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## **Bandwagon, Snob and Veblen Effects in Luxury Consumption**

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This paper develops and tests on a probability sample of 431 consumers a model that explains three different forms of luxury buying behaviors: Bandwagon, Snob and Veblen effect(s). The findings support the postulated relationships and have both theoretical interest as well as practical implications for practitioners in various luxury sectors.

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# Bandwagon, Snob and Veblen Effects in Luxury Consumption

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## EXTENDED ABSTRACT

### Conceptualization

Many years ago Leibenstein (1950) highlighted the importance of “signaling effects” on consumption, which means that the utility derived from a product is enhanced or decreased due to the fact that “others” are purchasing and consuming it or due to the fact that the product bears a higher or lower price tag. In marketing it was taken for granted that “people buy luxuries to impress”: most of consumer research has implicitly assumed that luxuries are consumed for social signaling purposes (Kapferer, 2006; Dubois, Laurent, and Czellar, 2001). However, there is a scarcity of empirical support to this claim. This study tries to plug this gap by providing empirical support to the possible antecedents of three luxury consumption effects. It aims to improve the existing theoretical understanding of the psychological antecedents and signaling behavior of luxury consumption.

Specifically, a veblen effect arises when consumer preference for a good increases as a direct function of its price; a snob effect when preference for a good increases as its quantity in the market is decreased; and a bandwagon effect is observed where consumer preference for a good increases as the number of people buying it is increased. As Vigneron and Johnson (1999) have pointed out, these effects are particularly observed in luxury product markets.

Research on luxuries’ consumption has led to recent evidence (Tsai, 2005) that calls for a distinction between socially and personally-oriented luxury consumers (Wiedmann, Hennigs, and Siebels, 2007). The origins of these two orientations can be traced in an individual’s self-concept. Some individuals focus more on the “internal domain” and their self-related goals or needs (independent self-concept); while others are more concerned about the interpersonal domain, the reaction of others and their external “persona” (inter-dependent self-concept). This literature (Wong and Ahuvia, 1998) advocates that consumers with an independent self show a more personal orientation in the way that they consume luxuries (focusing on their hedonic, utilitarian and self-communication goals) whereas consumers with inter-dependent self care more for the social impact of such consumption (the three investigated effects).

The existing work has not paid sufficient attention to the social effects (i.e., the bandwagon, snob, and veblen effects). It is not clear how exactly the self orientations impact on the consumption of luxuries. Against the previous background, this study proposes that these effects are driven by both an independent and an inter-dependent self-concept (they are both personally and socially-driven behaviors) and that a number of relevant traits act as mediators between the self-concept(s) and the signaling behavior.

With the help of the literature and qualitative exploratory research (interviews with managers of luxury products) the following four traits emerge to be related to the bandwagon, snob and veblen effects: need-for-uniqueness, vanity, status-seeking, and susceptibility to interpersonal influence.

Need-for-uniqueness (NFU) is “the trait of pursuing differentness relative to others through the acquisition, utilization and disposition of consumer goods” (Tepper, Bearden and Hunter, 2001). NFU is positively related to both independent and inter-dependent self concepts and is hypothesized to be an antecedent of both snob and veblen effects, while negatively related to a bandwagon effect.

Vanity (Netemeyer, Burton, and Lichtenstein, 1995) has a physical and an achievement dimension. Vanity is hypothesized to

be positively related to both independent and inter-dependent self concepts. In addition vanity is an antecedent of a veblen effect (i.e., expensive luxuries), a snob effect (i.e., rare luxuries) and a bandwagon effect (i.e., through consumption of popular luxuries) as well.

Status-seeking is defined as the “process by which individuals strive to improve their social standing through the conspicuous consumption of products that confer and symbolize status” (Eastman, Goldsmith, and Flynn, 1999). It reflects a social orientation and it is hypothesized to be positively related to the inter-dependent self (and negatively to the independent self). In addition, using the same argumentation line, status-seeking is hypothesized to be an antecedent of the veblen, snob and bandwagon effects.

Consumer susceptibility to interpersonal influence, refers to the need to “identify with or enhance one’s image in the opinion of significant others” through relevant consumption (Bearden, Netemeyer, and Teel, 1989). This trait reflects a social orientation and, as such, is hypothesized to be positively related to the inter-dependent self (and negatively to the independent self). It is an antecedent of the bandwagon effect and it is negatively related to snob effect.

### Method

Data were collected by the “drop and collect” survey method in a probability sample of 431 consumers of luxuries in London. Three mediated structural models with the following variables were estimated: (independent and inter-dependent) self-concepts as antecedents (exogenous variables), need-for-uniqueness, status-seeking, vanity and susceptibility to interpersonal influence as mediators, and bandwagon, snob and veblen behavior(s) as outcome variables.

### Major Findings

Bandwagon behavior is mostly influenced by inter-dependence. Managers who want to position their products as popular luxuries should focus-with this order-on enhancing their products’ projected status (status from popularity/conformity), normative (fit-in) messages, and (physical) vanity/attractiveness appeal; while avoiding “stand-out” (avoidance of similarity) messages.

Snob behavior is mostly influenced by independence. Managers who want to position their products as exclusive luxuries should focus-with this order-on status derived from exclusivity, creating an aura of scarcity and uniqueness, and (physical) vanity/attractiveness appeal; while avoiding conformity (fit-in) messages.

Veblenian behavior is marginally influenced by inter-dependence. Managers who want to boost consumption of their luxury products using (very expensive) price-signaling should focus-with this order-on communicating messages coherent with the traits of these target consumers: status messages (status from prestige-pricing since, for the purely conspicuous consumer, the satisfaction comes from audience reaction to the wealth displayed), (physical) vanity/attractiveness appeals, as well as on scarcity and uniqueness messages based on creative counter-conformity.

These results contribute to understanding in depth the antecedents behind the signaling behavior of consumers of luxury goods. This behavior is both personally meaningful and socially driven. These findings provide practical help to managers in a) segmenting their markets, and b) evaluating and predicting the reaction of consumers to changes in their offerings and communication campaigns.

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