

Trade War? The other road to boost the sales of domestic products

Do we need a trade war to increase the sales of domestic products? Behavioural science offers another solution: the country of origin effect



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The trade war between the US and China has been regularly covered in news headlines since 2017. Several times the US increased the tariff on the import of Chinese goods and vice versa. What's in it for the countries? In theory, the import tariffs should make domestic products relatively cheaper and more attractive to purchase. This especially seems beneficial for the US since the labour costs are often higher in the US than in China.

In the consumer decision process price is an important determinant of choice. So installing higher import tariffs, increasing the price of goods, will indeed shift the preference from foreign to domestic products. But as with every decision that we make, there are more aspects to the choice that influence us. Could the US exploit other possibilities to boost the sale of domestic products?

Country of Origin

Another road to boost the sales of domestic products is by emphasizing its authenticity and originality. Consumers are sensitive to products marked with [“Made in” labels](#). These labels tell us where the item was produced and affect the acceptance and success of products especially when the country and product strongly match. Within consumer economics, the effect of such labelling of products is called the [Country of Origin effect and is considered rather complex](#). It not only often acts as a signal for product quality, but it could also attach symbolic and emotional value to the product. Think of feelings like national pride or social status.

The critical reader may have noted that a “Made in” label could enhance the sales of any product, including those that are produced outside one’s own country. Indeed, this could occur when a country is known for producing high-quality products in the specific domain (eg, automotive industry in Germany) or when a person has positive associations to the country (eg, memories of a past holiday in Italy). Nonetheless, [research](#) has shown that products that have been produced in one’s own country are particularly attracting consumers.

Identity consistency

Why is it that domestic products are preferred as soon as its origin is highlighted? The answer can be found in our identity. People have many [personal and social identities](#) (eg, social roles, traits and nationality) that determine our goals, actions and the decisions that we make. These identities might be consistently available or activated by the situation. For many people, a prominent identity is their nationality. The country in which we are born and grow up shapes who we are and what we think. Hence it feels right to behave in accordance with our nationality when it is activated, influencing our [consumer decisions](#) too. For example, Germans feel more inclined to drive a Volkswagen than a Toyota car and the French would forego a bottle Italian wine to have a red wine from Burgundy. Interestingly, research even suggests that people find it difficult to purchase products that are incongruent with their identity.

Does this mean that highlighting the origin of a domestic product does the full job? Well – that might be a little bit too ambitious. Next to features such as price and quality, the origin of the product will steer the decision process and could help the consumer to narrow down the choice set. Particularly when it comes to [luxury goods](#). So when a German – aware of his nationality – is looking for a new car, he might find himself only considering German brands, but his final decision between these options might depend on price, quality and other aspects of the choice (eg, fuel efficiency).