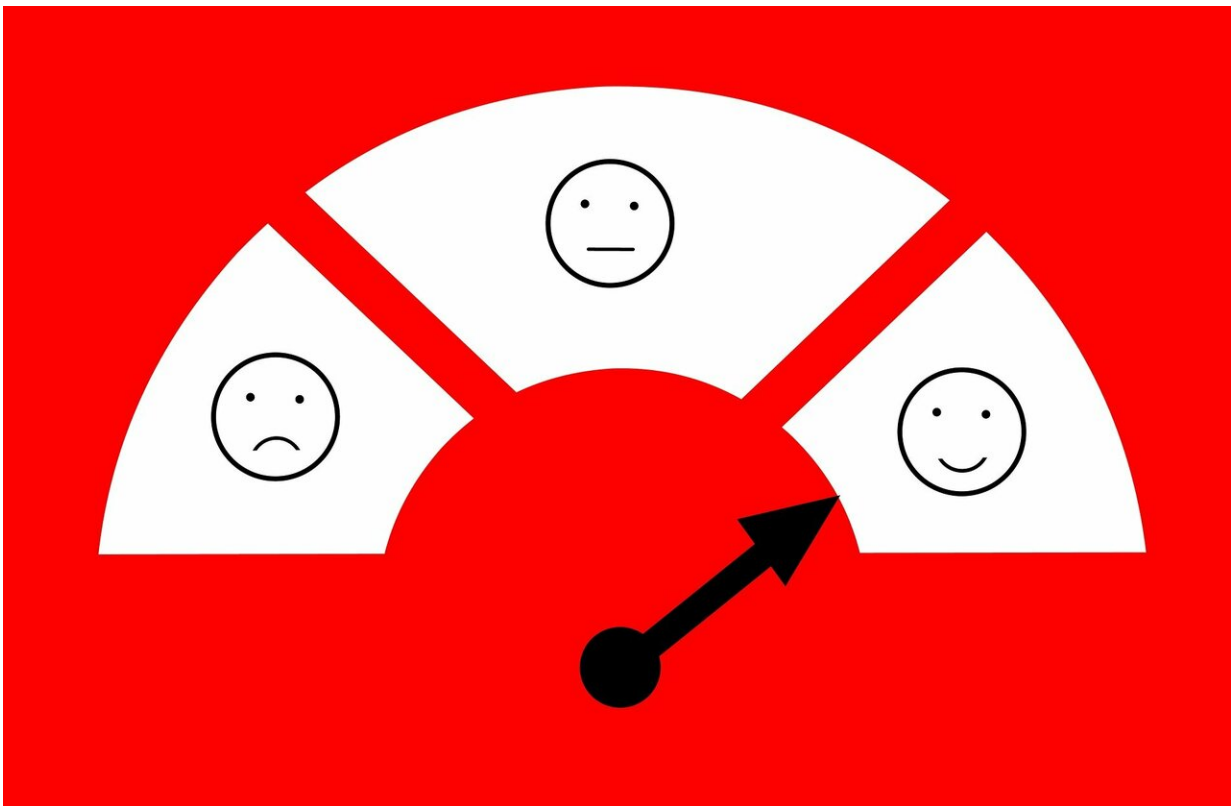


How power distance belief affects consumers' price sensitivity

August 15 2020, by Matt Weingarden



Credit: CC0 Public Domain

Researchers from Indiana University and Miami University-Ohio published a new paper in the *Journal of Marketing* that examines how power distance belief affects consumers' price sensitivity.

The study forthcoming in the *Journal of Marketing* is titled "Price No Object!: The Impact of Power Distance Belief on Consumers' Price Sensitivity" and is authored by Hyejin Lee, Ashok Lalwani, and Jessie Wang.

Most marketers dream of being able to charge [high prices](#) for their products. However, few can do so without spending vast sums to enhance perceptions of value (e.g., by improving product benefits). Consequently, marketers continuously strive to identify and target consumer segments that are less price-sensitive because these consumers are more likely to find [price increases](#) palatable.

A new study in the *Journal of Marketing* identifies a cultural variable, namely power distance belief (PDB)—the extent to which people accept and endorse hierarchy—as an important determinant of consumers' price sensitivity. Across multiple studies, the researchers find that consumers high (vs. low) in PDB are less price-sensitive. Lee explains that "These consumers have a higher need for closure (NFC), which increases their tendency to 'seize and freeze' on a current offer and reduces their likelihood of searching for better priced options, thereby reducing price sensitivity."

Study 1a provides evidence of the negative relationship between PDB and price sensitivity using A.C. Nielsen scanner panel data.

Study 1b provides convergent evidence for external validity using a consequential measure to assess consumers' actual purchasing behavior driven by their price sensitivity.

Study 1c provides evidence of the relationship via a [field study](#) at a small local grocery store.

Study 2a directly assesses the mediating role of the need for closure and

rules out other cultural variables and all alternative explanations.

Study 2b provides evidence for serial mediation through need for closure (mediator 1) and price search tendency (mediator 2) using four different established measures of price [sensitivity](#).

The last study reveals that a high social density reduces the [price sensitivity](#) of low (but not high) PDB consumers. The effect is independent of numerous psychological (e.g., risk aversion, perceptions of self-efficacy, sacrifice mindset, need for status, [self-regulation](#)), cultural (e.g., uncertainty avoidance, long-term orientation, masculinity, interdependence), and demographic (income, occupation, education, household size, type of residence) variables.

Thus, low PDB [consumers](#) are identified as the roadblocks for marketers who seek to raise [prices](#). To meet this challenge, the study offers several strategies, including: (1) targeting consumer segments high (vs. low) in PDB, (2) activating a high PDB via ads, slogans, or POP material, (3) heightening the need for closure using contextual cues, and (4) increasing social density in stores.

More information: Hyejin Lee et al, Price No Object!: The Impact of Power Distance Belief on Consumers' Price Sensitivity, *Journal of Marketing* (2020). [DOI: 10.1177/0022242920929718](https://doi.org/10.1177/0022242920929718)

Provided by American Marketing Association

Citation: How power distance belief affects consumers' price sensitivity (2020, August 15) retrieved 25 April 2024 from <https://phys.org/news/2020-08-power-distance-belief-affects-consumers.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.