STATUS WITH CONSPICUOUS GOODS: THE ROLE OF MODERN HOUSING

Sri Lanka Journal of
Economic Research
Volume 1(1)
December 2013: 101-112
Sri Lanka Forum of
University Economists

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Abstract

People care about their standing in society and what others think about them. One of the foremost reasons for this is the status consideration. Today, most people invest in luxury housing, which are noticeable to the public for the purpose of demonstrating their status. Yet, nearly all applied work in consumer demand assumes the absence of conspicuous consumption. In the light of this, the purpose of this study was to explore various aspects related to the phenomenon of conspicuous consumption and to examine how people use their houses to exhibit their status to the public. This paper reports the outcomes of an exploratory baseline study conducted on 120 modern house owners (MHOs) within the Kurunegala Municipal Council Limits, to examine the use of modern houses to demonstrate the status of their owners. A series of discussions with MHOs, personal interviews with renowned architects and extensive site visits were undertaken to gather first-hand information on the significance of housing in projecting social status. The data gathered were analysed using SPSS (Version 17), along with other exploratory data analysis methods. The results highlighted that the behaviour of MHOs was highly influenced by their social status. Not surprisingly, the findings confirmed that a consumer would perceive both the utilitarian function ($\beta=0.654$, $p<0.001$) and the expressive or status function ($\beta=0.831$, $p<0.001$) of modern housing. The results also produced evidence to suggest that females were more likely than males to purchase or construct status-congruent houses and that higher investment on such houses were generally associated with higher incomes.

***Key Words**: Consumer behaviour, Housing industry, Luxury goods, Status consumption*

JEL Codes : D03, D11, D12, L85

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INTRODUCTION

The term 'conspicuousness,' is generally referred as the social and public visibility surrounding the consumption of a certain product or service. Conspicuousness, therefore, relates to consumer behaviour of seeking to purchase goods and services for the status such consumption may confer, regardless of that consumer's objective income or social class (Eastman *et al.*, 1999). When merging the notions of "status" or "conspicuousness" and "consumption" together, consumers often think of expensive brands, conspicuous luxury and spectacular extravagance. Accordingly, scholars recognise conspicuous consumption as "*obtaining luxury goods at higher prices to demonstrate their wealth*". A very similar but more colloquial term is "*keeping up with the Joneses*". Bagwell and Douglas (1996) said: *"...these goods, though not intrinsically superior, are sold at higher prices to consumers seeking to advertise wealth" (p. 349).* Therefore, purchasing expensive and socially visible goods and services is simply labelled '*Conspicuous Consumption*'.

There is much discussion in literature as to which type of goods could be identified as 'conspicuous goods'. Present-day scholars often quote new, large, ostentatious houses as conspicuous products which signal qualities of consumption (Frank, 1999; Jessie and John, 2002; Lloyd, 2005). Lloyd (2005) said that "in the U.S., a trend in 1950s towards large houses began, with the average size of a home about doubling over a period of 50 years….this trend is a symbol of conspicuous consumption". According to Frank (1999), one's evaluation of the 'adequacy' of one's own living space involves comparing it with 'mental images' of the living spaces of others.

Although the role of modern houses in exhibiting the status of their owner has been studied by a number of scholars elsewhere in the world, such studies on conspicuous motivations of modern house owners (MHOs) in Sri Lanka are relatively scarce. Nevertheless, post-modern developments, fuelled by increasing purchasing power and expanding social interactions, appear significant in promoting conspicuous consumption tendencies in developing countries including Sri Lanka.

In light of this, the purpose of this study was to examine how MHOs exhibit their status by living in modern, large, and ostentatious houses. It was also intended to examine other relevant aspects pertaining to conspicuous consumption among the MHOs in the Kurunegala district of Sri Lanka.

BEHAVIOURAL ASPECTS OF CONSPICUOUS CONSUMPTION

The American economist and sociologist Thorstein Veblen (1899) was the first to discuss the concept of 'conspicuous consumption'. He used the term 'conspicuous consumption' to depict the behavioural characteristics of the new class that emerged in the 19th century capitalist society as a result of accumulation of wealth. According to him, this generation used their enormous wealth to manifest their social power. Therefore, he defined conspicuous consumption as lavish spending on goods and services acquired mainly for the purpose of displaying income or wealth, which behaviour is labelled as “Veblen Effect”. As Veblen argued, *“in order to gain and hold the esteem of men, it is not sufficient merely to possess wealth or power. The wealth or power must be put in evidence, for esteem is only rewarded on evidence (p.3).”*He suggested that one possible way to provide evidence of wealth was through conspicuous consumption (the other, according to him, being through extensive leisure activities), implying that conspicuous consumption was a form of socio-economic behaviour in which self-presentational concerns override desires to obtain showy goods at bargain prices. Showy spending may be a social signal directed at other members of the society.

Following Veblen, some researchers referred to conspicuous consumption as the expenditure of money or other resources for the sake of displaying a higher status. For example, Sundieet al (2010) defined conspicuous consumption as *“a lavish spending on goods and services acquired mainly for the purpose of displaying income or wealth…. People purchase expensive goods and services to impress upon others that one possesses wealth or status” (p.22).*In his prominent article on “*The Economic Theory of Conspicuous Consumption”*, Mason (1983) argued that “*people purchase expensive branded apparels, when one could have purchased cheaper apparels that work just as well.*” In the minds of these people, such display serves as a means of attaining or maintaining social status, which would increase ‘fashionable’ consumption. Consequently, Mason defined conspicuous consumption as *“a form of consumption which is inspired by the social rather than by the economic or physiological utility of products” (p.03).*

According to Leibenstein (1950), people engage in conspicuous consumption for the desire to please their peers, and for that the consumers purchase the latest fashions. For the satisfaction derived from being awarded high regard, they acquire a piece of fine art or an expensive watch (Frank, 1989). Therefore, conspicuous consumption requires social opportunities for displaying the consumption, and needs social interaction for others to observe it according to Charoenrook and Thankor (2008) who thus defined the term conspicuous consumption as *“purchasing goods by which creates social opportunities / social interaction for displaying the consumption to others” (p.02).*

Though different scholars have defined the concept of conspicuous consumption in their own different ways, it has commonly and frequently been defined in relation to consumers’ behaviour of seeking to purchase goods and services for the status such consumption would confer, regardless of those consumers’ objective income or social class. For the purposes of this paper, conspicuous consumption is therefore defined as:

> *".... an ostentatious display of wealth through a lavish spending on goods and services under pressures of social norms and the expectations of social reference groups for the purpose of acquiring or maintaining status or prestige, merely for the sake of being different from other consumers"*

Dussenburry (1949), building upon Veblen's work, discussed the dichotomy of absolute versus relative income and/or consumption, and argued that consumption and saving behaviour would be affected by concerns of social standing. He claimed that human well-being would be a function of both the amount and the types of goods affordable to an individual in comparison to others. Accordingly, Duesenberry developed his own concept, labelled the "Demonstration Effect" or "Bandwagon Effect", which also is referred to by researchers as the "*Relative Income Hypothesis*".

Leibenstein (1950) extended the general category of "conspicuous consumption" into specific sub-classifications depending on the consumer's signalling intent and identified three principal external effects, namely "Veblen effect", "Snob effect", and "Bandwagon effect". The product price itself is used as means of openly displaying wealth in order to gain social status in the case of the "Veblen effect", where the satisfaction of consumption derives not from utilitarian attributes but from reactions by peers to wealth displayed through the purchase. The "snob effect", on the other hand, motivates individuals to buy an item because of its high quality and scarcity value, and the people preoccupied with social status would reject products that were perceived to be possessed by the common people. Thus, the 'snob' consumers would seek to purchase products of limited availability, and this type of exclusive consumption would guarantee a measure of social prestige. It is interesting to observe that both the Veblen Effect and Snob Effect are associated with high prices, and the former is a function of price itself while the latter is decided primarily by the consumption of others. The "Bandwagon effect" encourages people to purchase goods and services in order to be identified with a particular social group by adopting identical or similar patterns of consumption. It reflects the desire of people to be seen as capable of "matching" and, in this respect, contrast most sharply with "Snob Effect" (Mason, 1992).

The desire for status motivates consumer behaviour and the extent to which consumer desires for status could influence consumption of certain products. Several recent scholarly studies have systematically investigated what such products may be, and most concluded that "*fashion goods would be associated with conspicuous consumption*". Such studies appear to recognise that what qualifies as a conspicuous good would depend on the level of benefits to be gained from such consumption relative to the "reference group" with which a consumer identifies himself.

Conspicuous goods are valued not only for functional qualities but also because they confer status on their users (*what Veblen termed as "serviceable" aspect and "ceremonial" aspect*). Moreover, these goods would exert both "snob" and "bandwagon" effects[1]. Considering these arguments, Charoenrook and Thakor (2008) defined conspicuous goods[2] as those "*with higher variability of innate consumption utility in the cross-section of consumers at higher prices*". Such products are often supported by high levels of producer advertising that promote them as "status symbols" for wealthy people. This leads to the acceptance of goods with higher cross-sectional variability in consumer utility as conspicuous goods at higher prices than those with lower variability, when both goods have the same cross-sectional mean utility and distribution function.

The Economist (1993) emphasised that "*retailers could damage a glamorous good's image by selling it too cheaply*". Therefore, conspicuous consumption would involve consumption of expensive luxury products which are not used by most consumers on a regular basis products. In this spirit, Schor, (1998) defined conspicuous goods as:

> *".. goods which are simply noticeable to the public and the higher consumption of these goods are generally associated with higher income. These goods in most cases are readily visible or if invisible, the owner must be able to convey the ownership and any status associated with it (p.2)"*

Fan (2000) used an economic definition of luxury goods as a proxy for conspicuous consumption. He defined conspicuous goods as "*those commodities and services with income elasticity greater than unity*". This definition proposed that conspicuous goods had high expected income elasticity.

Thorstein Veblen's focus was mainly on affluent products when defining conspicuous goods. He claimed that people would consume highly visible and extravagant goods in order to prove their wealth and to gain prestige. Besides classic Veblen goods, more sophisticated culturally conspicuous consumption goods are now available in present day consumer-markets. Therefore, marketers deem that conspicuous consumption is not only about high-priced ornaments and lavish cars. Possessing expensive paintings, using branded mobile phones, or even wearing fashionable dresses would also be acts of signalling and status-seeking.

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[1] According to Leibenstein (1950), Snob effect arises when a conspicuous good confers more status benefits if the number of users is perceived to be limited as a result of high price, constrained output or other factors. Bandwagon effect is deemed to arise when the conspicuous good confers more status benefits if the number of users is perceived to be growing.

[2] Ben Coope, *et al.,* (2001) attempt to differentiate 'conspicuous goods' from "normal goods.' They emphasize that 'normal goods' confer direct utility, while 'conspicuous goods' confer utility only at the expense of others.

As explained in the literature above, the demand for conspicuous consumption goods is hard to explain. Yet, the market for conspicuous goods has experienced a tremendous growth over the last few decades. Moreover, products categorised as ‘conspicuous’ also have changed. Jessie and John (2002), for example, identified clothing and taking a small vacation as conspicuous products for those who earn little extra money; lap top computers, taking a moderate vacation and purchasing furniture as conspicuous products for moderate extra money earners; and new, larger homes and luxury cars, cell phones, car-related commodities, furniture, hardwood flooring and swimming pools as conspicuous products for those who earn substantial extra monies; in the USA.

Recognising the importance of the rapidly emerging market for conspicuous products, both academics and marketers continuously attempt to explore the characteristics of goods which could be chosen as conspicuous. For instance, researchers have identified designer clothing and luxury automobiles as popular conspicuous goods, followed by wristwatches and bigger houses (Table 1).

Table 1: Most Recognised Conspicuous Goods

Researcher(s)	Conspicuous Good												
	DC	JW	LA	CW	FT	LP	BH	CP	WC	SE	AA	SH	CD
Charles *et al*., (2007)	**X**	**X**	**X**										
Schor, (1998)	**X**		**X**	**X**	**X**	**X**							
Jessie and John, (2002)	**X**		**X**				**X**	**X**					
Frank, (1999)	**X**		**X**										
Charles *et al*., (2007)	**X**		**X**										
Charoenrook and Thankor, (2008)	**X**		**X**	**X**		**X**			**X**			**X**	
Belk, (1986)	**X**												**X**
Andler, (1984)			**X**	**X**				**X**			**X**		
Frank, 1999		**X**			**X**		**X**		**X**	**X**			
Heffetz Ori, 2004							**X**						

DC : Designer clothing
JW : Jewellery
LA : Luxury cars/automobiles
CW: Wrist watches
FT : Furniture & Equipment
LP : Lipstick & Perfumes
BH: Bigger home
CP : Cell Phone
WC : Wine & Champagne
SE : Sports Equipment
SH : Shoes
CD : CD Players

METHODOLOGY AND DATA

On the basis of the above examined conceptual framework, the present research aimed at investigating the motives of constructing modern luxury houses in Sri Lanka, and the role of modern houses in conspicuous consumption. For this purpose, an exploratory baseline study on120 Modern House Owners [MHOs] (N= 120, 78 men and 42 women; age range 35 – 51 years) was undertaken within the Kurunegala Municipal Council Limits. People living in luxury lakeside houses were selected as the population relevant to this study, and sampled using non-probabilistic sampling technique. The modern houses built at investments of over Rs.10 million within 2006-2012 were entitled to be included in the sample. Voluntary assistance of few renowned architects was also obtained in order to ensure accurate selection, and the relatively small size of the sample enabled researchers to concentrate on the quality of information gathered (Tai, 2007).

One of the main aspects of the research being identification of needs of the MHOs, both implicit and explicit, a number of face-to-face interviews were held at the outset between ten selected architects and the research team. A semi-structured interview guide was used: the questions were open-ended and designed to obtain the views of participants with only minimal influence from the moderating researchers.

The interactions were transcribed by the researchers and voice-recording was done when and where necessary. Respondents' views under each theme were analysed intensively at the end of each interview. This helped researchers to conceptualise the behaviour of modern house owners, and accordingly, to develop the research tool.

First-hand information on housing symbolism was gathered through a series of subsequent discussions with MHOs, supported by extensive site visits. A pre-tested semi-structured questionnaire was used for collecting data. The questionnaire contained three sections. The first section gathered personal information of the MHOs, while the second section focused on collecting the relevant information pertaining to the modern houses (such its investment, number of rooms, roofing style, etc). The last section was designed to identify the motives of constructing luxury houses.

The respondents' signalling motive was examined through the three principal external effects identified by Leibenstein (1950), namely the Snob effect (*other's demand reduces own demand*), the Bandwagon effect (*other's demand increases own demand*), and the Veblen effect (*where quantity demanded for a good may increase with price*).

Eleven questions, four each for Veblen and Snob effects and three for Bandwagon effect, were used to investigate the motives of the MHOs. All these motives/effects were measured on a five-Point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). These questions are summarised in Table 2.

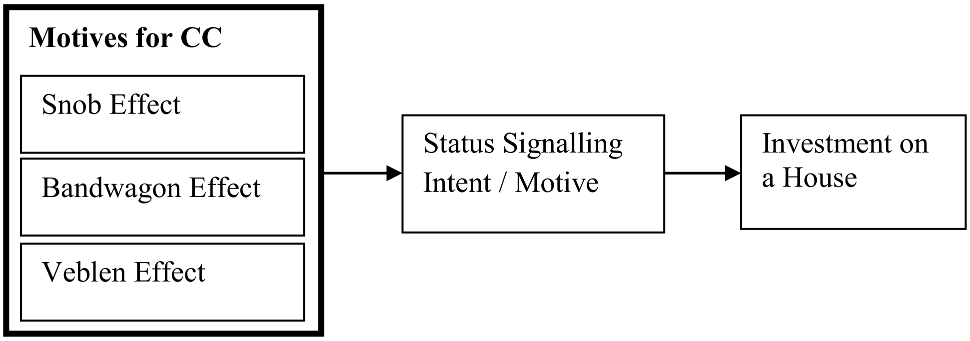
Table 2: Statements used on Likert Scale to measure the external effects influencing MHOs

VEBLEN EFFECTS	
1	You prefer to purchase high-priced products
2	Product price is openly displaying wealth
3	You can gain social status by displaying wealth
4	Satisfaction derives not from the utilitarian attributes but mainly from peer reaction to the wealth displayed by the purchaser
SNOB EFFECTS	
1	You decrease you consumption as others increase their consumption
2	You are attracted to rare things
3	You enjoy shopping at stores that carry merchandise that is unusual
4	You are more likely to buy a conspicuous product if it is unique
BANDWAGON EFFECTS	
1	You prefer to purchase goods in order to be identified with a particular social group
2	You can conform to them by adopting similar patterns of consumption
3	The social influences on consumer behaviour affect demand

The researchers also assigned a "conspicuousness rating", based on the status consideration of MHOs, from 1 to 5 (1 = '*not at all conspicuous consumption*' to 5 = '*definitely conspicuous consumption*').

Along with other exploratory data analysis methods, the Statistical Package for Social Sciences (SPSS) [version 17] was utilised to facilitate an objective assessment of data gathered. The research model adopted in this study is summarised in the Figure 1.

Figure 1: The Research Model



RESULTS AND DISCUSSION

The results revealed that the MHOs would be more inclined to increase the demand for modern luxury houses as a conspicuous good if their prices were increasing (Veblen Effect: $\bar{x}$ = 4.41, SD = 0.915), and the majority stated that they would reduce their own demand for a particular type of modern luxury house if others also would demand the same type (Snob Effect: $\bar{x}$ = 4.28, SD = 0.901). This implies also that modern house owners, who are conspicuously motivated, refuse to purchase or construct houses which are common. They prefer unique architectural designs (Bandwagon Effect: $\bar{x}$ = 2.06, SD = 0.843).

The sample used in this study comprised of the three main ethnicities living in Sri Lanka; Sinhalese (N = 85), Tamils (N=23), and Muslims (N=12). An analysis of variance (ANOVA) was conducted to compare the means of the relevant samples to compare the variability among the group means against the variability within groups, upon confirming the normality of the distribution of respondents' views.

The outcomes of ANOVA indicated that the difference of means pertaining to different respondent groups were statistically significant (p = <.001, MSE = 0.205). Therefore, the average perceptions towards modern-luxury houses as the conspicuous product amongst these three ethnic groups were found to be considerably different, where Muslims ($\bar{x}$ = 4.42, SD = 0.761) and Tamils ($\bar{x}$ = 4.30, SD = 0.566) were found to be highly attracted by the Veblen effect, while Sinhalese appeared more influenced by the Snob effect ($\bar{x}$ = 4.24, SD = 0.525).

Moreover, the results highlighted that the MHOs were highly influenced by their social status. Not surprisingly, the findings confirmed that a consumer would perceive both utilitarian function (β=0.654, $p<0.001$) and the expressive or status function (β=0.831, $p<0.001$) of housing. Further, the results confirmed that females were more likely than males to purchase or construct status-congruent houses, and that high investments on such status-congruent houses would be associated with respondents' profession (r= 0.876, $p<0.001$) and place of living (r = 0.821, $p<0.001$).

As expected, conspicuousness ratings were found higher for outer-appearance of house (M = 4.7), its size (M = 4.2), interior decorations (M = 4.1), but lower for number of rooms (M = 2.9) and for a modern-equipped pantry (M = 2.7). Most of the respondents accepted that they would have invested in modern, large and ostentatious houses to display higher status than others (M = 4.85), which motive was followed by the respondents' intentions to secure social opportunities and social interaction (M = 4.64) to distinguish them from others (M = 4.21), and to impress upon others that they possess wealth (M = 3.87).

CONCLUSIONS

According to the findings, both status and utilitarian functions of housing appear important determinants of investment decisions by MHOs in Kurunegala district. Yet, most of them would pay more attention on status functions than the utilitarian function of shelter. Moreover, MHOs struggle to create social opportunities and to distinguish themselves from others by having a modern and ostentatious house. Impressing upon others that MHOs possess wealth also appears an important motivation. Place of living, profession, and gender also are likely to influence the investment decisions of the MHOs.

While the outer-appearance, size and the interior decorations appear extremely important for MHOs, some MHOs would increase their demand for a luxury house with its value, while some others would increase demand in response to a general increase in demand by their peers.

The results of the research could be considered useful for the marketing of luxury houses in Sri Lanka. For instance, when designing a new house, the potential values that could be added through the status function could be taken into account by the architects. They should possibly look for different avenues to make the outer-appearance of houses more attractive. Taking the support of interior decorators in designing a house also could be helpful as MHOs appear highly concerned with the interior designing aspects. This could possibly be useful information for relevant professional groups such as curators, layout planners, interior designers, carpenters, etc.

Finally, the outcome of this analysis indicates that the status signalling of the MHOs is encouraged by all three status effects: Veblen, Snob, and Bandwagon. While the Veblen and Snob effects in general appear more influential than the Bandwagon effect, the level of influence is likely to differ based on the ethnicity of MHOs. The Muslim and Tamil modern house owners are highly motivated by the Veblen effect, while Sinhalese MHO's appeared to be more attracted to the Snob effect. Furthermore, the findings indicate that the Veblen effect would be highly correlated with income, education and profession of the respondents, whereas the Snob effect would be significantly associated with the place of living, particularly among the urban residents. A significant correlation also was found between the respondents' gender and the Snob effect.

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