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Gao, H., Zhang, Y., & Mittal, V. (2017). How Does Local-Global Identity Affect Price Sensitivity? *Journal of Marketing*, 81(3): 62-79.

Many companies struggle with price increases that typically prove unpopular with consumers. This research focuses on consumers' identity as a local or global buyer, and the impact that the consumers' identity has on the sensitivity to price.

Dr. Huachao Gao and his co-authors conducted an extensive series of 14 studies, two of which took place in China and the rest in USA, and involved over 5,000 participants in surveys, randomized field studies and online experiments. This paper focuses on only six of the studies, although the summarized results are included from all 14 studies. The core argument posits that a strong local identity among consumers produces a sacrifice mindset, which in turn decreases consumers' price sensitivity, providing a greater tolerance for price increases.

For example, one of the experiments was a randomized field study that took place in a grocery store in Hefei, China and looked at consumer purchase behavior of eggs, milk and rice in response to actual price increases. Data collection took place over a period of 35 days in which the authors had knowledge that a price increase would occur around the mid-point of that period. Customers entering the store were randomly handed a brochure designed to manipulate either local identity (think local movement) or global identity (think global movement). Customers signed the brochure to show their support for the assigned movement, and entered

into a prize draw upon submitting the signed form to the cashiers. The cashiers collected the signed brochures and recorded the customers' purchases, allowing them to track what local identity and global identity participants purchased, and whether the purchase took place before or after the price increase.

The research results were striking: in each of the studies, the research showed that consumers whose local identity had been activated displayed less price sensitivity to all products, even when the origin of the goods was ambiguous or unknown. The research also illustrated that companies can develop communication strategies and messaging to trigger consumers' affinity with the local community or local identity, and thus benefit from higher tolerance for price increases. This has a tremendous impact for companies with a global sourcing strategy wishing to balance consumer demand for local identity or connection with their need to maintain price efficiencies.

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