

Study finds minority consumers will voluntarily pay more for goods and services to assert status

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It has been well-documented that minorities are subject to discrimination in product pricing and customer service. What is startling is the result of a new study professors at the USC Marshall School of business in conjunction with University of San Diego's School of Business Administration, that shows that sometimes ill-treatment can make African-American consumers voluntarily pay more for goods and services than they would normally, as well as pay more than their Caucasian counterparts.

Aarti S. Ivanic, assistant professor of marketing at the University of San Diego's School of Business Administration; and Jennifer R. Overbeck, assistant professor of management and organization along with Joseph C. Nunes, associate professor of marketing at the University of Southern California's Marshall School of Business, set out to understand inequities in transactions. In their study, "Status, Race and Money: The Impact of Racial Hierarchy on Willingness-to-Pay," forthcoming in [Psychological Science](#), the researchers found that African-Americans who felt their status was threatened by poor service because of their race were willing to pay more for products and services to assert their social standing.

While [Caucasians](#) and African-Americans showed equal interest in products such as headphones or luxury hotel upgrades in two studies conducted, researchers found that when race was explicitly activated (subjects were made aware of the stereotypes affiliated with their race),

most African-American survey participants indicated a willingness to pay more for products than either Caucasian participants or other African-Americans for whom race was not raised. Meanwhile, when race was implicitly raised, the researchers found that African-American participants were less likely to counteract [negative stereotypes](#) and decreased their willingness to pay for products.

However, what was also uncovered in this study was that African-American participants who strongly identified with their race had a lower "willingness to pay," suggesting that greater pride in group membership made them less vulnerable about their status.

In the concluding experiment with more than 500 participants, the researchers found that, as with Caucasians surveyed, when African-Americans were treated well, they did not indicate a willingness to pay more for goods or services even when race was made an issue. When African-American subjects were treated poorly, but [race](#) was not raised, they paid less.

Though the survey focused on African-Americans, USC Marshall Professor Jennifer Overbeck says the findings may be applicable to any group that has had a traditionally disadvantaged status throughout history.

"Minority consumers have tremendous buying power. We want to draw attention to the fact that these downstream forces of discrimination are important and to bring it to the attention of anyone who feels disadvantaged in the marketplace that he/she should not feel the need to prove themselves to people who don't deserve it by paying more," Overbeck said.

Provided by USC Marshall School of Business

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