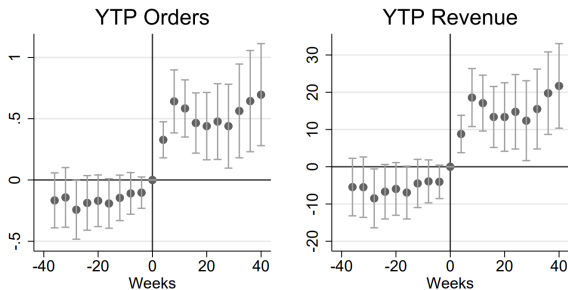
NBER Summer Institute Urban Economics  
2023

# Overview

- ▶ “Do Minority-owned Business Labels Increase Demand?”

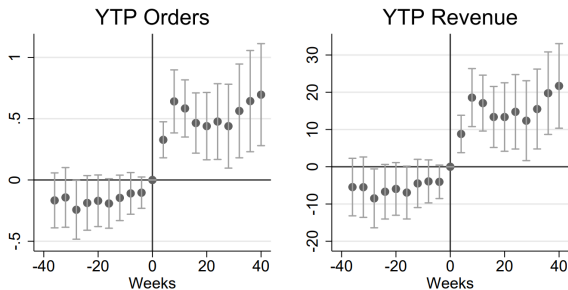
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- ▶ So what?

# Two potential reasons this study is important

## 1. Policy

- ▶ Low-cost intervention that decreased (some definition of) racial inequality
- ▶ Can it be scaled?
  - a. External validity
  - b. How costly is the intervention?

## 2. Reveals something about human behavior

- a. Information frictions
- b. Altruism

## Study's context

- ▶ Who is being studied? Yelp users in (primarily) June 2020 from 7 of the biggest U.S. cities

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"All the News  
That's Fit to Print"

# The New York Times

**Late Edition**  
Today, periodic clouds and sunshine, breezy, cool, high 72. Tonight, partly cloudy, low of 57. Tomorrow, intervals of clouds and sunshine, high 73. Weather map appears on Page B8.

VOL. CLXIX . . . No. 58,711      © 2020 The New York Times Company      NEW YORK, MONDAY, JUNE 1, 2020      \$3.00

## TWIN CRISES AND SURGING ANGER CONVULSE U.S.

### *A One-Two Punch Puts Inequality on Display*

By JACK HEALY  
and DIONNE SEARCEY

They are parallel plagues ravaging America: The coronavirus. And police killings of black men and women.



### *Videos From Protests Deepen Scrutiny of Aggressive Police Tactics*

By SHAILA DEWAN and MIKE BAKER

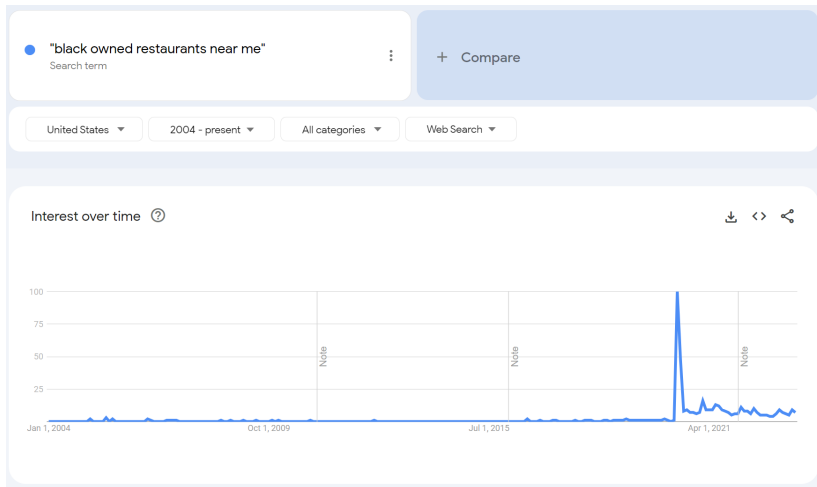
Demonstrations continued across the United States on Sunday as the nation braced for another grueling night of unrest over police shootings and the death of George Floyd, amid growing concern that aggressive law enforcement tactics intended

dress the tensions rolling the country. Instead he used Twitter to criticize local Democratic leaders for not doing more to control the protests.

Mayors and police chiefs spent the day explaining, defending and nominating full investigations into

- ▶ Natural to question external validity

# Google trends





# External Validity Results

- ▶ Late adopter effects  $\approx \frac{3}{4}$  average effects
- ▶ Similar effects on Latinx-owned businesses in 2021
- ▶ Slightly weaker evidence of positive effects on Wayfair

# What is the treatment?

- ▶ “To our knowledge, based on interviews at Yelp, Yelp did not alter its search or rating algorithms to incorporate the new feature. The only change following introduction was to allow users to explicitly search for Black-owned businesses.”
  - ▶ Sounds extremely low cost

# What is the treatment?

- ▶ “To our knowledge, based on interviews at Yelp, Yelp did not alter its search or rating algorithms to incorporate the new feature. The only change following introduction was to allow users to explicitly search for Black-owned businesses.”
  - ▶ Sounds extremely low cost
- ▶ Easier for me to look at badges on Wayfair:
- ▶ Part of “Celebrate Black Makers” initiative
- ▶ Other parts of this program include
  - ▶ Dedicated account teams for diverse-owned supplier partners
  - ▶ Ongoing video series (free advertising)

# What about Yelp?

February 15, 2023

## **Yelp names top Black-owned businesses “Ones to Watch” list for 2023**

A new study by researchers at Harvard, Berkeley, and Washington University finds Yelp’s Black-Owned Business attribute increases engagement and revenue for Black-Owned shops

- ▶ The label may not be the only treatment

# Human Behavior

- ▶ Obvious mechanism is that the label overcomes an information friction
- ▶ However, not the only possible explanation
  - ▶ More aggressive marketing by Yelp or even a third-party
- ▶ Are effects bigger for restaurants where it's more of a surprise that the owner is black?
- ▶ In fact, the authors sort of do this (although their rationale for doing it is different)

## Larger point estimates for Asian/European restaurants

	(1) Page Views	(2) Website	(3) Calls	(4) YTP Orders	(5) YTP Revenue
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### Panel A: All Black-owned Businesses

Black	25.346*** (7.910)	3.891*** (0.739)	1.651*** (0.293)	0.678*** (0.152)	20.101*** (3.842)
Observations	2446843	2446843	2446843	370867	370867
# of Clusters	27763	27763	27763	3621	3621
Dep Var. Mean	37.50	2.28	0.80	1.26	37.90

### Panel A: Asian and European Restaurants

Black	40.909* (22.287)	11.569** (5.150)	3.241* (1.761)	1.977** (0.787)	74.711*** (27.901)
Observations	243349	243349	243349	65457	65457
# of Clusters	5166	5166	5166	659	659

► Caveat: smaller estimates for franchisees might go the other way

# Altruism?

- ▶ Why do white less-racially-biased Democrats want to eat from black-owned restaurants anyway?
- ▶ Altruism a la transfers?
  - ▶ But why not buy from the bad restaurants and franchisees?
- ▶ Virtue signaling?
  - ▶ Should mitigate effects for Asian and European restaurants, not amplify them
- ▶ Altruism a la insurance?
  - ▶ Concentrate on businesses likely to survive absent a pandemic
  - ▶ Consistent with larger effects in early Covid
- ▶ This could speak to a literature on what motivates altruism

# Concluding Thoughts

- ▶ Really nice paper, conclusively showed that the “Black-owned” label helped businesses
- ▶ Some questions about how easy this is to scale
- ▶ I think we can learn even more about human behavior than what is currently in the draft



## Concerns about Methodology (Private to the authors)

- ▶ I'm not sure how to interpret a pre-trends test (p. 12) when you are conditioning on outcome trends (p. 10). I would have assumed that any failure in pre-trends represents a failure of your matching method, not a falsification of your identifying assumption.
- ▶ More generally, if you have to condition on pre-trends, I'm worried about why you have to do that, and what unobserved features those pretrends are capturing. While it wouldn't make for a good discussion, if I were a referee, that's probably what I would spend most of my report on
- ▶ Are you matching on outcome pre-treatment levels? If not, why not? Since you're measuring the change in levels, not in percentages, if BLM/Covid causes a 10% across-the-board increase, and if your restaurants have higher initial levels, then that could cause an increase.
- ▶ This is related to the point by Jonathon Roth that the parallel trends assumption depends on how you're measuring your outcome variable. It would be good if you were a bit more explicit about how you think about that when there are big differences in levels of page views, calls, orders, and revenue across restaurants.

# Small Private Comments to Authors

- ▶ Typo: p.3 “designed” should be “designated”
- ▶ p.9: “provide a measure of how strongly a person unconsciously associated with racial minorities” doesn’t make sense. The last sentence in that paragraph is also ungrammatical.
- ▶ p.14 is missing a “.” before “Reassuringly”
- ▶ Table 1 column titles should be “Non black-owned” not “None black-owned”
- ▶ The notes for Table 6 and the way it’s described in the text don’t seem consistent
- ▶ For some of the stuff on external validity, I would love to see the “just June 2020” results, too.
- ▶ Why is a dummy for “majority Democrat” the right measure? I would have thought a continuous measure made more sense, especially since you’re presenting it next to IAT score and fraction Black, which are continuous