

Exit, Tweets, and Loyalty

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At the heart of industrial organization is the belief that markets act to discipline firms for poor performance. As such, the role of markets – and market structure – in influencing firm behavior has been extensively studied. However, while consumers may withdraw demand from a firm when quality falls, in his famous book *Exit, Voice, and Loyalty*, Hirschman highlights an alternative mechanism that has received considerably less attention: voice. Hirschman argues that, rather than withdrawing demand from a firm, consumers may choose to communicate their dissatisfaction to the firm. In this paper, we develop a formal model of the ideas in *Exit, Voice and Loyalty* and undertake the first large-scale empirical analysis of the relationship between quality, voice, and market structure. Combining data on tweets about major U.S. airlines with data on on-time performance and market structure, we document that the quantity of tweets is correlated with flight delays. Furthermore, we find that this relationship is stronger when an airline has a greater degree of market power in a city.

Keywords: exit voice and loyalty, complaints, airlines, Twitter, social media

JEL Classification: L1, D4, L86

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