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Bling and brand recognition: What your conspicuous consumption says about you

Singapore Management University

BLING AND BRAND RECOGNITION: WHAT YOUR CONSPICUOUS CONSUMPTION SAYS ABOUT YOU

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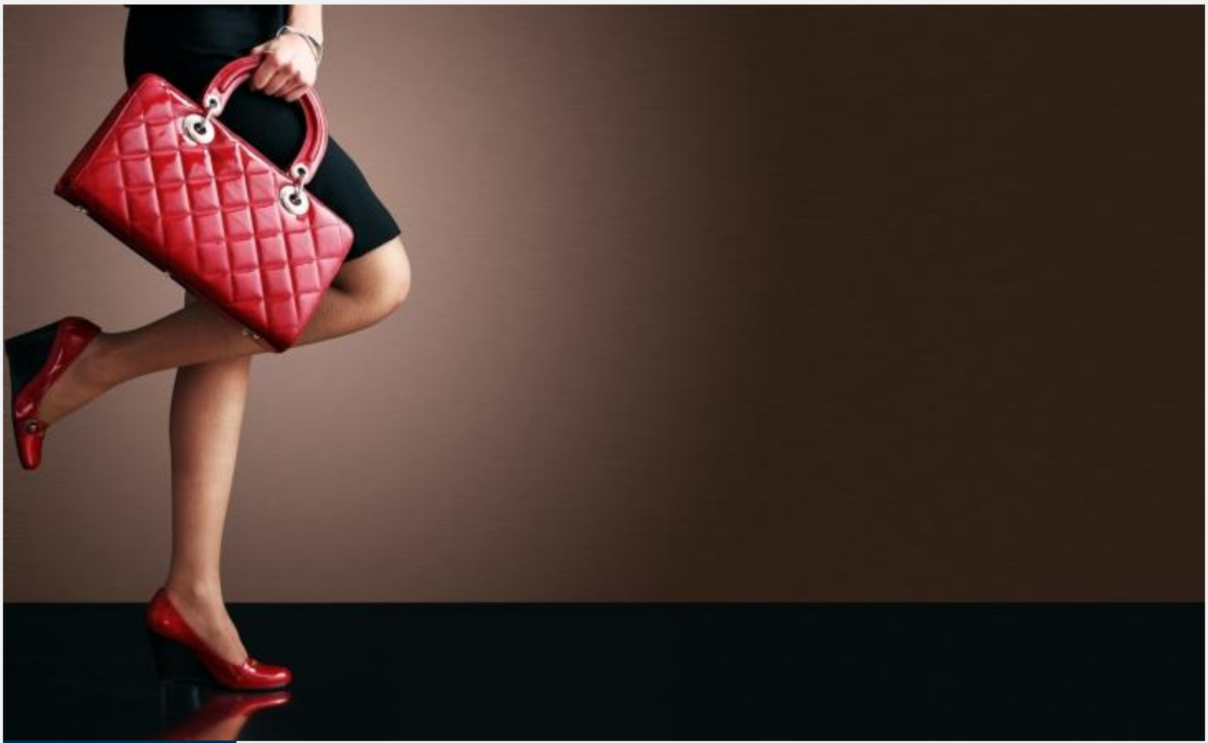

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Makers of luxury goods can charge even more if they play down their famous labels

With ethnic Chinese preparing to visit relatives for the Lunar New Year, some may be shopping for a Gucci belt or perhaps a classic checked Burberry bag to complete their sartorial ensemble to start the year of the Rooster.

Conspicuous consumers globally will delight in the obvious brand recognition that comes with their purchases and will undoubtedly be happy to sport those readily identifiable luxury goods as indicators of their affluence and social status. After all, it's a none-too-discreet way of showing they've made the grade, isn't it?

But wait a minute. Before anyone slips into their Ralph Lauren Big Pony polo shirt, just a quiet word from the cognoscenti: when it comes to luxury goods, the more obvious they are, the more emblazoned with logos and other recognisable brand insignia, the less affluent and socially well connected the wearer is likely to be.

Whether it's big luxury brands such as Chanel or Prada or distinctive car marques such as Ferrari, Maserati or the good old Rolls-Royce, consumer choices say a lot about individuals' socio-economic status.

Those with newly acquired wealth, aka 'the nouveau riche' who don't have friends in the 'right places', tend to choose goods that are loud and effectively shout out the luxury brand name, according to new research, while 'old money types' who are socially well connected buy subtler luxury goods, where the branding may be non-existent or you need to be 'in-the-know' to recognise it as a discreet status symbol.

A WHISPER, NOT A SHOUT

There's a subtle form of conspicuous consumption that people use to show they are wealthy as well as highly socially connected, argues economics research team, **Juan Carlos Carbajal** and **Hongyi Li**, from UNSW Business School, and **Jonathan Hall** from Uber.

The trio advanced their theory after first being intrigued by why luxury goods firms frequently charged more for products that were more discreetly branded.

More so, why do some luxury goods producers hide their brand? For example, why does Italy's Bottega Veneta, best known for its fine leather bags, opt to keep its branding inside the bag (rather than on it), so it's conspicuous only to the cognoscenti?

In the words of its creative director Tomas Maier: "It's about a whisper, not a shout."

"The standard explanation for why you consume a luxury good is because you want to look wealthy," argues Carbajal, "so spending more on a more subtly branded good that's not so widely recognised goes against our everyday thinking. Why buy a more subtly branded good that costs more?"

Indeed, at the time of research, the team conducted price comparisons for loud and subtle luxury goods and found: a clearly branded Armani baseball cap sold at $125, while its subtler equivalent cost $145; a Louis Vuitton bag that retailed for $1390 had a more discreet version at $3050; and in the case of the Burberry checked holdall, its less obvious stablemate was $340 more.

A difference in materials alone did not account for the pricing discrepancy, so what does?

"People buy subtly branded goods because they want to be seen as highly socially connected," says Carbajal.

WHO YOU KNOW

To explore the variables, the research team created a model for a consumer who has two characteristics – they can be rich or poor and they can be well-connected or not – and an observer who may be discerning or not. The model also assumes there's just one firm in the market to keep the message simple.

"With luxury goods, even though there are more producers, they have a type of monopolistic power," says Carbajal.

The role of the observer plays an important part in the results of their paper, Inconspicuous Conspicuous Consumption, which concludes that highly socially connected rich people can afford to buy subtle luxury goods – and do so to impress their peers.

Yes, it's all about who you know, also known as your social capital.

The elite are more likely to rub shoulders with a person who can distinguish between 'loud' or 'subtle' luxury goods. For instance, they will know you're carrying a Bottega Veneta without being told.

They will appreciate you're listening to classical music in your car because they're part of the same elite, they have the cultural knowledge to appreciate it. They recognise that the painting on your wall is a Modigliani or that glass of red you just poured is a Chateau Margaux.

Importantly, well-connected high net worth individuals often choose – and pay a premium for – subtler goods because "they want to distinguish themselves from loud-good consumers", says Carbajal. "And the chances of people around them misreading what it is are very small."

NUANCED LESSON

Another theory recently reported by The Washington Post is that rising awareness of income inequality in the world may also be skewing the wealthy to make less obvious purchases.

However, it seems upwardly mobile, socially ambitious types who typically buy the flashier branded goods should be wary of changing their tastes and spending up on more discreet luxury items. Carbajal believes there's no point in them adopting subtler consumption habits when their peers are unlikely to notice.

The real reason there's a price difference between subtle and loud goods made from similar materials and quality of manufacture is because the subtle good is more valuable as highly socially connected people want to be seen with it, Carbajal ventures.

"To those with low social connections it has less value because it doesn't give out the required signals – they risk being confused with those who are less well off again."

And there's a nuanced lesson in pricing for marketers here: the model shows offering a more expensive subtle good for sale means the loud good can also be priced up, Carbajal claims.

"People who are in the process of building their social connections are likely to find the subtle good too pricey and buy the loud one. In turn this means people with low social connections will find the loud good more valuable and buy it because they'll be associated with people who are more socially connected than they are," he says.

TASTES ARE EVER-CHANGING

The theory about new-found wealth and conspicuous branding explains the boom in bling-laden, overtly labelled luxury goods that has coincided with growing affluence and the rise of the middle classes in emerging economies such as India, China and Russia.

Despite an ongoing financial crisis in Russia, sales of Porsche, Bentley, Rolls-Royce and Lexus cars all rose in 2015, while mass market car sales dropped.

Model simulations by the research team show consumption of loud goods goes up with the level of a country's wealth, while the number of less well-off people also boosts loud good sales.

With average annual sales of $2.2 billion for each of the world's top 100 luxury goods companies, boldly branded luxury goods look set to become even more conspicuous, though trends among China's 400 million millennials show they're shunning their parents 'show-off' tastes and opting for more subtle, sophisticated purchases, according to Deloitte's Global Powers of Luxury Goods 2016.

Tastes are ever-changing. Carbajal says the research may not only be useful to inform luxury goods producers on pricing strategies, but could also be helpful for consumers to understand why they are paying such prices for what may – at first glance at least – look to be more of a no-frills product.

The dynamics of the loud and subtle luxury goods phenomenon warrants further exploration, he believes.

"Over time, subtle goods tend to become loud, due to exposure through marketing, publicity in magazines and celebrity images on social media," Carbajal says. "When we see an actress carrying a handbag, we deduce it's a very expensive bag so it becomes widely recognisable."

A further avenue of research would be to help luxury firms understand how perceptions of their products will change, and to develop strategies for new products around that.