Research Seminar: Econ Brown Bag

You are cordially invited to the following seminar
Wednesday, 24 March from 12:15 – 13:15hrs, ONLINE via ZOOM

Competition and the Reputational Costs of Litigation

We study the role of competition in customers' reactions to litigation against firms, using anonymized mobile phone location data. A class action lawsuit filing results in a 4% average reduction in customer visits to the target firm's outlets in the following months. The effect is strongly dependent on competition. Outlets facing more competition experience significantly larger negative effects. Closer competition matters more, in terms of both geographic and industry proximity. Announcement returns and quarterly accounting revenues around lawsuits similarly depend on competition. Our results suggest that competition is an important component in customers' ability to discipline firms for misbehavior.

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Vesa Pursiainen is an Assistant Professor of Finance at the University of St. Gallen. Prior to pursuing PhD, he worked in the financial industry as an investment banker at J.P. Morgan and as an investment professional at Oaktree Capital Management. He received his PhD from the University of Hong Kong in 2020 and spent one year at Imperial College London and another at University of Zurich as visiting researcher during his PhD studies.