

# Buying local? Higher price means higher quality in consumers' minds

July 24 2019

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Why are we willing to pay much more for a six pack of craft beer, a locally produced bottle of wine or a regional brand item, often choosing them over national brands?

It's because when people prefer to "buy local," they more frequently base their decisions on price as a perception of quality, according to research from the Indiana University Kelley School of Business and three other universities.

The study, published in the *Journal of Marketing*, suggests that marketers can use this understanding of local [identity](#) versus global identity to shape consumers' price perceptions and behavior.

"Consumers tend to use price to judge a product's quality when their local identity is most important to them," said Ashok Lalwani, associate professor of marketing at Kelley. "When promoting high-priced or branded products, marketers can situationally activate consumers' local identity. To accomplish this objective, businesses can encourage consumers to 'think local' or employ local cultural symbols in advertising and other promotional material.

The researchers also suggested that the opposite was true for low-price products.

"Discount stores, such as dollar stores, should discourage consumers from using the price of a product to infer its quality," Lalwani said.

"They would be better served by temporarily making consumers' global identity more prominent. Cues in advertisements that focus on a product's global appeal would help achieve that goal."

Many companies find it difficult to set and increase [prices](#) in the digital marketplace because of the pricing transparency of the internet, consumers' deal-seeking attitudes and global product availability.

For their study, Lalwani and his colleagues conducted in-depth interviews, two field studies and seven experiments, and reviewed secondary data. In their interviews with 15 senior-level managers from Fortune 500 companies, they found that while the executives considered local or global communities in their pricing decisions, none knew when such strategies were effective or why.

For example, an executive at a snack food maker told them, "It is important to have a reasonably high price since it communicated 'premium-ness' and then reinforce it with advertising and packaging. But we don't know for sure why such consumers prefer premium brands." A pet products manager said, "In dog sweaters, it is difficult to judge quality, so I am sure that my pet parents use price, in addition to other factors, to choose."

Through the field studies, experiments and secondary data, the researchers found that when consumers choose to identify more with others around them, they perceive greater variance among brands, which increases their reliance on price as a cue to judge quality.

Past research has found that consumers from more globalized countries and communities, such as the United States and its larger cities, often have a stronger global mindset because they interact with many types of people and cultures and hear news from abroad. In contrast, those living in smaller population areas or from isolated or insular nations often have

a stronger local identity because they have less access to other cultures.

This paper provides useful guidelines for firms to adapt strategies for different regions and address whether companies should be more locally or globally oriented.

"For products to be marketed to the places where people tend to have a more local identity (such as rural areas), local flavors and ingredients can be used in the products. As these consumers are more likely to make price-quality associations, marketers may not need to allocate much ad budget to convince consumers about price-quality associations," Lalwani and his co-authors wrote.

The opposite is true as well, according to the authors, indicating that in more metropolitan areas, consumers most often don't have an established connection between price and quality. For marketers, this means that putting additional effort into differentiating their brand will help [consumers](#) associate a higher price with higher quality.

Lalwani is in the process of reviewing results of a large-scale national survey of the U.S. that measures which states tend to have more of a local identity versus a global one, for a follow-up study.

**More information:** Zhiyong Yang et al, How Does Consumers' Local or Global Identity Influence Price–Perceived Quality Associations? The Role of Perceived Quality Variance, *Journal of Marketing* (2019). [DOI: 10.1177/0022242918825269](https://doi.org/10.1177/0022242918825269)

Provided by Indiana University

Citation: Buying local? Higher price means higher quality in consumers' minds (2019, July 24)

retrieved 7 August 2024 from

<https://phys.org/news/2019-07-local-higher-price-quality-consumers.html>

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