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Consumers Love Local Brands. That's Good News For Family Businesses

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> Being a family firm enhances a brand's local appeal and influences consumer purchasing behaviors.

Consumer preferences are increasingly favoring brands with a strong local identity. The reasons for this trend include environmental concerns and challenges in our fast-paced, interconnected world. Global crises -- such as the COVID-19 pandemic, climate change, and the conflict in Ukraine -- have played a part.

In response, scholars have proposed strategies for businesses to capitalize on this trend. These include emphasizing the location of production or sources of ingredients, adopting designs inspired by local culture, and adapting distribution channels to local preferences.

Traditionally, family firms are often described as "local businesses." Thus, actively communicating a family firm's status to external stakeholders—family firm branding—might be a particularly effective strategy for enhancing its image as a local company. However, to date, few have studied how consumers perceive the local character of family firms and whether this makes them more likely to buy from that firm.

Our team studied whether being a family firm can serve as a competitive advantage in enhancing a brand's local appeal and influencing consumer purchasing behaviors. We discovered that while "localness" might seem straightforward at first glance, it is actually more complex and multifaceted than we initially thought.

What Makes a Brand "Local?"

The complexity of perceived brand localness stems from the fact that it has several dimensions, all of which can influence consumer reactions.[1] Traditionally, localness was viewed simply as the opposite of globalness. In this view, a global brand is seen as international with wide geographical reach, while a local brand is perceived to have a more *limited geographical reach*.

However, research has revealed that localness encompasses additional related, yet distinct dimensions. One of these is *local iconness*, which considers how deeply a brand is perceived to be embedded in the regional culture and community. For example, the Coors Brewing Company demonstrates its deep connection to the Colorado community among others by being a long-time sponsor of the Colorado Rockies, even having the team's stadium named Coors Field.

A third dimension, *domestic production*, involves the extent to which consumers believe a brand uses local resources, such as employing a domestic workforce or using locally sourced materials in production. For example, Bosch in Germany is known for manufacturing a significant portion of its appliances and automotive components domestically, exemplifying its commitment to high-quality, locally produced engineering. Lastly, *national origin*, describes how strongly consumers belief that a brand originates from and is headquartered in their home country.

Overall, this also means that brands can be local and global at the same time (i.e., “glocal”). For example, Ford, despite being a global player, also embodies localness through its status as an American icon and its US-based headquarters.

Our Predictions

Going into our research, we felt that family firm branding would influence all identified dimensions of localness, ultimately affecting consumer behavior. Consumers often possess limited information about brands, including specifics about a brand’s local attributes. Consequently, consumers tend to make inferences based on readily available signals, such as whether the business is family-owned. Here is what we hypothesized:

Local Iconness: Family business branding can foster a perception of the brand as a local icon. Family firms are often considered as deeply embedded in local culture and pillars of their communities for generations. These perceptions should positively influence consumer responses, as consumers increasingly value related attributes such as community orientation, authenticity, and local cohesion.

Domestic Production: Family business brands might be perceived as particularly committed to domestic production, given their strong ties with local stakeholders, such as employees and suppliers. As such, consumers may assume that family firms utilize local resources and labor, which can positively impact consumer responses by underscoring support for the local economy, sustainability, and traditional manufacturing practices.

National Origin: Family firm branding should also strengthen the perception of the firm’s national origins. Family firms are often seen as essential parts of the local economy, with a commitment to maintaining the business within the family and local area. This should enhance consumer responses, as the firm is viewed as a supporter of national and local economic stability and pride. Additionally, brands that are associated with local iconness, domestic production, or national origin often elicit positive consumer reactions because they resonate with local identities and are assumed to better understand regional needs and preferences.

Geographical Reach: Family firm branding may lead consumers to perceive the brand as having limited geographical reach. This perception stems from family firms' well-known preference for long-term stability over aggressive expansion. Consequently, consumers may view these firms as more conservative and less globally expansive. However, research has shown that perceived limited reach can lead to less favorable consumer responses compared to wide reach. Why? Even though anti-globalization trends have weakened this effect, consumers still tend to view wide reach as a signal of quality and prestige, as it demonstrates a brand’s ability to compete globally and be appreciated across many markets.[2]

In sum, we predicted that family firms can benefit from three positive localness effects—local iconness, domestic production, and national origin -- but the perception of limited geographical reach may be a drawback, especially for firms that want to be seen as both local and global. Given the numerical dominance of predicted positive effects and current market trends favoring localness, we anticipated that family firm branding strategies would ultimately enhance consumer purchase intentions overall.

What We Studied

To see if our assumptions were true, we conducted a series of studies where consumers were randomly assigned to one of two conditions. One group of consumers saw a logo and a company description for a fictitious brand, with added information indicating it was a family business. The other group saw the same logo and description but without the family business information. After the consumers saw these materials, we measured their perceptions of the four localness dimensions as well as their purchase intentions. More than 1,600 consumers participated in five online experiments featuring this design, which varied by industry (e.g., footwear, car tires) and geographic origin of the sample (i.e., US and UK), to enhance the generalizability and depth of our insights.

What We Found

The results supported our predictions. Specifically, disclosing the family firm status significantly influenced all dimensions of brand localness. Brands identified as family businesses were perceived to have a significantly stronger associations with local iconness, domestic production, and national origin, but were seen as having a more limited geographical reach. Figure 1 illustrates these differences as observed in one of the studies.

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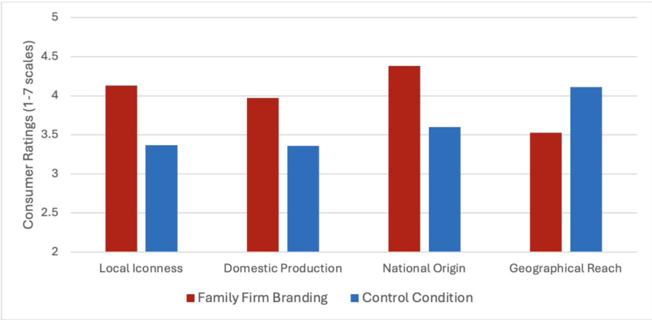

Figure 1: Mean differences per localness dimension

Additionally, we explored how these perceptions impacted consumers' purchase intentions. Our findings showed that while the perceived limited geographical reach of family brands made consumers less likely to buy, this was overshadowed by stronger positive effects related to enhanced domestic production and particularly high local iconness. Ultimately, these favorable perceptions led to an overall positive impact of family firm branding on consumer purchase intentions.

The Takeaways

On a broader level, this research shows how being perceived as local can make a brand more competitive in a changing consumer market. For family firms in particular, we demonstrate that family firm status represents a powerful tool to shape consumers' perceptions about a brand as a local one. In particular, the emphasis family firm branding puts on local production and cultural/community ties positively influences consumers purchase likelihood and gives family firms a competitive edge. Therefore, family businesses aiming to cultivate such perceptions should consider openly communicating and emphasizing family status in their branding strategies. This approach not only capitalizes on a growing consumer trend toward supporting local businesses but also aligns with wider socio-economic movements favoring sustainability and local engagement.

Interestingly, our research also reveals that even if family firm branding triggers mostly positive perceptions, we also saw it can make consumers presume the firm has limited geographical reach. Managers of internationally focused family brands who seek to balance global and local brand identities effectively—evolving into "glocal" brands—need to manage this challenge carefully. For example, they can emphasize their family background to foster positive localness effects (e.g., local iconness, domestic production) but should simultaneously highlight their firm's wide geographical presence to mitigate any negative perceptions about their international reach. This strategy can help unlock the full benefits of being perceived as local.

Explore the Research

The localness effect of family firm branding on consumer perceptions and purchase intention: An experimental approach (https://www.tandfonline.com/doi/full/10.1080/00472778.2024.2326581#:~:text=Specifically%2C%20we%20show%20that%20family,negative%20effects%20on%20geographical%20reach.) , *Journal of Small Business Management*, April 2024

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