Do We Really Want to Keep Up With the Joneses? a Closer Look At Luxury, Concealment, Social Interaction, and Justification

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Theory suggests that people typically buy luxury to signal wealth and status. However, the present research demonstrates that people sometimes prefer to conceal luxury, for self-presentation concerns. Studies 1 and 2 demonstrate that people sometimes prefer to conceal indulgent purchases or information about purchases from others, especially information on cost. Studies 3 and 4 examine the effect that describing an indulgent purchase to others has on what consumers say and think, and find that consumers more frequently mention the cost of the item, but take care to present this information in ways that should minimize negative judgment by others.

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Do We Really Want to Keep Up with the Joneses? A Closer Look at Luxury, Concealment, Social Interaction, and Justification

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Several theories have offered insight as to why people consume luxury items. For example, McCormick (1983) suggests people may “keep up with the Joneses” by buying expensive items to maintain self-esteem. Veblen (1912) proposed that people purchase luxury items to signal wealth and status to others. In contrast to this, recent research (Kivetz and Simonson 2003, Kivetz and Zheng 2006) finds that consumers are often reluctant to purchase luxury items, and they expect to feel guilty if they do. People feel they must earn the right to indulge (e.g., by justifying luxury purchases through effort or good performance) perhaps driven by pervasive cultural norms emphasizing the puritan work ethic. However, a recent intriguing study by Schwarz and Xu (2009) suggests that, while people may expect feelings of guilt for purchasing luxury items, they actually do not feel as guilty as they anticipated.

Building on this research, the current work examines consumers’ thoughts and behavior with luxury purchases when interacting with others. Word-of-mouth communication is considered a key channel for luxury marketing, so how people present their luxury purchases to others is likely to be of considerable interest to marketers.

While a consumer’s guilt after buying a luxury item may lessen, potentially reducing the consumer’s need to justify to one’s self, we suspect that the consumer may continue to feel a need to justify purchases to others. Cultural norms or theories that guide a consumer’s expectations of own thoughts and feelings following a luxury purchase are likely to guide expectations about others’ thoughts and feelings about the purchase. So, just as a consumer expects to feel guilty and judge himself negatively following a luxury purchase, he is likely to expect others will judge him negatively. One way a consumer may deal with this, not previously explored in consumer research, is to conceal the luxury purchase from others or to present the purchase in ways that will likely minimize negative judgment by others.

We investigate these ideas in four studies. First, we examine whether people sometimes conceal luxury or indulgent purchases from others (study 1), and whether they prefer to conceal information that might lead to negative judgments by others, in particular information about the cost of the luxury or indulgent item (studies 1 and 2). Next (studies 3 and 4), we examine the effect that describing a past luxury or indulgent purchase to others has on consumers’ thoughts and descriptions about the item. Specifically, we propose that when people are asked about their thoughts privately versus when interacting (or expecting interaction) with others, they will naturally present information in ways that are likely to minimize negative judgment by others.

In study 1, participants were asked to think of and describe a situation where they had bought something for themselves and had chosen “to conceal the purchase and/or information about the purchase from someone.” They listed the item, its cost, reason for purchase, whom they did and did not tell about the purchase, and why. Participants commonly chose to conceal three types of items: illicit, embarrassing, and (as predicted) luxury or indulgent items. For luxury items, consumers most commonly concealed the item or its cost, and claimed their behavior stemmed from fear of negative judgment by others.

In study 2 we examined what information about a luxury purchase (including cost) people prefer to withhold from friends. Participants imagined they purchased an item from an online luxury retailer, and were asked to give the name and email of a friend who would receive free shipping on his/her next purchase. Participants indicated which of three email options they preferred that varied on information disclosed to their friend about their purchase, and explained why. Option A mentioned the participant’s purchase, providing a picture, description, and price; option B mentioned the participant’s purchase, providing only the general category of the purchase; option C did not mention the participant’s purchase. Participants preferred option B over option A, most commonly explaining their preference as a reluctance to purchase details with their friends. (Option C was disliked for reasons unrelated to the purchase).

In studies 3 and 4, we directly test the effects of presenting luxury purchases to others on what consumers say and think. In study 3, participants brought to mind a luxury item they had bought either in the recent or distant past (manipulated between subjects) and imagined they were using or wearing it. They completed a thought listing about the item or they first imagined a friend complimenting them on the item before completing a thought listing (manipulated between subjects). Finally, they rated their purchased item on scales, including happiness with the item and value for money. Overall, most thoughts consisted of positive descriptors of the item, however when thinking about responding to a friend, participants more frequently also mentioned the cost of the item, presenting this information in ways likely to reduce negative judgment (e.g., emphasizing value for money or low price). This difference was reduced for purchases from the distant past, perhaps reflecting less need for purchase justification. Consistent with this idea, participants rated items purchased in the distant past as better value for money than those bought more recently, even when controlling for item cost.

In study 4, we show that these changes to thoughts only occur with the expectation of interaction with others, not simply when others are present, suggesting that self-presentation concerns drive this effect. Participants were asked to think about a luxury item they had purchased recently and completed a thought listing. Participants did this alone, in the mere presence of others, or in the presence of others with the expectation of discussing their purchases. As in study 3, all participants most commonly listed positive descriptors about the item. However, participants in the expected discussion condition also listed cost related thoughts significantly more often than did participants in the other conditions. As before, they presented this cost information in positive ways likely to minimize negative judgment by others. There were no differences by condition on cost of item.

References

Retailers frequently use sales promotion tools as a part of their marketing effort. The market for consumer-oriented activities, such as sweepstakes, discount coupons and free samples, has grown substantially in the last decade, reaching approximately $300 billion in the United States alone (Promo Trends Report, 2004). Given this huge volume, it is essential for companies and policy-makers to understand how individuals respond to different types of reward mechanisms.

To our knowledge, experimental studies focusing on consumer response for promotional activities are quite scarce (see Ward and Hill, 1991; Prendergast et al., 2005; Chandran and Morwitz, 2006). The current study investigates the impact of time preferences on attitudes towards sales promotion tools. Our conjecture is that delayed promotions do not always induce the same kind of purchase behavior and that risk attitudes, time preferences and affective responses contribute to differences in consumer reactions.

Sales promotion activities can take various forms with respect to the reward structure. A possible taxonomy is as follows:

1. Risky versus certain: The promotional campaign can offer a risky prize (through a lottery or contest) or a certain one (discount coupons).
2. Immediate versus delayed: The prize can be redeemed immediately (checkout coupons, instant-wins) or in the future (mail-in rebates, sweepstakes).
3. Hedonic versus utilitarian: The prize can be more pleasure-oriented (vacation, perfume, etc) or more functional (monetary reward, gasoline, etc).

Past experimental findings have shown that individuals prefer more hedonic alternatives in a probabilistic setting and hedonic options are more popular as prizes than purchases (O’Curry and Strahilevitz, 2001). There is also evidence that even though individuals are generally risk-averse for immediate lotteries, this aversion decreases overtime (Shelley, 1994; Sagristano et al., 2002). Anticipated feelings such as hope and savoring can be one possible reason for this declining risk aversion (Loewenstein 1987, Chew and Ho, 1994). Individuals are also found to be less sensitive to changes in probabilities for affect-rich rewards (Rottenstreich and Hsee, 2001).

Taking these findings as a starting point, we propose that individuals prefer a certain prize to be obtained immediately to an immediate risky prize but this preference for a certain prize over a risky one decreases over time. In addition, the preference for lotteries with hedonic prizes over utilitarian prizes increases with delay.

An experiment is conducted to test these hypotheses. The experiment consists of a ranking task, where subjects (31 MBA students) are asked to rank 8 different promotion packages from the most attractive to the least attractive option. The options are generated in a 2x2x2 design, where we manipulated the type of the reward (perfume or gasoline), the temporal dimension (immediate or in two weeks) and the riskiness (certain or with 10% probability). The preliminary results provide evidence for our hypotheses. On average, the most attractive option was a future hedonic prize: 48% of the subjects ranked “10% chance of winning a $100 voucher for a bottle of perfume, to be determined and given in two weeks” as their first option; followed by 32% who ranked “$10 voucher for a bottle of perfume, to be given in two weeks” as their first option (χ²=33.10, p<.01). The least preferred option was “10 chance of winning a $100 voucher for gasoline, to be determined and given immediately”, chosen by 45% of the subjects as the least attractive option. Further analysis will examine the interactions between the type of the reward, its temporal distance and its riskiness.

These preliminary results have interesting implications. If a marketer has to choose one single promotional tool, the most attractive option for the average consumer would be a lottery drawing in the future, involving hedonic prizes. In a following experiment, we plan to explore whether preference for promotional tools varies depending on the price of the product. We believe that exploring the behavioral response to different sales promotion activities is a rich vein for future research.

References