Status and Conspicuous consumption: Understanding consumers’ Psyche. Reference to luxury car brands

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DOI: https://doi.org/10.34256/ajir2111

Abstract: In this study, researcher is trying to investigate whether status and conspicuousness are two different constructs in measuring brand prestige utilizing new luxury market as a reference point. In other words, the attempt will determine if consumers can differentiate between the perceived status and perceived conspicuousness of the brands in product category (luxury car brands) selected in the Sri Lankan context. According to many research studies, revealed some of the evidence that these two dimensions are distinct constructs, nevertheless this was limiting in terms of the sample used (students), the methodology (confirmatory factor analysis only), the scope of the product categories and the context of the study conducted (Western countries). The current study is an extension to O’Cass and Frost (2004) study by using the real consumers as a sample (300 response). Exploratory factor analysis was performed among nine brands of luxury and semi luxury car brands in Sri Lankan context.

Keywords: Branding, Conspicuous Consumption, Luxury, New Luxury, Status

Introduction

World of luxury brands has boomed over past few decades which disapproved the projections made by high eminent research agencies such as Boston Consultancy Group and Mckinsey, where those estimates are far beyond the reality (Truong, 2008). As stated by Fiske and Silverstein (2004), Boston Consulting Group was estimated $840 billion market of luxury goods by 2005 where this was much far beyond the estimate of $86 billion by Mckinsey in 1990. The Luxury Institute (2007) estimated that this market will expand one trillion in 2010.

This phenomenal growth of the Luxury brand market was mainly due to two factors (Truong et al., 2008); the economic recovery in most western countries and unshackled economic growth in South-East Asian nations (Vigneron and Johnson, 1999, 2004), and increase quantity of Luxury goods due to improved techniques and best quality management techniques (Silverstein and Fiske, 2003). The other important contributor to the increased demand on Luxury goods is that paradigm changed on the basis of more affordable, accessible and creation of new target market where those helped to transformed traditional luxury goods to new
luxury goods (Truong, 2008). This made the new terminology to the knowledge, “Democratization of Luxury” where new target customers are very much younger than the old luxury customers who earns money sooner and far more flexible in financing and fickle in choice (Twitchell 2002, p.22).

As the market of luxury goods in the boom, many academic wants to do the research on this area. ‘trading up’ for new luxury goods (Silverstein & Fiske, 2003, 2005); luxury brands’ construct and measurement issues (Dubois & Paternault, 1995; Luxury Institute, 2005; Vigneron & Johnson, 1999, 2004); mass marketing of luxury goods (Nueno & Quelch, 1998; Vickers & Renand, 2003); and status consumption (Eastman, Fredenberger, Campbell, & Calver, 1997; Eastman, Goldsmith, & Flynn, 1999; O’Cass & Frost, 2004) were some of the attempts done.

According to Veblen (1899) “The Theory of the leisure class” published, laid the foundation of conspicuous consumption and luxury goods. In this theory Veblen has defined the leisure as the “non-productive consumption of time”. Veblen (1899), further elaborate the concept with his own words, “As this tendency evolves and grows, conspicuous leisure gives way to Conspicuous Consumption, which accomplishes the same end by different means. And all of it is driven by the need for invidious distinction, the need to say who is master and who is servant, who is better than whom, and what strata of society you belong to and whether you’re better off than the guy next door”. This depicts the conspicuous consumption theory necessarily ties luxury goods with the mere function of ostentatious display of wealth to indicate status (Mason, 1998).

In the context of growing globalization, heightened competition and increasing differentiation, there is a growing emphasis on brands and their characteristics (Lim and O’Cass, 2001). Increasingly, brands are seen as important in creating an identity, a sense of achievement and identification for consumers. It is also evident that certain brand dimensions and associations lead to increased marketplace recognition and economic success as a result of the value consumers place on them. A company’s economic superiority is frequently implied by the strength of its brand name, giving it the ability to differentiate itself, yielding status or greater conspicuousness of consumption. This implies that the status and conspicuous consumption tendencies of consumers are important in creating relationships between consumers who possess such characteristics and specific types of products and brands that yield status.

This study seeks to contribute to the status literature by examining status consumption and conspicuous consumption tendencies and the influence that consumers’ self-monitoring and susceptibility to interpersonal influence have on status and conspicuous consumption while concentrated to the luxury car brands in Sri Lankan context.

**Literature Review**

Traditional luxury market was defined in the way that “exclusive brands with highest price tag”. The paradigm has been changed over past few decades where new luxury brands has more affordable and more accessible where customer can easily found. This was mainly due to the change of the economies of scale in western countries where that middle class has good disposable income which make them to consume products which makes them to maintain the status (Truong et al., 2008). Other factor is that all these luxury manufactures have moved their factories to low labour destinations and make more mass scale products which able them to make better profit vs. than earlier (Truong et al., 2008). Third factor, as mentioned by Silverstein and Fiske (2005), consumers are more towards the product personalization, because they have developed new taste on needs and wants which further enriched with higher level of
education and cultural curiosity. Eastman et al., (1997) explained this scenario in his study while stating, consumers are more materialistic, placing greater value on status possessions.

Critical review of status and conspicuousness consumption

It appears that status and conspicuous consumption are often identified in the literature as if they are inherently the same phenomena. For example, Kilsheimer (1993) defines status consumption as ‘the motivational process by which individuals strive to improve their social standing through the conspicuous consumption of consumer products that confer and symbolize status both for the individual and surrounding significant others’. Such a conceptualization in effect defines one construct in terms of the other. While previous work has been valuable in building knowledge in this area, little effort has focused on the relationships between status tendencies and conspicuous consumption by consumers. While research has been conducted to investigate the links between conspicuous consumption and status goods (Bernheim, 1994; Echikson, 1994; Ferstman and Weiss, 1992; Ireland, 1992; Bourdieu, 1984), the literature inherently treats the two constructs (status and conspicuous consumption) as if they have significant overlap, to the point where they are often used interchangeably. When definitions of constructs contain significant overlap with one another, or when one construct is defined in terms of another, this presents significant theoretical and empirical problems. It appears that the status and conspicuous consumption theory may be fundamentally flawed, as each construct’s domain is not thoroughly delineated. As suggested by Mason (2001), the purely conspicuous consumer derives satisfaction from the audience reaction to the wealth displayed and not from the value of the product itself. O’Cass and Frost (2004) define status consumption as the personal nature of owning status-laden possessions, which may or may not be publicly displayed. This was little deviate from the brand related studies, for example, the scale developed by Vigneron and Johnson (2004) to measure a brand’s perceived conspicuousness included status-related items. This argument further established by Truong et al., (2008), revealed that, in the world of luxury brand perception is change due to materialistic value and the degree of fashion and which makes the difference towards the conspicuous or status of the that particular brand. Traditionally, substitutes of wealth and affluence in luxury brands have always been Rolex for watches, Mercedes for cars or Louis Vuitton for leather products. Consumer could buy similar brand with the same or even higher status and price, but this similar brand would certainly not have the same communicative power for conveying status (Truong et al., 2008). In many branding literatures mentioning that, it is not correct to apply that brands prestige can be measured by mixing perceived status and perceived conspicuousness.

At this argument clearly raise to generate the curiosity towards the research outcome of this study. As mentioned by the leading literatures and theoretical background, understanding of the consumer psyche towards the status and conspicuous consumption is important area to be researched.

Research design

According to Bartholomew and Knott (1999), this kind of an exploratory study can use factor analysis study is consisting of latent variables. Item generation for status and conspicuousness through valid scale was an important step in the study where researcher has evaluated many scales before deciding the specific scale for the study. In the current context, many researchers had used different scales such as; status consumption tendencies
(Eastman et al., 1999), conspicuous consumption desires (Marcoux et al., 1997), self-monitoring tendencies (O’Cass, 2000), reference group influence (normative) (Bearden et al., 1989) and evaluation of the brand’s status and desire to consume the brand conspicuously (Eastman et al., 1999 and Marcoux et al., 1997), focusing on specific brand stimuli. O’Cass and Frost (2004) used 10 item scale to explore the status consumption and conspicuous consumption tendencies in student population. The same scale was randomized to 6 item scale by Truong et al., (2008), where they used the scale to evaluate construct difference in status and conspicuous consumption of 300 despondece in French population. Based on the reliability and validity of the Truong et al., (2008) scale, researcher has decided to adopt the same scale for the current study. Table 01 depict the items of the Truong et al., (2008) scale.

Table 1 Status and conspicuousness items

| Status | Conspicuousness |
|--------|-----------------|
| To what extent can following brands indicate your social status? | To what extent is this brand a symbol of prestige? |
| To what extent is the brand becoming a symbol of achievement? | To what extent does this brand attract attention? |
| To what extent is this brand symbol of wealth? | Can a person use this brand to impress other people? |
| Source : Truong et al 2008 | |

These questions were performed on one to one interaction with focus respondence while results were analysed and selected the brands for the study. Table 2 depict the brands selected with respective country of origin. As per the unaided recall test results, five (05) luxury brands and four (04) semi luxury brands were selected. This selection criteria was performed based on the method followed by both Truong et al., (2008) and O’Cass and Frost (2004). Adding the semi luxury car brands to the study giving the comparison standpoint to the luxury car brands (Goldsmith et al., 1996, Goldsmith et al., 1999; Kairser, 1990, Gould and Barak, 1988). In the latest approached, Truong et al., 2008 used same semi luxury brands with the comparison of luxury brands in the category of car, fashion designers and watches. Truong et al., 2008, further justified this rational of using the semi luxury brands by revealing that semi luxury would be able to estimate not only the distance between luxury brands, but also the distance between the luxury brands and the semi luxury brands market.

Table 2. Selected brands

| Car     | Manufacture |
|---------|-------------|
| BMW     | UK          |
| Audi    | Germany     |
| Mercedes| Germany     |
| Volvo   | France      |
| Jaguar  | UK          |
| Toyota  | Japan       |
| Nissan  | Japan       |
| Honda   | Japan       |
| Mitsubishi | Japan    |

Source: From unaided recall test results

Questionnaire was designed using the Semantic Differential scale. In this questionnaire, respondence were given scale between 0% to 100% rating on the brands according to the 6 items mentioned. This method was preferred over other methods such as Attribute Ratings, MDS or Discriminant Analysis because it is more suitable for dealing with affective dimensions when determining
brand positioning and utilizing factor analysis (Huber & Holbrook, 1979). The questionnaire was administered to real consumer of 300 in 6 difference locations in Colombo (Sri Lanka) at the different time of the day over a period of 1 month. This dispersion and difference times of the day strongly suggested by the Ferber (1977), which reduced the unforeseen biasness when using the convenience samples. Sample size for the research was selected 300 respondence. This size was really sufficient for the study since there was no rule of thumb for selecting the minimum sample size in factor analysis (Truong et al., 2008). However, Barret and Kline (1981) suggested N=50 minimum for all the studies. Further, Gorusch (1983) and Hatcher (1994) recommended minimum subject to an item ratio of 5:1 in factor analysis but many researchers have followed 10:1 item ration which was recommended by Nunnally (1978). The sample size (300) justify the minimum requirements based on the above studies.

Results

Both validity and reliability tests were performed. Cronbach’s alphas for the status items and the conspicuousness items were all above 0.85 across all product categories, showing a very high level of reliability. In the validity concerned, convergent validity test was performed, where the AVE (average variance extracted) was well above the acceptable threshold of 0.50 (Hair et al., 2018). The KMO test measures the sampling adequacy, that is, if the data collected are likely to factor well. The Bartlett test of sphericity tests the overall significance of all correlations within a correlation matrix. A common rule of thumb suggests that a KMO score above 0.5 is adequate and a high Bartlett score with a significance level of 0.5 is significant. All three analyses met the KMO requirements and also the Bartlett test requirements at the required level of significance.

Variance explained and factor loading

The extraction method used a varimax rotation to facilitate interpretation and principal component analysis. Below table 3, 4, 5 and 6 display the variance explained in both luxury and semi luxury car brands along with the factor loadings. The six items of the luxury car brands category loaded on two factors as expected. The conspicuousness items loaded on factor 1 and the Status items loaded on factor 2 (see Table 5). Although these two factors seem to co-vary, this consistency in factor loadings across luxury brand category showed that respondents were able to distinguish the status from the conspicuousness of the brands in luxury category. In the semi luxury car brand, all the loadings were loaded to factor 1(see Table 6) and clearly demonstrate that there is no difference in status and conspicuousness when customer buying a semi luxury brands used in the study.

Discussions of findings

The findings were very much interesting after observing the consumers psyche on luxury and semi luxury car brands, followed by the status and conspicuousness. At first, findings revealed that consumers were able to understood the difference between luxury and semi luxury category of the car brands. In other words, brand of a car persuaded to segment the luxury or semi luxury level in the consumers mind. Secondly, the difference of status and conspicuousness among the luxury and semi luxury category. Based on the findings, it was clearly demarcated the status and consciousness in the luxury car brand category where each item were separately loaded. This gives the idea that, in category of luxury, consumer perceived the consumption either to denote status or consciousness.
### Table 3 Variance explained in Luxury car brands

| Comp | Initial Eigenvalues | Extraction Sums of Squared Loadings | Rotation Sums of Squared Loadings |
|------|---------------------|-------------------------------------|----------------------------------|
|      | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1    | 3.093 | 51.545       | 51.545       | 3.093 | 51.545       | 51.545       | 2.451 | 40.849       | 40.849       |
| 2    | 1.091 | 18.186       | 69.731       | 1.091 | 18.186       | 69.731       | 1.733 | 28.881       | 69.731       |

Source: IBM SPSS 25 survey data

### Table 4 Variance explained in Semi Luxury car brands

| Comp | Initial Eigenvalues | Extraction Sums of Squared Loadings |
|------|---------------------|-------------------------------------|
|      | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1    | 4.067 | 67.778       | 67.778       | 4.067 | 67.778       | 67.778       |
| 2    | .660  | 11.003       | 78.781       |

Source: IBM SPSS 25 survey data

### Table 5 Factor loading in Luxury car brands

| Component | 1 | 2 |
|-----------|---|---|
| Wealth    | .842 | .201 |
| Achieving | .812 | .221 |
| Status    | .700 | .209 |
| Prestige  | .161 | .908 |
| Attention | .255 | .875 |
| Impress   | .098 | .709 |

Source: IBM SPSS 25 survey data

### Table 6 Factor loading in semi luxury car brands

| Component | 1 |
|-----------|---|
| Prestige  | .921 |
| Attention | .891 |
| Wealth    | .888 |
| Impress   | .769 |
| Achieving | .750 |
| Status    | .693 |

Source: IBM SPSS 25 Survey data
Therefore, marketers and industry related stakeholders should understand the above difference nature of the consumers (status and conspicuousness), when they develop the strategies to promote their luxury car brands. Drawing the attention to semi luxury category, consumers psychology was not precisely on to the status or conspicuousness. They either believe all the items denoted in status and conspicuousness are same where behaviour of the purchase does not govern either status or conspicuousness. The car companies, who deals with the semi luxury category should clearly understand the psychology level of the consumer when the crafting the communication strategy.

**Managerial implications**

Marketers operating in luxury markets need to take a note of number of important strategic marketing implications arising from the findings of this research. Especially in the luxury category, if marketers concentrate only one aspect (status or conspicuousness), then there could be a high chance of failing the strategy and it will impact to the brand. Simultaneously, if marketers developed the strategies considering that both status and conspicuousness are same consequences will be experienced. This was further explained by O’Cass and Frost (2004), on emotional ground, image weakness become a competitive issue, where putting even greater pressure on lowering the price as a compensatory advantage for consumers who may purchase a luxury car for its price rather than for its attractiveness and image enhancement power. Therefore, concentrate on all the six items discuss in the study is vital, before developing the strategy. Marketers should incorporate those in the strategy, after understanding the consumers psychic level on status and conspicuousness.

Other important learning of this study was, how semi luxury manufactures can reduce the distance between luxury and semi luxury perception of the consumers who are in the dilemma position of buying a luxury car. As per the findings, it is very clear that there is a significant distance between luxury and semi luxury perception relates to the status and conspicuousness. As an example, many Japanese origin car manufacturing companies are trying to escape from the semi luxury market while adopting new marketing strategies. However, the problem for these brands are that how far to go with this strategy before it begins to dilute its premium over other original luxury brands available in the market. Semi luxury car manufactures should ensure this possibilities and develop a systematic approach towards proper integration of brand identity and image with targeted consumers.

**Conclusion**

The findings suggest a difference in how consumer perceive car brands in terms of the constructs of status and conspicuousness with the new luxury car market reference point of this research. Therefore, it appears that it is inaccurate to consider these two dimensions as a single entity, as postulated in the current branding literature. Some individuals purchase luxury car brands to gain status both internally (improving self-respect and self-esteem) and externally (Other's approval and envy). Other purchase luxury car brands to gain status primarily for external motives such as how others perceive them. Buying and using luxury car brands for conspicuousness reasons in more a matter of image and appearance.

Veblen laid down the foundation of conspicuousness consumption with the theory of leisure class. However, that period was more homogenous in a context where luxury car brands were mostly the fruits of
craftsmanship, expensive and affordable only by the most wealthy and affluent. Social emulation consisted of gaining status by displaying wealth or at least pretend to own it. Today however, the ever increasing emergence of new luxury car brands brings higher quality and value products to the masses, making the visual barriers between the rich and modest hazier. In this new context, status is also conveyed in more subtle way's through a combination of education, culture and knowledge, and legitimate wealth, but it is no more necessarily claimed

**Future research opportunity**

The constructs of status and conspicuousness consumption have revived interest from both researchers and practitioners in a world where luxury car brands have been enjoying double digit growth since last two decades. The economic boom in South Asian countries not only reinforces this growth but also seems to provide sustainable market growth opportunities. Growing materialistic value, new forms of social emulation, and increasing worldliness constitute other important reasons to support more research into the constructs of status and conspicuousness consumption. Especially in the context of new luxury car brands, potential research opportunities are numerous such as ; (1) brand related topics including brand extension strategies and brand dilution for new luxury car brands; (2) consumer behaviour including new consumer needs in terms of status and image improvement; (3) empirical testing, since researchers have produced many conceptual models and theories, which are supported by little empirical evidence; (4) market segmentation based on new consumer needs for luxury car brands.
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Acknowledgments: NIL

Funding: NIL

Conflict of Interest: NIL

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