Short Article

Conspicuous consumption in a recession: Toning it down or turning it up?☆

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Abstract

The 2008 recession reportedly led to the demise of conspicuous consumption with wealthy consumers abandoning luxury goods that prominently display their brands for more subdued designs. Utilizing data collected before and in the midst of the recession from designer handbag manufacturers, Louis Vuitton and Gucci, we find products introduced during the recession actually display the brand far more prominently than those products withdrawn. Data from Hermès and luxury ads in Vogue magazine also indicate manufacturers did not tone things down. Our results suggest conspicuous consumption endures in recessions; consumers who do not exit the luxury goods market are still interested in logo-laden products.

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Luxury goods that prominently display their brands are out. At least according to the pundits, who claim the most recent recession has led wealthy consumers to adopt more subdued designs that reflect taste rather than signal status. In November 2008, the New York Times reported the recession had prompted a reconsideration of what is acceptable consumerism, and that “$2,000 logo-laden handbags and Aspen vacations can seem in poor taste” (Williams, 2008). Four months later, the national “newspaper of record” proclaimed the financial crisis had “aimed its death ray” at “the very ethos of conspicuous consumption” (Dewan, 2009). Have wealthy consumers really toned it down?

Reports about how conspicuous consumption is out of vogue appear based solely on interviews with consumers and presumed experts. Undoubtedly, consumers are claiming they are being less conspicuous. But this narrative may be intended to avoid appearing insensitive while others suffer. A rigorous sociological study would ideally have researchers track consumer behavior longitudinally, documenting purchases and the use of luxury goods to signal status both before and during a recession. This would require enormous foresight and resources. We take a more practical albeit less direct approach by examining data on product offerings collected from some of the world’s top luxury brands before and in the midst of the recession. If consumers did indeed tone things down, they should have demanded fewer conspicuously branded products. This should be reflected in product lines, and we should observe firms offering more understated designs during the recession. We observe the exact opposite. Yet if luxury goods manufacturers failed to meet consumers’ demand for less conspicuously branded products, profitability should have suffered. This is not at all what we observe.

We find that the two luxury handbag superpowers, Louis Vuitton and Gucci (Interbrand, 2009), indeed changed their product lines during the worst financial crisis since the Great Depression but only to become significantly more conspicuous. Our results indicate these brands are far more prominently displayed on new products introduced during the recession when compared to those products withdrawn. This tactic has not resulted in financial ruin; in fact, the divisions of parent companies LVMH and PPR SA, respectively, appear to have
We know a fair bit about conspicuous consumption, but we know far less about how consumers think about consumption decisions during a recession. While the literature in consumer psychology has yet to address this question in detail, economists find consumers spend less and look for lower prices when times are tough. Work by Ang (2001) revealed that during the 1997 Asian economic crisis, risk aversion, value consciousness, and a shift away from materialism led to a serious decrease in consumer spending. However, Zurawicki and Braidot (2004) found higher income households reduced and eliminated various expenditures to a lesser extent than middle-class families during the Argentinean economic crisis of 2001–2002. But the wealthy did cut back too. Using data from U.S. Consumer Expenditure Surveys, Bils and Klenow (1998) found that luxuries and durables are more susceptible to business cycles than necessities and nondurables. Taken together, these studies support the notion that consumers cut their consumption during recessions, usually in proportion to their wealth and/or income, and that expenditures on luxuries are more susceptible to being cut.

How might we expect luxury goods companies to respond? Strategically, strong organizations are right to view economically challenging times as opportunities to overtake competitors (Srinivasan, Rangaswamy, & Lilien, 2005). In fact, firms that increase advertising do no worse than firms that cut advertising during a recession, but the former are more likely to pick up market share after the recession (Biel & King, 1990; Meldrum & Fewsmit, 1979). Practitioner-oriented pieces encourage firms to consider maintaining prices and re-segmenting the market during recessions. They note that price-cutting can be shortsighted; when prices fall during a recession, consumers often become less willing to return to higher price levels during the economic recovery (Pearce & Robinson, 2002). Firms are advised to revise their segmentation and targeting strategies in anticipation of a recovery while adjusting for shifts in customer behavior during the recession (Pearce & Michael, 1997). The luxury goods companies we focus most on (Louis Vuitton and Gucci) appear to have heeded this advice, and their strategy appears successful. Other companies (e.g., Hermès, D&G) did not alter their segmentation strategies by changing their products or advertising to comply with directives to tone things down.

The data

The most common definition of a recession calls for two straight quarters of declining GDP. In January 2008 economists were still debating whether or not the U.S. economy was even heading into a recession, yet in retrospect the National Bureau of Economic Research concluded in December 2008 that the U.S. technically had been in a recession since December 2007 (Lim, 2008). The economic crisis really hit its peak in September–October 2008 when institutions including Lehman Brothers, Merrill Lynch, Fannie Mae, Freddie Mac, and AIG either failed, were acquired under duress, or were taken over by the government. The bottom fell out during the first week of October 2008 when the stock market plummeted and the Dow

### Table 1
Change in product line from January 2008 to May 2009.

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<th></th>
<th>Louis Vuitton</th>
<th>Gucci</th>
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<tr>
<td></td>
<td>Number of SKUs</td>
<td>% of original product line</td>
</tr>
<tr>
<td>January 2008</td>
<td>236</td>
<td>100.0%</td>
</tr>
<tr>
<td>During recession</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Removed</td>
<td>142</td>
<td>60.2%</td>
</tr>
<tr>
<td>Products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kept products</td>
<td>94</td>
<td>39.8%</td>
</tr>
<tr>
<td>Added products</td>
<td>101</td>
<td>42.8%</td>
</tr>
<tr>
<td>May 2009</td>
<td>195</td>
<td>82.6%</td>
</tr>
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fell from 10,850 to 8,579. Thus, product offerings collected prior to October 2008 are representative of a pre-recession mentality while offerings collected the following year (2009) reflect what companies believed their customers desired in the midst of the recession.

We focus primarily on luxury handbags, considered the “21st Century American woman’s most public and pricey consumer craving” (Anderson, 2007). The “it” bag is the quintessential status good, with luxury handbag sales estimated at $7 billion in the U.S. alone in 2007 (Wilson, 2007). Data on all of the handbags offered by both Louis Vuitton and Gucci from January 2008 were collected by downloading the information from each company’s website at that time (see Drèze, Han & Nunes, 2009). In May 2009, we collected handbag data in the exact same manner. The combined data set does not include every purse sold by Louis Vuitton or Gucci, but the data are representative of what was being sold by these firms at these two points in time. Personal discussions with executives at each company reaffirmed this view. Louis Vuitton’s selection online was said to be identical to what is sold in their stores. Gucci’s selection online is nearly identical, with the exception of a few unique items offered through each channel. The products available represent the company’s best estimation of what consumers wanted at the time. At Gucci, for example, merchandising and product development rely on weekly data concerning sales, carryovers, competitive offerings, etc., to construct a “merchandising grid” that guides designers who create new products (Martinez-Jerez, Corsi & Dessain, 2009). We should point out that the lead times for high-end hand-made bags are typically 4 to 6 weeks (Blaise Kramer, 2008), which means product offerings in May 2009 were not the result of long-term plans made 2 years prior and these manufacturers were caught off-guard by the recession. Both Gucci and Louis Vuitton could have toned down their product line; significant increases in brand prominence would suggest they believed it was the appropriate reaction to changes in consumer demand.

The actions of these two firms are significant given their size, influence, and enormous popularity. Although market share numbers are not made public, in terms of brand value, Louis Vuitton ($21.6 billion) and Gucci ($8.2 billion) are number one, and number two, respectively, in Interbrand’s ranking of the leading luxury brands of 2008 (significantly ahead of companies such as #3 Chanel, $6.3 billion, and #4 Rolex, $4.9 billion). A study conducted by market research firm Millward Brown—based on a database of interviews conducted with more than one million consumers—ranked Louis Vuitton the world’s “most powerful” luxury brand, with Gucci number three just behind Hermès (Sherman, 2008).

The notion of “brand prominence,” introduced by Han et al. (2010), is intended to mark the variation in the extent to which each item displays the brand logo or identifying marks conspicuously to observers. Each handbag was individually evaluated and coded according to the brand’s conspicuousness utilizing the same brand prominence measures employed by Han et al. (2010). Three independent judges were trained as to the standard identifying marks of the two brands (e.g., Gucci’s interlocking Gs) before rating each bag. Intra-rater reliability was high (Cronbach α > 0.99 for all three judges). Inter-rater reliability was also high (Cronbach α = 0.98 across all raters). Therefore, we combined the judges’ ratings into a composite measure of brand prominence ranging from 1 = Quiet to 7 = Loud. The data also include the prices posted online by the manufacturers for each purse. We should point out that our notion of brand prominence differs from that of Park and his coauthors (Park, Priester, MacInnis, & Zhong, 2009; Park, MacInnis, Priester, Eisengerich, & Iacobucci, 2010) who used the same terminology to describe how easily a brand comes to mind.

### Results

We find the product lines for these two luxury brands changed significantly between January 2008 and May 2009 (see Table 1); Louis Vuitton eliminated 60% of its existing product line, while Gucci eliminated 93%. Fewer products were added than removed, resulting in a net reduction in the product line available online of 17.4% for Louis Vuitton and 61.6% for Gucci. As a brand, Gucci is widely known as being much more fashion-oriented, although this is reported to be changing as a result of the recession (Matlack, 2009). Louis Vuitton has traditionally offered more classic designs. Thus, the bigger change in product offerings for Gucci is not unexpected.

More interesting is how the conspicuousness of the brand changed (see Table 2). For both Louis Vuitton and Gucci, brand prominence for those items introduced during that time period was significantly greater than for those items deleted ($M_{LVadded} = 5.32, M_{LVdeleted} = 4.63, F = 5.81, p < 0.05; M_{Gadded} = 5.20, M_{Gdeleted} = 4.52, F = 4.52, p < 0.05). Figs. 1 and 2 reflect the change in products based on brand prominence for Louis Vuitton and Gucci, respectively. If we compare the distributions for brand prominence before and during the recession for Louis Vuitton, a Kolmogorov–Smirnov test rejects these being the same ($p < 0.01$). We get the same result when comparing distributions for Gucci ($p < 0.01$). These firms altered their product lines to offer more conspicuously branded goods.

The changes in brand prominence were accompanied by uniformly higher prices. These companies are charging consumers more to flaunt their brands during the recession. Louis Vuitton raised prices on individual products that remained in the product line between 10% and 14%, resulting in an average increase of 12.1%. More dramatic was what

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<th>Change in prices from January 2008 to May 2009.</th>
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<td>January 2008</td>
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<td>May 2009</td>
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ocurred with new product introductions. Prices for newly introduced products were 47.7% higher than prices for those products that were removed (M_{LVadded} = $1,873 > M_{LVremoved} = $1,268, F = 21.67, p < 0.01). More simply put, Louis Vuitton replaced products with more expensive ones in the midst of an economic crisis. The overall result was a new product line priced an average of 31% higher than the product line in place almost a year and a half earlier. We should note that Louis Vuitton never puts its products for sale at a discount. It prefers destroying stock instead (Substance of style, 2009).

Gucci, which kept only a handful of the products available in January 2008, raised prices on 50% (8 of 16) of those products not removed, with increases ranging from 1% to 5%. The overall effect was an average increase of 0.5% across what remained in the product line. Like Louis Vuitton, prices for new Gucci products introduced in May 2009 were higher. The average price of the new products rose 16.8% or roughly $200 above those products removed. While directional, this difference is not statistically significant (M_{Gadded} = $1,695 > M_{Gremoved} = $1,451, F = 2.31, p = 0.13). In short, during the recession, we find two of the world’s most famous luxury brands increased both the conspicuousness of their brand and the prices across their product lines.

Utilizing the same data from January 2008, Han et al. (2010) explored the relationship between brand prominence and price. Those authors reported that luxury brands Gucci and Louis Vuitton charged less on average for louder handbags within their product lines. The implication is that lower-priced luxury goods that prominently display luxury brand names and logos are targeted toward a more price-sensitive segment. Thus, one might suspect that the changes that occurred from early 2008 to mid-2009 altered the relationship between brand prominence and price. The relationship between prominence and price, however, has not changed. For Louis Vuitton, the correlation between price and brand prominence in January 2008 was −0.29, while for Gucci it was −0.51. In May 2009, the correlations were −0.22 and −0.55, respectively and did not differ significantly (Fisher’s Z transformation = −1.06 and 0.71 respectively, n.s.). Quiet bags continued to cost more, on average, than loud ones and all bags were more expensive, on average.

Skeptics might argue that while prices and brand prominence increased, these actions may not have been prudent—a recipe for financial failure during a recession. The publicly available evidence suggests otherwise. Overall, the divisions of these two companies responsible for leather goods report having done fairly well during the recession given what one might consider counter-intuitive changes. Profits for LVMH’s fashion and leather goods rose from €814 million in June 2007 to €815 million in June 2008 and on to €919 million in June 2009, according to the company’s 2009 first half interim report. The percentage of LVMH’s revenues coming from the U.S. did not change between 2008 and 2009, remaining at 28%. Gucci Group is part of France’s PPR SA. According to PPR’s 2009 first half interim report, EBITDA for the luxury goods division increased from €363 million in June 2008 to €377 million in June 2009. The percentage of PPR’s revenues coming from the Americas increased from 13.6% in the first half of 2008 to 15.4% in the first half of 2009. Retail sales by Gucci, the division’s flagship brand, were reported to be up 2.4%, led by an “extremely robust showing from leather goods.” The report goes on to say that “The Leather Goods business delivered a strong performance, driven by the success of the New Jackie shoulder bag and a good start-up for new items such as the New Pelham and the Secret. This testifies to Gucci’s sound strategy of aiming to position the brand as a trendsetter that meets the high expectations of the Luxury Goods sector.”

The psychology of dissociation through consumption

Our research reveals the apparent disconnect between the popular press’ musings regarding conspicuous consumption and market behavior but does not offer a conclusive explanation. One theory that explains why we observe what we observe draws on the taxonomy of luxury goods consumers presented by Han et al. (2010). Their framework divided consumers into four groups according to their wealth and need for status, and then showed how each group’s preference for conspicuously or inconspicuously branded luxury goods corresponded predictably with their desire to associate or dissociate with members of their own and other groups. Their two affluent groups (Patricians and Parvenus) consume luxury goods but do so with different motivations. Patricians, who have a low need-for-status, seek only to associate with other patricians. In contrast, parvenus are concerned with
dissociating themselves from those who are less affluent while associating themselves with the affluent. Accordingly, to fulfill their need for status, parvenus utilize loud luxury goods that make it evident to everybody that they can spend excessively.

In a recession, social pressure mounts to be less conspicuous so as not to appear insensitive to the plight of a swelling population of have-nots. This creates a tension between complying with publicly espoused social norms (Kelman, 1958) and parvenus’ pre-existing desire to secure status through consumption (carrying a year-old Gucci bags says “I used to have money” while sporting this year’s model says “I am thriving”). The need for status appears to have won, and the result is a shift in market demand toward the goods parvenus desire. This would explain why Louis Vuitton and Gucci shifted their product lines toward more conspicuously branded goods. But what of brands that have traditionally catered to one or the other segment (loud for parvenus or quiet for patricians)?

As far as Hermès is concerned, a move toward louder goods would fail to serve as a status signal for the parvenus, as the less well-heeled masses are not familiar enough with the brand’s markings to recognize them. A Hermès Kelly bag is distinct for those in the know, but not easy to identify to the uninitiated. Hence, such products would have little appeal to parvenus. Therefore, we would not expect a brand such as Hermès to make such wholesale changes and follow the segmentation strategy displayed by both Gucci and Louis Vuitton. As for brands such as D&G, Fendi, and Prada, introducing new, quiet products would similarly not appeal to those parvenus who remain in the market, as inconspicuously branded goods that are not familiar to the masses cannot serve as effective signals. Thus, we would not expect firms that cater to those seeking conspicuously branded products to tone things down.

The data

Unfortunately, we could not test these predictions in the same way we analyzed the Louis Vuitton and Gucci product offerings. We did not collect data for these brands in 2008, and we could not acquire the data in a similar fashion in 2009 (i.e., 2008 company web sites could not be accessed retrospectively). Instead, to ascertain the product offering of these brands before and after the recession, we proceeded in the following ways. For Hermès, we were able to acquire 2008 and 2009 product catalogs produced by a third party. These catalogs provide a comprehensive description of all of the products the firm offered each year. The products were coded in a fashion identical to what occurred for the Gucci and Louis Vuitton data (within rater Cronbach $\alpha > 0.95$ for all three judges; across raters Cronbach $\alpha = 0.93$).

Despite our efforts, we could not identify similar data sources for those manufacturers known for producing conspicuously branded products such as D&G. Alternatively, we acquired an issue of every Vogue magazine (American edition) produced for the years 2008 and 2009 (12 monthly issues per year). While an imperfect substitute for product offerings, advertising is intended to represent the manufacturer in the best light possible. If a manufacturer believed toning it down during the recession was prudent, this should be apparent in the products chosen to be displayed in its advertising.

All of the advertisements for luxury brands during these two years (214 in 2008 and 231 in 2009) were recorded and scanned. Each product displayed in an ad was individually coded by brand and type of product (handbag, clothing, shoes, sunglasses, or other). For this analysis, we focused only on each brand that displayed more than 20 ads in both 2008 and 2009 (i.e., D&G, Prada, Fendi, and Burberry). Each product (handbag, clothing, shoes, sunglasses, other) was rated in terms of brand prominence. Intra-rater reliability was high (Cronbach $\alpha > 0.97$ for all three judges). Inter-rater reliability was similarly high (Cronbach $\alpha = 0.90$ across all raters).

Results

In order to assess the impact of the recession on these brands, we compare advertisements from Vogue magazine from the period January through October 2008 with those from the same time period in 2009. We compare all of the Hermès products offered in 2008 to those offered in 2009. The findings stand in stark contrast to those presented earlier and support our theorizing (see Table 3). Unlike Gucci and Louis Vuitton, our data suggest a discreet brand like Hermès, as well as conspicuous brands like D&G, Prada, and Fendi, neither toned things down nor turned things up significantly during the recession ($p > 0.45$ for all brands). They stuck with their original strategy. Like Gucci and Louis Vuitton, however, Burberry, has straddled consumer segments since it began marketing more inconspicuously branded items with its Burberry “check under cover” campaign. Burberry also displayed signs of a segmentation strategy that shifted toward parvenus; the brand prominence in Burberry ads increased significantly after the recession ($M_{2008} = 1.74, M_{2009} = 2.58, p = 0.02$). It is important to reiterate that none of seven major luxury brands we examined tuned things down in either their product lines or advertising during the recession.

General discussion

The goal of this research was to document a real consumer psychology-relevant phenomenon concerning consumers’

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<th>Table 3 Change in brand prominence.</th>
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<td><strong>Brand</strong></td>
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<tr>
<td>-------------------------------------</td>
</tr>
<tr>
<td>Hermès</td>
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<td><em>N</em></td>
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<tr>
<td>Burberry</td>
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* For Hermès, *N* represents the number of bags shown in the catalog each year; for the other brands, *N* represents the number of Vogue ads showing products in each year.
relationships with luxury brands. As a field, marketing academics generally, and consumer psychologists more specifically, have little understanding of how buying behavior with respect to conspicuous consumption changes during a recession. Our results imply that those consumers who do not exit the luxury goods market during a recession are still interested in logo-laden products, and perhaps even more so, which contradicts the conventional wisdom declaring that luxury brands should tone things down. As such, our data highlight the tension between complying with social conventions and dissociative motives exhibited by consumers high in their need for status. Parvenus, who use conspicuously branded luxury goods to dissociate themselves from less affluent consumers, seem scarcely affected by social commentary calling on them to not send status signals intended to divorce themselves from the masses. On the psychological battlefield, we observe the need for status trumping compliance with decorum. In this work, we present empirical evidence based on activities by the firm but recognize our proposed psychological segmentation explanation needs further validation, perhaps through laboratory or field studies.

We look to future research to offer a more refined explanation with respect to the antecedents and further consequences of dissociative motives and consumers’ need for status. By its nature, dissociation seems antithetical to complying with social norms. Among conspicuous consumers in a recession, it appears dissociative motives trump compliance. We have offered substantial support for our theorizing with regard to the phenomena we observed, but we leave it to future researchers to substantiate or refute our explanation and deepen our understanding of the topic. We acknowledge that other competing explanations are consistent with our results and cannot be ruled out. For example, Louis Vuitton and Gucci may not be responding to market demand as much as they may be trying to shape demand among malleable consumers.

In summary, we studied two companies with two very different pricing strategies (Louis Vuitton does not offer sales, Gucci has sales) and two different general design strategies with respect to aesthetics (Louis Vuitton historically carries more classic designs, while Gucci tends toward being more fashion forward). Both firms, however, offered product lines that appealed to widely differing customer segments. These two firms, widely considered leaders in the industry, exhibited the same strategy during the onset of the recession—turn up the volume with respect to brand prominence on new product introductions and raise prices. Likewise, judging from its advertising, Burberry followed suit. As expected, several other luxury brands that appeal to only one segment neither toned things down nor turned things up.

It appears that Gucci and Louis Vuitton sought to replace eroding margins from lost sales with increased margins from higher prices. The price increase was larger for Louis Vuitton than Gucci: the former raised prices an average of 12% while the latter raised prices an average of 2.5%. This is in line with basic economic principles. Retailers who run promotions will have higher base prices than retailers who do not (Hoch, Drèze, & Purk, 1994). Thus, when raising prices to focus on the relatively price insensitive, promotions-oriented retailers will not need to raise their prices as much as retailers who espouse a constant price policy. As a price setter that follows a high-low strategy (Gucci), the regular price is, on average, relatively high. A price increase would raise the base level but more so for the firm with the high-low pricing strategy (Gucci) than for the firm that does not lower prices (Louis Vuitton). This is what we observe.

Conclusion

All of the hype about wealthy consumers turning away from conspicuous consumption during a recession appears to come from self-reports and expert opinion, both of which appear to involve significant impression management. Who wants to admit they are turning it up rather than toning it down, or essentially showing off, when others are suffering? Our data support the notion that those who are still in the market for luxury goods (parvenus) still like the loud products and are willing to pay a hefty sum for them. Product lines of two of the largest, best known, leading luxury goods manufacturers (Gucci and Louis Vuitton) seem to have shifted toward catering to these consumers. And advertising for Burberry seems to have followed suit. Consequently, new product introductions during the recession are often louder, more expensive, and featured in advertising more so than what was sold before. These changes, while limited to firms that cater to both parvenus and patricians, are not mitigated by the behaviors of other luxury goods manufacturers. Those who focus on one group or the other did not change their ways; there was no sudden shift toward being more subdued either in Hermès’ product line or D&G, Fendi, or Prada’s advertising.

This work is not without its limitations. Our findings are based solely on the products that Gucci and Louis Vuitton sell online at their own company web sites, third party catalogs of Hermès’ products, and advertising from one major fashion magazine. We look mainly at handbags (our advertising data excluded), a publicly consumed, relatively affordable luxury good. A richer picture could certainly emerge from a more comprehensive examination of additional brands across numerous products lines over time. It was not prescience but good fortune that enabled us to possess comparable data for Gucci and Louis Vuitton from both before and during the recession. It would be useful for researchers to explore how brand prominence changes in differing economic climates in other categories. That would require identifying the appropriate data sets, or anticipating the next recession.

At the time of writing this manuscript, the recession was certainly bad but could have been much worse. Many indicators suggest it was about as bad as originally anticipated. In fact, according to the Associated Press, buoyed by federal spending and programs like Cash for Clunkers, the U.S. economy began growing again by the third quarter of 2009 slightly stronger than expectations but well after our second data collection. We do not know what would have happened if things had been expected to be worse, had gotten worse, or both. How luxury consumers respond to various expectations and outcomes in the business cycle warrants further study.
As with most platitudes, 2008–2009 is not the first time that observers have predicted the downfall of conspicuous consumption and a rise in “conservative consumption” (Shipchandler, 1982). A general sentiment often described is that consumers will economize out of necessity, but as incomes rise and frugality gives way to profligacy, consumers will eschew their wasteful ways of the past (Veblen noted it was not the display of wealth but its wasteful display that constituted conspicuous consumption). Our findings suggest consumer researchers need to be certain conspicuous consumption has actually declined before saying it will never reclaim its previous place in consumer decision-making.

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