



Globalization and consumer preferences – November 22nd, 2024

On November 22nd, 2024, [the Globalization Chair workshop](#) showcased three studies exploring the intricate relationship between globalization and consumer preferences. The research delved into the ways preferences influence economic transactions, examining specific domains such as holiday accommodation exchanges and food purchasing behaviors. Moreover, the studies offered a comprehensive analysis of how preference diversity evolves across different generational cohorts on a global scale.

Liam Wren-Lewis from PSE-INRAE presented a compelling research paper titled "Misplaced trust? Preferences for similarity in a global online market", co-authored with Gabrielle Fack (PSE and Paris Dauphine-PSL) and Julius Goedde (PSE). The study offers an exploration of how similarity preferences shape economic interactions in digital marketplaces.

The research addresses a critical yet understudied phenomenon in market dynamics: people's tendency to transact preferentially with individuals who share similar identities—whether cultural, linguistic, or demographic.

While such preferences may enhance trust and facilitate informal contract enforcement in network-based markets, empirical evidence has been challenging to obtain due to limitations in tracking complete transaction sets and post-exchange outcomes.

Wren-Lewis and his colleagues investigate two fundamental questions: First, to what extent do market suppliers choose to trade with similar individuals? Second, what tangible benefits do suppliers realize from such similarity-based exchanges? The holiday accommodation exchange market provides an ideal research context, offering three distinct advantages: the

critical role of trust (as users exchange primary residences), the potential economic costs of similarity preferences in a relatively thin market, and the availability of comprehensive transactional data.

The study draws from a large-scale global accommodation exchange platform characterized by a unique token-based system. Providers earn tokens by hosting guests, which can only be redeemed for future accommodations. Typically, exchanges involve primary residences for short stays (approximately one week) booked months in advance. The platform's rapid growth—facilitating

over 100,000 annual trips—and decentralized matching process create a rich ecosystem for analyzing interpersonal exchange dynamics.

The matching mechanism is particularly intricate: potential guests initiate contact by sending requests to hosts, who retain complete discretion in accepting or rejecting these proposals. Host decisions can be influenced by objective trip characteristics and more nuanced guest attributes, providing a sophisticated lens for examining similarity preferences.

The researchers constructed their dataset by analyzing the comprehensive set of requests on the platform between 2018 and 2023, strategically excluding requests during 2020 and 2021 to mitigate potential distortions from COVID-19 travel restrictions. They also removed reciprocal exchanges, which comprised approximately 20% of total interactions. The resulting

sample encompassed over 5 million requests directed to around 200,000 suppliers, providing a robust foundation for analysis.

Wren-Lewis and colleagues developed three primary sets of explanatory variables to investigate exchange dynamics: (1) guest-supplier similarity, (2) previous guest ratings at the time of request, and (3) a novel 'ease of exchange' measure calculated as the logarithm of the inverse of the number of guests. Their analytical focus centered on two key outcomes: the supplier's initial acceptance of a request and the subsequent rating provided by the supplier post-exchange.

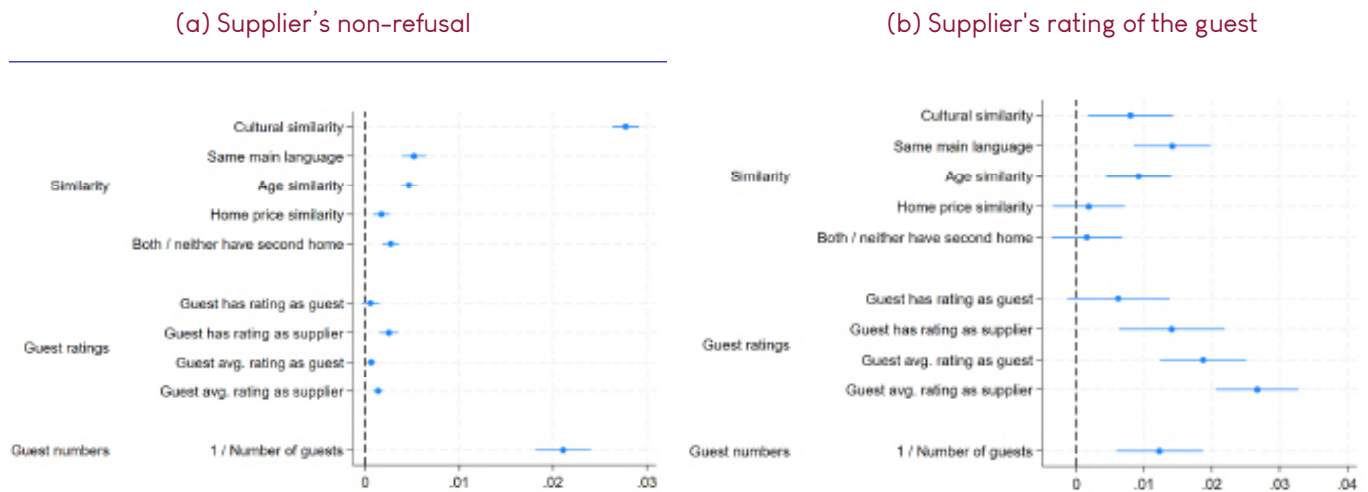
The findings, illustrated in *Figure 1*, reveal that hosts demonstrate a clear preference for guests who share similarities across multiple dimensions—including cultural background, language, age, and wealth indicators. Hosts are more likely to accept requests from and initially rate

highly those who resemble them.

However, once an exchange is completed, the actual quality of the guest experience becomes far more significant in determining supplier satisfaction than initial similarity. This finding suggests that hosts' preferences for similarity are fundamentally "misguided," potentially undermining their own welfare by prioritizing demographic proximity over substantive interaction quality.

The research carries profound implications for digital marketplace platforms. The results strongly advocate for policies designed to reduce homophily and discriminatory selection practices, suggesting that such interventions could significantly enhance overall user experience and platform efficiency.

Figure 1.
Drivers of supplier's acceptance and supplier's ratings



Source: Fack et al., 2024.

The second paper presented by Mattia Nardotto (ULB), entitled "Identity, Media and Consumer Behavior" and co-authored with Sandra Sequeira (LSE), investigates whether political events shape everyday economic decisions? And if so, how? The study leverages Brexit as an exogenous shock to investigate shifts in identity salience and its impact on purchasing patterns.

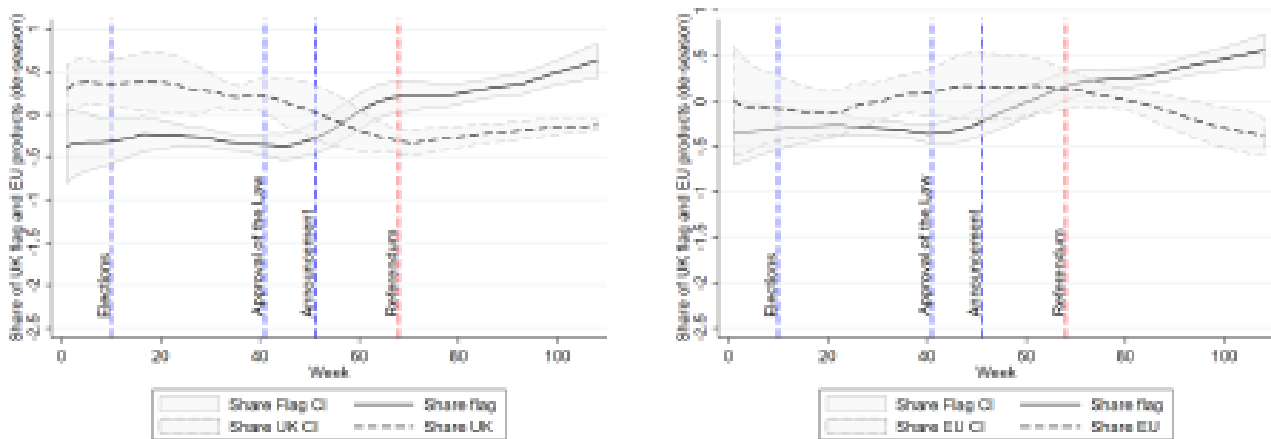
To conduct their analysis, Nardotto and Sequeira rely on grocery purchases, made in relative anonymity (e.g. not influenced by social pressure) and develop an identification strategy based on comparisons between consumption choices within households made before and after the Brexit announcement. More specifically, they use shopper-level panel data to study the

i) Post-Pre differences in the share of UK vs. EU products (baseline) and ii) Post-Pre differences between National products (salient identity) vs. other UK and vs. EU products.

Consumption data were provided by a large UK retail chain (approximately 600 stores). The authors obtained scanner data for all stores over two years (March 2015–March 2017), i.e. a total of approximately 830 million shopping trips. The data includes i) shopper unique identifier; ii) product unique identifier and product information (e.g., product category, country of origin); iii) time stamp of the purchase; iv) price and quantity purchased; v) store, including location; and vi) loyalty card information (gender, age, household size, postcode). The authors

combine these data with census data to obtain socio-economic characteristics of the area (e.g. labour market deprivation index; rurality index; immigration).

Figure 2.
Share of Expenditure on Flag Products against UK and EU products



Note: The panels show trends in purchases of products with the union jack flag or a British identifier – flag products –, against UK products (left panel) and against EU products (right panel), before and after the Brexit referendum.

Source: Nardotto and Sequeira, 2024.

The results of the difference-in-differences specification suggest that the presence of the union jack flag raised sales: sales of UK products with a flag increased by 1.2 percentage points relative to UK products without a flag, which represents a 10% increase relative to the period prior to the referendum. The increase over EU products was of a similar magnitude (1.1 percentage points). The relative rise is essentially driven by in-group favouritism rather than social conformity, increased taste for typical UK products or increased attention to the ‘origin of product’ attribute. These effects are unaffected by price changes and are fairly homogeneous across demographic groups.

The authors then investigate whether this shift in consumption is influenced by (social) media. To do so, they

conduct an event study around media storms, examining purchase decisions before and after days of heated discussion around Brexit. They draw on traditional media (e.g. newspapers: the *Daily Mail*, the *Evening Standard*, the *Express*, *The Guardian*, *The Independent*, and *The Times*) and new media (the universe of Brexit-related tweets) and perform a text analysis of headlines and first paragraphs (newspapers) and text analysis of tweets. Their results suggest that media, both traditional and new, have a significant impact on consumption patterns. Volume and slant (pro/against) seem to be important factors influencing consumption, while the type of content seems to have a heterogeneous but less clear and sizeable effect. The results hold when the authors exclude storms generated by traditional media.

To conclude, the authors find compelling evidence that political events, such as referendums, can significantly influence everyday purchasing decisions, promoting consumption of goods from one's in-group. The impact varies across different demographic segments, with some groups showing more pronounced behavioral changes than others. Critically, the study highlights the pivotal role of information, particularly consumers' awareness of a product's country of origin. Moreover, the media emerges as a potential catalyst for this shift, and when combined with the persistence of established purchasing patterns and corresponding adjustments in supply, can fundamentally reshape consumption landscapes over time.

The third paper presented by Uwe Sunde (LMU), entitled “Have Preferences Become More Similar Worldwide?” (co-authored with Rainer Kotschy, NBER and Harvard T.H. Chan School of Public Health) studies the dynamics of preference heterogeneity across birth cohorts around the world. The study uses two survey datasets:

➤ The Global Preference Survey (GPS), which offers a comprehensive dataset of preferences, drawing from

the 2012 Gallup World Poll. This extensive research encompasses approximately 80,000 individuals across 76 countries. However, the primary methodological constraint lies in the survey's cross-sectional nature, which limits the ability to track longitudinal changes over time.

➤ The World Values Survey (WVS), which provides less robust indicators but for a larger sample (about 380,000 respondents from

107 countries). The longitudinal data were collected in seven waves (1981-2022).

In both surveys, the preference dimensions which are investigated are patience, willingness to take risks, trust, and pro-sociality.

Figure 3.
Dynamics of Heterogeneity in Risk Preferences



Note: Country means in willingness to take risks in 2012 for the birth cohorts 1940–1949 (Panel a) and 1980–1989 (Panel b). Darker shading corresponds to a higher willingness to take risks.

Source: Kotschy and Sunde, 2024.

In their empirical analysis, Kotschy and Sunde employ a dyadic approach to examine absolute differences in preference distributions between pairs of countries within and across generational cohorts. They measure heterogeneity between country pairs by analyzing the first two statistical moments of individual survey distributions—specifically, the mean and standard deviation.

The research methodology involves several key steps:

First, the authors aggregate preferences into country-period-cohort cells, conducting analyses both for pooled data and separately for women and men. Their dataset yields an average of 149 observations per cell in the Global Preference Survey (GPS) data covering the 1930s to 1990s, and 222 observations in the World Values Survey (WVS) data spanning the 1910s to 1990s. Subsequently, they calculate the absolute dyadic differences in both the mean and standard deviation across country-

period-cohort groups.

The findings reveal a significant global trend: preferences have progressively converged over time. This decline in preference heterogeneity across cohorts correlates with economic convergence and fundamental preference endowments. Notably, the convergence is most pronounced in cases where earlier-born cohorts exhibited greater initial preference disparities.

References

Fack G., Goedde J. & Wren-Lewis L., 2024, "[Misplaced trust? Preferences for similarity in a global online market](#)", Mimeo.

Kotschy R. & Sunde U., 2024, [Have Preferences Become More Similar Worldwide?](#), CESifo Working Paper No. 10735.

Nardotto M. & Sequeira S., 2024, [Identity, Media and Consumer Behavior](#), Working Paper.

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