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## **"The Intrinsic Benefits of Status: the Effects of Evoking Rank"**

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Firms are increasingly endowing loyal customers with status. In this research, we propose that status can be conceptualized as an identity and show that making a consumer's status identity salient impacts behavior. We show that the manner in which the status is attained (i.e., achieved or endowed) moderates the aforementioned behavioral response. We also show that the manner in which a status identity is made salient (explicitly or implicitly) impacts how consumers behave. Finally, while past research has focused on the social benefits of status, we focus on the intrinsic benefits derived from engaging in status-identity congruent behaviors.

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## SYMPOSIUM SUMMARY

# Status: Why Consumers Engage in Conspicuous Consumption and How they may be Perceived

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### EXTENDED ABSTRACTS

#### “The Intrinsic Benefits of Status: The Effects of Evoking Rank”

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Status, defined as one's ranking in the vertical stratification of social groups, is recognized as an important motivator of human behavior. The attainability and procurement of status has evolved over time from titles bestowed by birth to those earned or achieved. Today, a consumer can obtain status by demonstrating loyalty to a firm. More and more companies have begun stratifying customers in order to award their best customers with status. Elite customers are provided perks that enhance the experience and inducements that make future purchases more appealing. Special services, whether it is preferential seating, extended store hours and special sales, differentiate classes of customers into tiers of haves and have-nots. Whether it is admission to exclusive events or waiting in a special queue at the airport, each is a signal that the consumer is one of the haves. While many benefits signal one's status to others, firms also provide consumers with benefits that are consumed in private. For example, Continental airlines provides a dedicated phone line, priority on wait lists, expanded award availability and a no middle seat guarantee to Platinum members who fly at least 100,000 miles. These are benefits that are likely to go unnoticed by other fliers and often fail to appreciably alter the travel experience. The Platinum member's wait on the help line may occasionally take longer than normal or the flier may not clear the wait list despite having been bumped to the top. Yet, we propose elite members still derive emotional benefits from these perks making the airline's decision to provide these benefits a prudent one.

Research in marketing has focused on status goods for which the primary benefit is social. Veblen (1899) suggested that individuals acquired and consumed certain goods to signal their wealth and thus place in society to others. The marketing literature has shown that consumers acquire and use status goods to convey a particular image to those around them (Bagwell and Bernheim 1996). This conspicuous consumption of ones' status generates psychological responses such as feeling unique, distinctive and different from others (Tian, Bearden and Hunter 2001; Belk 1988; Tian and McKenzie 2001; Lynn and Harris 1997). However, not all benefits of status are social. Researchers have hypothesized that the attainment of status is no different from an “intrinsic emotional goal” that generates positive, affective reactions and emotions such as happiness and pride (Berger, Wagner and Zelditch 1985; Urda and Loch 2005). Yet, the intrinsic benefits of status have largely gone unexplored. In our work, we focus on the emotional gratification that accompanies the exercise of one's position or what is commonly referred to as “pulling rank” separate from the material and social benefits. We argue that utilizing one's status is emotionally gratifying as it makes one's elevated position or status identity salient.

We propose that *achieved* status (i.e., profession, status through a loyalty programs) can be represented by *role* identities and *endowed* (i.e., gender, race) status by *social* identities. We show that this distinction differentially impacts how individuals behave when these status identities are activated. Research has suggested

that by activating a particular identity, attitudes and behaviors consistent with that identity are brought to mind, which in turn cause individuals to behave in a manner consistent with these attitudes (Reed 2004; Forehand and Deshpande 2001). Identity salience has been shown to impact one's attitude towards others (Deshpande, Hoyer and Donthu 1986), performance on quantitative tests (Shih, Pittinsky and Ambady 1999) and brand loyalty as well as preferences for prestige products (Deshpande, Hoyer and Donthu 1986). Yet, individuals do not always conform to the attitudes of a particular status group. We will show that there are instances where individuals act in discordance with the group norms and activated group stereotypes. In our work we explore the crossroads of status and identity theory and show that *status* identity salience differentially impacts consumers' behavior, specifically how much they are willing to pay for a product.

In Study 1, we show that when one's *achieved* status identity is made salient, individuals engage in behaviors that match the expectations associated with that status-role. In Study 2, we demonstrate that status role-congruent behavior results in the intrinsic benefit of prestige, distinct from the social benefit of identity signaling or any material or more tangible benefit. We demonstrate that while possessing status results in an elevated sense of prestige, individuals heighten these feelings by exercising their status (choosing to wait in a special status-only queue).

We extend our result to a consumer domain in Study 3 showing how making a relatively high *achieved* status identity salient leads individuals to pay more for a product than when a low status identity is activated. In doing so, high status individuals fulfill their status-role by acting in line with the behavioral expectations (i.e., pay more than low status individuals) associated with that role. In Study 4a, we document a racial stereotype which suggests that traditionally characterized high status individuals (i.e., White Americans) will pay more for a product than low status individuals (i.e., African Americans). In study 4b, we show how making an individual's *endowed* status identity (race) *implicitly* salient results in behavior congruent with the stereotype (i.e., African Americans pay *less* than both White Americans and the baseline-control group), while making a low-status racial identity *explicitly* salient causes individuals to act in discordance with the stereotypes (i.e. African Americans voluntarily pay *more* than both White Americans and the baseline-control group).

As firms increasingly endow their most loyal customers with status, it is important to better understand how consumers respond to status rewards which are conferred by a firm. Our results underscore the importance of understanding how consumers derive intrinsic benefits, in addition to social and material benefits, from status reward consumption. Further, we provide a better understanding of how status identity salience can result in differential responses to status cues utilized by marketers.

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#### **"Effects of the Density of Status Distribution on Conspicuous and Inconspicuous Consumption by Low-Status Consumers"**

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It is a well-known and well-deplored fact that less well-off people spend more on status-enhancing positional products and save less money as a proportion of their income than richer people (Bagwell and Bernheim 1996; Christen and Morgan 2005; Duesenberry 1949). Economists have argued that one solution to this problem is to increase the density of the distribution of status by redistributing wealth through income or consumption taxation (Frank 1985, 1999). Although increasing status density can reduce envy and overall positional spending, this argument overlooks that it can increase the gains in status (i.e., improvement in social rank) resulting from conspicuous consumption for people at the lower tiers of the distribution. Therefore, increasing status density may have the unintended effect of actually encouraging low-status people to choose conspicuous consumption over savings.

In this research, we examine how the distribution of status across people affects choice between spending and saving, conspicuous and inconspicuous consumption by low-status people. We hypothesize that (1) increasing status density (i.e., increasing the proportion of people with an average level of status) encourages

positional spending among low-status people even though it reduces their envy, (2) this occurs because of the higher gains in status resulting from conspicuous consumption in a dense (vs. wide) distribution, and (3) this occurs only when positional utility is primed and only in a competitive social environment. We test these hypotheses in five experiments.

In Study 1, we examined the effect of status density on envy and choice between spending and saving by low-status people. We manipulated between subjects the distribution of people's endowments with a positional product—the number of rose bushes in the front garden. In the scenario, 10% of people had no rose bushes. Forty percent of people had two rose bushes in a dense distribution and only twenty percent did so in a wide distribution. Buying three bushes enabled the 10% of people with no bushes to get ahead of 40% of people in the dense distribution and only 20% in the wide distribution. We found that low-status people were less envious but spent more in the dense (vs. wide) distribution. Furthermore, we found that social comparison orientation influenced envy but not positional spending. This suggests that conspicuous consumption is driven by status gains and not by envy or social comparison orientation.

In Study 2, we tested whether our theory accurately predicts the conspicuous consumption of high-status as well as low-status individuals in the context of decisions made for themselves rather than for hypothetical others. The participants were told that they would play an ultimatum game and try to split 10 chocolates with one other participant. Prior to the game, they were randomly assigned one star (low status) or three stars (high status), and they saw a dense or a wide distribution of stars obtained by previous participants. The participants were told that the number of stars would be public during the game and could affect their final outcome in the game. Consequently, before the actual game, the participants were given a chance to buy two additional stars at their own expense. We measured the willingness to buy stars and found that, consistently with our theory, low-status individuals were more willing to buy additional stars in a dense (vs. wide) distribution, but the opposite occurred for high-status individuals.

In Study 3, we distinguished between conspicuous and inconspicuous consumption and checked whether high status density indeed enhances perceived gains in status. The participants read two scenarios (house garden and ski trip) and judged how willingly low-status people in a dense or a wide distribution would spend money on positional products (rose bushes in the front garden and branded scarves for a ski trip) or non-positional products (pine trees in the back garden and unbranded scarves for a ski trip) and to which degree each type of spending would improve their status. We found that high status density encouraged conspicuous consumption but discouraged inconspicuous consumption. We also found that perceived status gains were higher in the dense (vs. wide) distribution for both positional and non-positional products. This indicates that high status density leads low-status people to choose consumption over saving only for positional products.

In Study 4, we further tested the moderating role of positional utility, but not as an inherently given product characteristic, but as a primed mindset. We also examined whether status is inferred from rank in the distribution of income, as assumed in previous literature, as it is in the distribution of possessions. First, the participants engaged in a sentence scrambling task, which primed positional or non-positional utility. Then they studied a newsletter about their rival colleagues, which featured a dense or a wide distribution of their salaries. Finally, the participants needed to choose between an expensive trendy restaurant (positional option) and an inexpensive traditional bistro (non-positional option) for dinner with these

colleagues. We measured the preference for the positional option, and found that a dense distribution of income increased the preference for the positional option only when positional utility was primed.

In Study 5, we further explored boundary conditions by examining the effect of reference group competitiveness. The participants read the same newsletter with a dense or a wide distribution of income as in Study 4, except that in the competitive group condition, the scenario featured rival co-workers, and in the cooperative group condition, it featured old friends. The participants faced the same decision between a trendy restaurant and a traditional bistro. The results showed that high income density strengthened people's preference for the positional option in the "rivals" condition but not in the "friends" condition.

In summary, we show that high status density increases conspicuous consumption among people in the lowest tier of the distribution across various distributions of status, in hypothetical and real decisions, and in the distributions of product endowments and income. Our results provide insights about the drivers of conspicuous consumption and the potential effectiveness of wealth redistribution policies and thus have important implications for future research and public policy.

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## "Stigmatizing Materialism: On Stereotypes and Impressions of Materialistic Versus Experiential Consumers"

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Observers of consumer behavior routinely fret about modern society's materialistic pursuit of happiness and well-being. Americans are reputed to value "having" over "being," which gives rise to alienation (Fromm 1976). Childhood consumer culture (Schor 2004) is charged with stoking materialistic desires that can only be satisfied by overspending (Schor 1999) and overworking (Schor 1993)—symptoms of a "suicidal" "affluenza" (De Graaf 2001; Lasn 2000). These materialistic desires are thought to contribute to declining social engagement (Lane 2001; Putnam 2000) by "crowding out" social relations (Kasser 2002; Lane 2001).

Not just social critic hyperbole, behavioral science indicates that materialistic consumers, those who believe that material possessions can make them happy, rate their social relations less favorably (Kasser and Ryan 2001), are more likely to be from divorced families (Rindfleisch, Burroughs, and Denton 1997), and are more likely to be diagnosed with psychological disorders

reflecting poor social functioning, including separation anxiety, paranoia, and narcissism (Cohen and Cohen 1996). Most explanations of the negative correlation between materialism and social relations focus on materialistic consumers' personalities and proclivities (Burroughs and Rindfleisch 2002; McHoskey 1999; Richins and Dawson 1992).

In this paper we shift the focus from materialistic consumers themselves to the stereotypes, or mental representations, that other people have of materialistic consumers. Using consumers who purchase experiences to gain happiness and life satisfaction as a comparison, we suggest that people stigmatize materialistic behavior by applying relatively unfavorable stereotypes of materialistic versus experiential consumers. That materialistic behavior is stigmatized—regarded as "worthy of disgrace or disapproval" (dictionary.com)—leads people to form relatively unfavorable impressions of consumers who are associated with materialistic behavior.

We tested the nature of people's stereotypes of materialistic and experiential consumers in one pair of studies. Participants were asked to generate the traits associated with materialistic and experiential consumers (study 1). A separate group of participants rated the traits associated with materialistic consumers less favorably than the traits associated with experiential consumers, despite not knowing the traits' initial association. In another study, participants rated specific material purchases made by materialistic consumers as more extrinsically motivated and less intrinsically motivated than specific experiential purchases made by experiential consumers (study 2).

These stereotypes of materialistic and experiential consumers influenced people's impressions of others' consumer behavior in another study in which people from various demographic groups formed an impression of another consumer (study 3). Participants learned only that the consumer purchased a prototypically material purchase (a new shirt) or a prototypically experiential purchase (a ski pass), without explicit mention of the distinction between materialistic and experiential purchases. Participants evaluated the consumer of a prototypical material purchase less favorably than the consumer of a prototypical experiential purchase. The stereotypes of materialistic and experiential consumers were sufficiently potent to influence people's impressions of each other during face-to-face conversations about materialistic versus experiential purchases, despite the fact that the experimenter constrained the conversation topic (study 4).

In study 5, we experimentally manipulate the extrinsic versus intrinsic motives underlying consumers' acquisition of prototypical material and experiential purchases. We showed that participants formed less favorable impressions of consumers who made extrinsically motivated purchases (e.g., skiing to gain "bragging rights") than of consumers who made intrinsically motivated purchases (e.g., buying a new watch because of its enduring value), independent of whether those purchases were prototypically materialistic or experiential.

The present research indicates that because there is a stigma attached to materialistic consumers, materialistic consumer behavior may not foster successful social relationships as well as experiential consumer behavior. The results of these studies undoubtedly reflect culturally constructed and shared values, like the cultural construction of materialism more generally (Belk 1985; Burroughs and Rindfleisch 2002). Stereotypes about materialistic and experiential consumers carry cultural meaning in much the same way as do specific products (Richins 1994) and brands (Aaker, Benet-Martinez, and Garolera 2001). Our studies thus imply that consumers in a particular cultural context—predominantly members of

middle socioeconomic class—attach a stigmatization to materialistic consumers that leads them to form relatively unfavorable impressions of consumers associated with materialistic purchases.

The results of these studies provide consistent evidence that materialistic consumers are stigmatized compared with experiential consumers and that people form relatively unfavorable impressions of consumers who are associated with materialistic purchases. These results have important and complementary implications both for consumer welfare and for marketing practitioners. For consumers, these results suggest that, to the degree they desire to be favorably evaluated, they might avoid being associated with materialistic consumer behavior. Or, expressed more positively, these results reiterate a useful strategy for investing their resources in pursuit of happiness—to purchase experiences rather than possessions (Van Boven and Gilovich 2003). Similarly, when making materialistic purchases, consumers should highlight their intrinsic motivations for the purchases. For marketers, these results highlight the potential benefits of emphasizing experiential products, material products' intrinsically appealing attributes, and of avoiding associations with materialistic stereotypes.

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