Restaurant customers willing to pay more for local food

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Potatoes and scotch bonnet peppers are for sale at a local farmers' market. Credit: Heather Annette Miller, Penn State

Not only are restaurant patrons willing to pay more for meals prepared with produce and meat from local providers, the proportion of customers preferring local meals actually increases when the price increases, according to a team of international researchers.

A recent study of how customers perceive and value local food shows that restaurant patrons prefer meals made with local ingredients when

they are priced slightly higher than meals made with non-local ingredients, said Amit Sharma, assistant professor, School of [Hospitality Management](#), Penn State. The research will appear in the fall/winter issue of the *International Journal of Revenue Management*.

In the experiment, researchers first set prices for both non-local and local selections on the menu of a student-led restaurant at $5.50. When the price was the same for non-local and local food, customers showed no significant preference for either option. However, when the local food selection was priced at $6.50, or 18 percent higher than the non-local option, a higher proportion of the customers picked the meal made with local foods and ingredients, said Sharma, who worked with Frode Alfnes, associate professor, department of economics and resource management, Norwegian University of Life Sciences.

"This is partly good news for restaurants," said Sharma. "It shows that customers were willing to pay slightly more for a local dish, with the emphasis on 'slightly.'"

[Customer](#) preference for premium-priced local food has its limits, however, Sharma warned.

Once researchers raised the price of the local option to $7.50, or 36 percent higher than the non-local alternative, a higher proportion of customers chose the regular menu.

Value cues--signals that attract increased attention from consumers--may influence the customers' preference for the higher-priced local option. The results indicate that the main value cue of local food for customers is its freshness.

"The higher price of the local dish was an indicator of higher value," said Sharma. "So, customers were comfortable with a slightly higher price for

the local food."

Sharma said the research could help restaurant owners decide how to set prices for local foods and estimate whether the potential to charge higher prices will compensate for the additional costs associated with adding local food to the menu.

"The study helps restaurants make decisions on whether it makes sense to offer local foods," said Sharma. "If local foods are a natural fit for some of these restaurants, then it would definitely be a good strategy to price the food higher because there is an indication of value with fresh food."

Sharma said another important finding of the research was that customers indicated they had no preference between restaurants that offered local foods and ones that did not.

The study of 322 customers was conducted at a training restaurant on a Midwest university that serves between 45 and 85 customers each day.

Researchers designed a real-time choice experiment to meet several challenges they anticipated from conducting an in-restaurant experiment. Customers who dine at a restaurant are less inclined to fill out long questionnaires. To avoid bias, the researchers asked questions only after the customers chose their food.

"We literally put the customers in the situation and let them choose," said Sharma. "Then we asked them why they made the choices they did."

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