

# The Emergence of New Conspicuous Consumption

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## Abstract

**Purpose** – Conspicuous consumption is the public display of wealth to impress others. In this study, consumption patterns by social class and economic development of countries were theoretically examined.

**Research design, Data, and Methodology** – A qualitative approach of historical investigation and literature review was employed to identify current trends and emerging phenomena in the areas of consumer behavior and conspicuous consumption.

**Result** - The main participants of conspicuous consumption have changed from the upper class in developing countries to the middle class in developed countries. While the main purpose of conspicuous consumption, that is, achieving higher status, remains unchanged, a leisure upper class has emerged as a new consumer group for conspicuous consumption in developed countries.

**Conclusions** - To satisfy consumers' demands for new conspicuous consumption, marketers are encouraged to offer luxury experience and hybrid products.

**Keywords:** Conspicuous Consumption, Leisure Class, Luxury Experience, Variety-Seeking.

**JEL Classifications:** M31.

## 1. Introduction

Conspicuous consumption has been a popular research topic since Thorstein Veblen first introduced the concept in his book, *Theory of the Leisure Class: An Economic Study of Institutions*. Veblen (1931) suggests and other scholars (Mason, 1983; Trigg, 2001) support that conspicuous consumption is a public display of wealth in search of higher status and others' recognition. Veblen's initial proposition is that an individual's public display of wealth and status is expressed through either consuming os-

tentatiously or not working (Trigg, 2001; Veblen, 1931[1899]). However, many studies have mainly focused on the consumption side of Veblen's theory.

The recent rise of the middle class and new capitalism changed society and reorganized social class. These changes took many researchers' attention away from the concept of the leisure class as a means of public display of wealth and status. However, entering the twenty first century, consumers feel that the display of wealth through conspicuous consumption may not be enough to gain high social status and public recognition (Chaudhuri & Majumdar, 2006). There are three reasons for this change. First, more financial resources such as credit cards are available to many individuals. They buy expensive luxury goods without actually possessing money. Second, luxury products become more available in outlet stores at discount prices. Consumers may not need to pay the full price for luxury goods and disclose the actual price information to others. Moreover, counterfeits of luxury brands can delude others' perception about the possessors' wealth. Third, products contain many symbols which possessors and the public may perceive differently (Trigg, 2001). Therefore an individual needs a more convincing way to express one's wealth and social status by letting others know that one does not need to work hard to purchase luxury goods. The concept of the leisure class has re-emerged.

Even though many agree on the central idea of conspicuous consumption, the motives of the concept are not in agreement. The most popular approach to this subject is that the culture of the society defines individual's self which influences conspicuous consumption behavior (Richins, 1994; Wong, 1997). Another explanation comes from Mowen (2004) that the personal trait, such as competitive nature, contributes to conspicuous consumption. In light of personality traits, Braun and Wicklund (1989) suggest that an insecurity of an individual causes the tendency to spend money conspicuously. Another view to be considered is that images relate to conspicuous consumption. The luxury brand images created by advertisements (Krahmer, 2006; Mason, 2000) and the self-image of success (Mandel, Petrova, & Cialdini, 2006) are closely associated with consumption of luxury brand goods.

Conspicuous consumption is an economic activity. Consumers in the different social classes and societies with the different levels of economic development have the distinct motives and behaviors toward consuming conspicuously. Therefore, the social

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class of individuals by incomes: lower, middle and upper class (Schiffman & Kanuk, 2007), as well as the economic development of societies, underdeveloped, developing and developed societies (Mason, 1981), should be taken into consideration.

This paper will present an overview of conspicuous consumption. Then, it will investigate economic development of societies and its influences on conspicuous consumption. Moreover, it will reinterpret the concept of leisure class, once regarded out-dated, and its relationship with conspicuous consumption. Last, it will propose new patterns of conspicuous consumption that may satisfy heterogeneous consumers in the twenty first century.

## 2. Literature review

### 2.1. Motives of conspicuous consumption

Many researchers have made attempts to link conspicuous consumption with their own theories. Mowen (2004) claims that individuals with high competitive personalities tend to purchase visible and innovative goods. The ownership of these goods often translates possessor's success and superiority to non-possessors. Therefore, individuals compete with others in consumption for such goods which leads them to spend conspicuously. Another personality-related theory is that an individual's insecurity drives one to a strong attachment to materialism (Braun & Wicklund, 1989). Individuals often use expensive goods to disclose their weaknesses, otherwise shown to the public. They believe that the public will focus on luxury goods owned by individuals rather than shortcomings individuals have. Insecurity, therefore, is a major motivation for conspicuous consumption. Some researchers explained conspicuous consumption with image factors. Kraemer (2006) suggests that advertisements create luxury brand images and lead consumers to form a favorable opinion about the brand. Once the brand is recognized as a luxurious image, individuals consume conspicuously to relate themselves to the brand. The self-image is also associated with conspicuous consumption. Consumers who project their future positively purchase more luxury goods than those who don't (Mandel et al., 2006).

### 2.2. Cultural influences on conspicuous consumption

Looking back to Veblen's (1931) description of conspicuous consumption, that consumers purchase expensive goods to display their wealth publicly in order to be recognized by others and achieve the higher social status, two purposes emerge. The concepts of recognition by others and achieving higher social status need to be addressed as they are closely related to culture of societies and social class of consumers.

Previous research identifies the tendency of consumers to attribute the meaning of material possession to the self. In the context of conspicuous consumption, the self is defined as the

internal self - the personal perception of oneself, and the external self - the public perception of oneself (Richins, 1994; Wong, 1997). Societies which emphasize personal values and emotions reflect an individualistic culture, while the external self is influenced mostly by a collectivistic culture (Triandis, Bontempo, Villareal, Asai, & Lucca, 1988). According to Wong (1997), conspicuous consumption is more common among individualistic consumers because it values possession of materials, which represent an individual's success and achievement, over the relationships with others. For the same reason, however, individualistic consumers may make purchase decisions based on their own needs and satisfactions rather than what others think, which is against the Veblen's principal concept of conspicuous consumption.

Both collectivism and conspicuous consumption share the similarity in the relationship between the self and others influence the self. This concept also influences individuals' consumption behaviors. Ratner and Kahn (2002) discovered that individuals' purchase decisions are largely based on public factors. In other words, an individual tends to choose products which can positively impress others even though the products are less favorable to one. Therefore, in a collectivistic culture, which values others' perceptions of self, the main driving force for conspicuous consumption is "recognition by others."

### 2.3. Social class and conspicuous consumption

Social class is a hierarchical rank of consumers in accordance with their power and status in the society, and is often used to predict consumption behaviors (Grønhaug & Trapp, 1989; Schiffman & Kanuk, 2007). It also serves as an important indication of conspicuous consumption behaviors. As Maslow identified, human needs are different in each level and the needs of lower level should be satisfied first to pursue the needs of the next higher level (Schiffman & Kanuk, 2007) the motives of conspicuous consumption in social class follow the similar patterns as the Maslow's hierarchy of needs (Table 1). Lower-class members, for example, rarely consume conspicuously because their main purpose of consumption is to satisfy basic needs such as food, clothing and shelter. The middle class, on the other hand, is the most active participant in conspicuous consumption. This group places greater emphasis on a brand image than product quality, and others' perception about the product's price is more important than the actual price (Mason, 1983). Middle-class member care more about socially visible products, which interpret their qualifications of belonging to the upper class, than products for private use such as underwear and insurance (Smith, 2007). In other words, "achieving higher social status" is a major motivation for them to engage in conspicuous consumption. Upper-class members are the most capable conspicuous consumers. They buy expensive brand goods, not because they want to show off their wealth, but because they can afford to do so. In other words, their consumption is to maintain the status and differentiate themselves from others (Trigg, 2001). The upper class considers brand image as well

as quality of products, and opts to purchase scarce things and experience luxury leisure activities. It constantly pursues new ways to consume conspicuously.

### 2.4. Conspicuous consumption and the economic development of countries

As motives and behaviors of conspicuous consumption vary in each social class, the meanings of conspicuous consumption are different based on the economic development of countries: undeveloped, developing and developed (Table 2). In other words, the economic environments of each country have a large impact on individual's conspicuous consumption.

<Table 1> Hierarchy of conspicuous consumption and Maslow's hierarchy of needs

Hierarchy of Conspicuous Consumption	Hierarchy of Needs
<p><b>Upper Class</b>                      Status consumption                      Consume to maintain the status                      Consume to be different from others                      Brand, quality and scarcity</p>	<p>Self-Actualization (self-fulfillment)</p>
	<p>Ego Needs (prestige, status, self-esteem)</p>
<p><b>Middle Class</b>                      Conspicuous consumption                      Consume to achieve the higher status                      Visibility and brand image</p>	<p>Social Needs (belonging)</p>
	<p>Safety and Security Needs (stability, security)</p>
<p><b>Lower Class</b>                      No conspicuous consumption                      Consume to satisfy basic needs</p>	<p>Physiological Needs (clothing, food, shelter)</p>

Source: Schiffman & Kanuk (2007)

#### 2.4.1. Conspicuous consumption in undeveloped countries

The social and economic characteristics of undeveloped countries are as follows. First, there is seldom an economic surplus that exists within countries; instead, materials are produced and consumed at once. Also, any surplus materials are publicly, rather than privately owned. Being centralized within the government, materials are controlled and distributed to community members by the government. Furthermore, social status is inherited rather than achieved, and if it is achieved, it is by social power, not by wealth. These distinctions of undeveloped countries greatly affect their conspicuous consumption behaviors. First, conspicuous consumption has no meaning in this kind of economic environment because materials are not significant to people. Even if wealth and material possessions are allowed at

personal levels, conspicuous consumption will not be exercised because no status gain or recognition follows. Second, ostentatious exhibit of materials may be socially unacceptable, since the country is in the stage of unhealthy economy. Conspicuous consumption, however, can take place in undeveloped countries by means of the numbers of wives and children (Chaudhuri & Majumdar, 2006).

<Table 2> Conspicuous consumption by economic development of countries

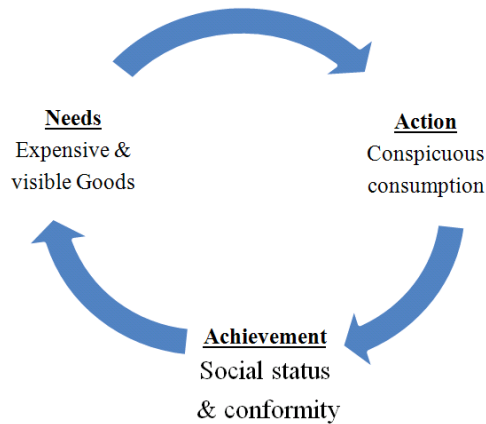
	Undeveloped Countries	Developing Countries	Developed Countries
Economic Characteristics	<ul style="list-style-type: none"> <li>- Seldom economic surplus</li> <li>- Public wealth</li> <li>- Inherited status</li> </ul>	<ul style="list-style-type: none"> <li>- High economic growth</li> <li>- Personal wealth</li> <li>- Achieving status</li> </ul>	<ul style="list-style-type: none"> <li>- Affluent societies</li> <li>- Wide spread of wealth</li> <li>- Impersonalized Relationship</li> </ul>
Main Purpose	<ul style="list-style-type: none"> <li>- Pride</li> </ul>	<ul style="list-style-type: none"> <li>- Achieving status</li> <li>- Recognition</li> </ul>	<ul style="list-style-type: none"> <li>- Maintaining status</li> <li>- Differentiation</li> </ul>

Source: Chaudhuri & Majumdar(2006)

#### 2.4.2. Conspicuous Consumption in Developing Countries

Three forces drive conspicuous consumption in developing countries. First, high economic growth generates abundant materials and financial resources that exist within countries. Next, individual possession of wealth is permitted. These two factors directly influence the birth of the middle class. Last, social status, which can be achieved with wealth, serves as a primary motivation.

As previously discussed in Maslow's hierarchy of needs in Table 1 (Schiffman & Kanuk, 2007), humans pursue the higher level of needs once they are fulfilled with the lower level individuals who accumulate wealth and are satisfied with the basic needs, begin pursuing the higher needs such as belonging and status. Therefore, the main conspicuous consumers are the middle and upper classes because they constantly seek to demonstrate their social ranking to others. However, affluence of wealth is still relatively limited to the members of the middle classmembers of the upper class are the main conspicuous consumers. Their consumption of objects shares the same characteristics which are expensive, luxury brand-oriented and socially visible. Figure 1 illustrates the dynamics of conspicuous consumption in developing countries: first, the needs for expensive and socially visible goods arise second, conspicuous consumption takes place third, the perception of high status and social conformity is achieved fourth, the need for other expensive goods arises to achieve and maintain perceived status. Therefore, conspicuous consumption continues.

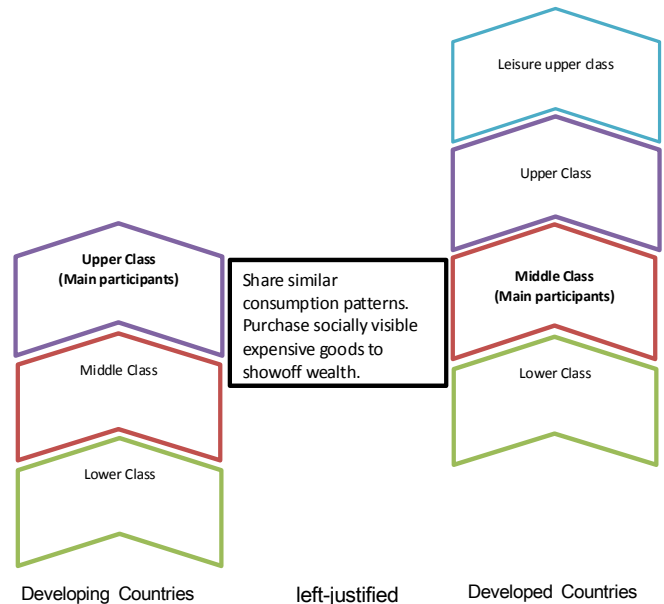


<Figure 1> Cycle of conspicuous consumption in developing countries

### 2.4.3. Conspicuous Consumption in Developed Countries

Four distinct patterns of conspicuous consumption appear in developed countries. First, individuals continue to spend on extravagant products in hope of being identified as wealthy and high class individuals, and the main participants are the members of the middle class. As societies become more affluent and sophisticated, individuals' desires to be noticed become stronger. Thus, their consumption is more centered on expensive or unique goods. The middle class in developed countries and the upper class in developing countries share very similar patterns of conspicuous consumption that is, buying socially visible expensive products to show off one's wealth and to impress others (Figure 2).

Second, individuals acknowledge the other ways to impress others such as education, delectable interests, and occupations, rather than conspicuous spending (Chaudhuri & Majumdar, 2006; Mason, 1981). This new thought leads consumers to status consumption: purchasing products that possess cachet and qualities which can justify the owners' status and self-satisfaction. In other words, individuals consume for themselves, not for the public. This behavior is attributed to the social modifications: social mobility and impersonalized relationship (Mason, 1981). Third, individuals, especially the upper class, seek variety instead of consuming products the majority own, even if the products are luxury brands. This variety seeking behavior is due to the prevailed perception that the ownership of luxury goods as a signal of social status is irrelevant (Holt, 1998; Mason 1981). The wide availability of credit cards, luxury goods at discount prices, and counterfeits are some examples which support this perception. As a result, individuals focus on a variety of products, which help individuals differentiate themselves from others within the class. This variety-seeking behavior creates the demand for hybrid products, which represent new trends of conspicuous consumption.



<Figure 2> Conspicuous consumption shift between developing and developed countries

Last, the concept of the leisure class has re-emerged. Veblen (1934) initially claimed that high social status is demonstrated through ostentatious spending or living a luxurious life without working for it. However, the leisure class disappeared as the middle class emerged to drive the economy, and wealth is widely distributed to the members of the society. Therefore, the ownership of luxury goods lost much of its power as a signal of high status, and this trend was even prominent in developed countries (Holt, 1998; Mason, 1981). The concept of the leisure class has re-emerged as a measure of the complicated and misguided signal of high status. While most new upper-class members work to maintain their status, there are other types of upper-class members, who do not need to work to enjoy the same luxurious life. This paper defines them as the leisure upper class who is the top tier of the upper class.

### 3. Methodology

This study employs a qualitative approach of historical investigation (Nevett, 1991) to identify current trends and emerging phenomena in the areas of consumer behavior and conspicuous consumption. Based on the textual data formulated from the literature review and marketplace observations, new consumer behaviors toward conspicuous consumption have been analyzed and proposed in the subsequent section.

## 4. The emergence of new conspicuous consumption

### 4.1. Leisure upper class and luxury experience

As customer quests for memorable and sensational experiences are increasing, companies are trying to integrate experiences with their products and services in today's marketplace (Pine & Gilmore, 1998). Aligning this newly emerged experience economy and the leisure upper class, luxury experience stands out as the future of conspicuous consumption.

Luxury experience is expressed in two different ways. First, it exists within the products and services. Today's consumers want to incorporate luxury experience in the products and services they purchase (Danziger, 2007). The ownership of luxury products is not a major concern for consumers any more. Instead, they desire to enhance the quality of their life when they shop for and use products. Therefore the utility of a product is as important as its image because products should be able to convey exceptional feeling to the consumers (Danziger, 2007). Second, luxury experience amplifies consumers' status as the leisure upper class. In this context, the time factor is critical because it can distinguish the leisure upper class from the rest, the working upper class. In other words, months of luxurious vacation can signify the leisure upper class which requires nowork. Combining this with exceptionally expensive travel options, such as space tourism and commercial submarines for under-the-sea adventures, defines the needs of the leisure upper class.

### 4.2. Variety-seeking behavior and hybrid products

As the marketplace becomes more competitive and consumer needs become more heterogeneous, luxury brands develop product crossovers (Chadha & Husband, 2006), and this effort creates new demands for conspicuous consumers. Luxury brands own the names and images everyone admires, and they now try to extend their values beyond clothes, bags and shoes. While luxury brands look outside of their comfort zone, highly technology-oriented products like mobile phones and smart watches gain fast popularity as must-have items and even become fashion items (Chadha & Husband, 2006; Mallette, 2015). The marriage between technology and fashion is good news for consumers constantly demanding unique and exceptional items. Consumers are willing to pay premium prices for not only brand names and images, but also exclusiveness and innovation. Fashion brands and electronic companies recognize this evolving new consumer behavior and have begun to collaborate to produce crossover products. LG and Prada, for example, became partners to produce new mobile phones, so-called "Prada phones." "Giorgio Armani inspired Samsung to manufacture Armani phones and Armani TVs (Morris, 2008).

Smart watches have become a "next big" product category for conspicuous consumers. Once signifiers of the owner's financial status, smartphones are now considered a necessity. Conspicuous consumers need to display their capability and uniqueness through new hybrid items. Smartwatches are reborn

as fashion items as they have transformed from solely function-focused to balancing between function and design (Mallette, 2015). Now, smartwatches are functional, unique, and fashionable items that exemplify the owner's conspicuous consumption, and distinguish them from the middle and lower classes, most of whom now possess smartphones.

## 5. Conclusion and implications

Conspicuous consumption is an economic activity as well as a psychological activity. An individual's economic condition is a prerequisite to conspicuous consumption. Psychological factors, however, are major driving forces for individuals showing this behavior. The previous research identified that individuals' competitiveness, insecurity, and brand- and self-images are factors for individuals' ostentatious behavior. Collectivism, which influences individuals' perception about self and others, is another important factor that causes conspicuous consumption.

The psychological motivations are, however, mediated by individuals' social class. The main purpose of middle class's conspicuous consumption is to be perceived as the upper class, while that of upper class's conspicuous consumption is to retain their status. These two distinct purposes of consumption are demonstrated through each group's unique consumption behaviors. The former selects socially visible brand goods whereas the latter opts for quality and variety. Furthermore, the economic development of societies to which individuals belong contributes to their conspicuous consumption behavior. Conspicuous consumption patterns in developing countries are very similar to that of the middle class who consumes to show off. Conversely, in developed countries, conspicuous consumption is expressed through various patterns: ostentatious consumption, status consumption, and variety-seeking. Furthermore, the demands for new conspicuous consumption arise.

This study contributes to the current body of literature on conspicuous consumption by sub-classifying the upper class into the leisure upper class and the working upper class. Luxury brand marketers should recognize each upper class has different purposes for consuming conspicuous goods and develop product mix and promotional strategies for each segment. For example, the working upper class may be satisfied with the fact that they own a brand that conveys a premium image. However, the leisure upper class may seek "premium experience" of owning the luxury brand. In this latter case, retailers need to enhance a brand value and desire through distinctive marketing such as art marketing via storytelling (Cho, Hwang, & Lee, 2011).

Consumer behaviors toward luxury brands can vary depending on the level of maturity of the luxury brands market (Sun & Na, 2013). This study provides valuable lessons to luxury brands when entering new and immature luxury markets. First, luxury brand marketers should comprehend the economic development stage of the target market because it determines who the potential customers are, what they want to buy, and why

they want to buy. The answers to these fundamental questions could be the basis for developing effective marketing strategies. Second, as new patterns of conspicuous consumption have emerged, brand marketers will need to update their product and service offerings to satisfy new demand for conspicuous consumption and even branch out to new businesses.

Future research could empirically investigate this study's propositions of new conspicuous consumption patterns. Data collected from leisure upper-, upper-and middle-class consumers, determined by occupations and income levels, can be useful to identify why and what each type of consumers consume conspicuously. While cultural influences on consumers' conspicuous consumption have been widely studied, it is also proposed to examine how the economic development of a country affects its consumers' conspicuous consumption behaviors.

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