



Consumption Commitment

Extension of the Veblen Effect

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Abstract. Affective value has grown in importance as a factor affecting customers' desire to purchase as living standards have increased. In this essay, we examine the impact of commitment consumption on consumption, work extend the theoretical of objective price to subjective value of the Veblen effect as well as real-world examples. In addition, an effort is made to analyse Veblen effect after the experimental methodology of customer preferences under diverse causes. In this way and according to the results of the experiment, we offer a suggestion that assist producers in using commitment consumption to boost sales and brand loyalty.

Keywords: Veblen Effect · Commitment · Consumption

1 Introduction

Without a thorough understanding of consumer psychology and the application of emotionally inspired commitment to raise the subjective emotional value of the heart, the sales strategy cannot be successful. In an era of rising per capita income, consumers have the ability to satisfy their emotional demands after achieving a minimal standard of living, changing from materialism to experiences, and increasingly want to assemble special memories and experiences. They are now more inclined to purchase products that reflect their status and identity and enable them to receive superior services as opposed to purchasing affordable things in the past, and cost performance is no longer the primary factor influencing consumption. From the perspective of merchants, there is a steady transition from quantity to quality in the present market. For how merchants perceive this change, they exhibit the behaviour that is the focus of this study: setting commitment and boundaries while emphasising the emotional component of the product [1].

2 Background of the Study

The prerequisite for growth in consumption levels is stable income growth, and only after ensuring a basic standard of living will there be room to meet one's emotional needs. According to the National Bureau of Statistics, the national per capita disposable

income reached 32,189 yuan in 2020, an increase of 4.74% year-on-year, and 17,642 yuan in the first half of 2021, an increase of 12.61% over the same period in 2020. Due to the rapid development of the economy, the income level and purchasing ability of consumers have increased dramatically, and the existing consumers of huge scale, as well as potential consumers, have jointly driven the development of China's luxury consumption market and provided strong power support for it so that the psychological characteristics of people's consumption in this study are satisfied [2].

Meanwhile, the rapid development of the Internet, globalization, and information technology have brought about a frenzy in people's online shopping. In terms of revenue in 2019, the size of the self-marketing market accounts for about one-third of the total mobile advertising market. 2020 in the context of the new crown epidemic, the national outbound travel is restricted, Chinese consumers' luxury consumption demand shifts to domestic, and the personal luxury market sales in China surge up to 346 billion yuan, an increase of 113.9 billion yuan from 2019. The increase in the size of the luxury market shows that people are now more willing to choose goods that reflect their status and identity and allow them to experience better services than most of the affordable goods they bought in the past, and the cost-effectiveness is no longer the first-factor affecting consumption [3].

3 Commitment Consumption and the Psychological Process that Lead to It

A condition is termed as commitment consumption when one demands that the other possess a special quality in order to fulfil a commitment and create a better outcome. Where commitment refers to the promise of one party to another, this commitment is expressed through the purchase of an item to the person who receives it, for example, the commitment of marriage (purchase of a ring), or it can be a commitment between business (partners bind commitment to express the will of long-term cooperation, giving each other some preferences but guaranteeing a sole supplier and purchase volume). Consuming that is motivated by commitment increases emotional attachment and makes consumption solemn and ritualistic. In this context of consumption, businesses give a particular persona to a specific customer segment to create a higher value than the product itself, and when businesses restrict and regulate the group of consumers, consumers are more willing to buy since the product's spiritual value has increased. Contrary to typical customer behaviour, this is related to the Veblen effect idea, which holds that demand increases with price.

The value mentioned in commitment consumption is different from the price in the Veblen effect, which is an objective price. This subjective value derived from: people themselves assign an emotional and symbolic value to a product, thus raising the original price. Cos of commitment and restriction, the consumer's internal perception of the objective price of the product is raised.

Almost anything we do to strengthen our bonds with others contributes to our happiness, and since the recipient of such consumption with commitment, such as purchasing a ring for one's lover, is not the purchaser but the person who conveys it to his or her commitment, this process increases the subjective value of consumption. Strong social

ties are necessary for happiness and receiving a gift from a romantic partner can have a significant impact on the long-term happiness of both parties [4][5].

4 Study Content

The main marketing ploy behind DR diamond rings is to tie customers together with ID cards, restricting the number of customers and groups, and therefore giving them a devoted image and emphasising the buyer's commitment to marriage. Roseonly, a high-end flower firm, and almost use the same term of DR "love only one person in a lifetime" in their advertising. This type of commitment is described in the text as a tied commitment. The low cost but long-term data plans offered by Mobile Company is defined as exclusive commitment, and Tesla's slogan "efforts to achieve the dream" by shaping the customer group are also part of the exclusive commitment.

Both tied commitment and exclusive commitment as subjective affective values are extensions of the objective price in Veblen effect. The greatest difference between them is that an exclusive commitment has a rigid affiliation group restriction while a tied commitment can be made as long as you are prepared to pay something. Merchants are able to profit in opposition to common sense and increase brand loyalty since for this tightening of restrictions and commitment.

5 Experiments and Analysis of the Findings

Diamond rings, roses, and vehicles were the products chosen for the experiment because they most closely matched the research topic in the real-world example. A mixture of various commitment for various products was designed in the shape of a Latin square three by three, with each subject encountering three products, one of which was a control group, one of which was a tied commitment, and one of which was an exclusive commitment. This was done to ensure that subjects were not impacted by the comparison of the three conditions occurring simultaneously. These relatively objective selections from the experiment will aid in determining which strategy is most effective for a certain class of goods.

5.1 Experimentation Outcomes

1. When both a commitment and a regular product are available, 78.39% of respondents would prefer a diamond ring as a commitment, 72.68% would prefer flowers as a commitment, and 68.63% would prefer a car as a commitment.
2. A tied commitment would be referred by 32.79%, while an exclusive commitment would be referred by 40.42%.
3. The average willingness to buy a regular engagement ring ranges from 6.63 at 3,000 RMB to 5.82 at 4,500 RMB to 5.68 at 6,000 RMB; The average willingness to buy a unique ring which ID card is required to purchase ranges from 5.05 at RMB 3,000, 4.86 at RMB 4,500, and 6.23 at RMB 6,000; The willingness to buy a high-tech ring which is designed for the young ranges from 5.86 at RMB 3,000, 6.14 at RMB 4,500, and 5.9 at RMB 6,000.

4. The average willingness to buy a regular rose bouquet ranges from 5.52 at 200 RMB to 4.33 at 600 RMB to 3.1 at 1,000 RMB; The average willingness to buy a unique rose bouquet which ID card is required to purchase ranges from 6.82 at 200 RMB to 6.68 at 600 RMB to 5.95 at 1,000 RMB; The average willingness to buy a unique rose bouquet which is designed for the young ranges from 7.59 at 200 RMB to 4.41 at 600 RMB to 3.23 at 1,000 RMB;
5. The average willingness to buy a regular car ranges from 6.27 at 200K RMB to 3.18 at 60K RMB to 2.59 at 1 million RMB; The average willingness to buy a customized car with ID card ranges from 7.19 at 200K RMB to 3.86 at 60K RMB to 2.19 at 1 million RMB; The average willingness to buy a car which is designed for the high-class social group ranges from 7.26 at 200K RMB to 5.74 at 60K RMB to 5.55 at 1 million RMB;

5.2 Analysis of the Findings

The vast majority of consumers favour products with special meaning over ordinary products when they are both available at the same time. This is because, on the one hand, the commitment of the product itself increases the consumer's perception of its subjective emotional value and, on the other hand, this type of commitment makes choices easier because default consumption is present. Through three experiments involving jams, chocolates, and writing assignments for class, Iyengar and Lepper developed the theory of less is more. They found that when participants were given fewer options at the start, they were ultimately more satisfied with their selections because having a reasonable number of options rather than an excessive one aided their decision-making [6]. Options with commitment save consumers' cognitive resources and simplify their decisions in light of the market's concentration of numerous fashion brands.

At the same time, the restriction of these two commitment kinds offered consumers a sense of internal identity and belonging [7]. This experiment shows that the subjects preferred products with exclusive commitment, this is because consumers' purchasing behaviour was linked to their sense of social connection to their families, communities, and other groups. Tied commissions are not intended to satisfy the purchaser's own vanity, but for the person receiving them; exclusive commissions focus on the purchaser themselves and also have a more conspicuous consumer effect than tied commissions. Consider other possible purchase motives, namely perfectionist (quality), hedonist (self-pleasure), Veblen (status), snobbish (uniqueness), and trendy (group affiliation), consumers get gratification from experiencing similar feelings, and they use themselves as an example to assume that other members of the same group have similar psychology and viewpoints. For contrast, people who purchase DR diamond rings are ritualistic, romantic, and devoted. Exclusive commitment has a higher sense of belonging than tied commitment, clearly dividing consumers, with a sharper sense of group identification and status symbols, and hence a stronger propensity to buy.

The experimental data demonstrates that diamond rings, which are enduring goods with unique meaning, are better fit for commitment strategy. Consumers' desire to purchase them rises with their cost and availability. Consumers don't care about the significance of roses or other goods which cannot be preserved for a long period. This is one of the reasons why Roseonly employs the same tactic as DR but it is less well-known. Cars,

such as more functional goods, if the price of the car with commitment is not very high, the consumer's willingness to buy is stronger than regular models. However, as soon as the price rises, the consumer's readiness to purchase drops more quickly, making the commitment to these products optional.

Since commitment is the existence of subjective emotional value, it can also be divided and expanded to luxury goods or any field, so the concept of commitment consumption can exist in the more mass market, but also can be applied to the more high-end market, which is a widespread business marketing strategy and consumption phenomenon. For diamond rings, souvenirs of such products merchants can grasp the opportunity to flexibly use tied commitment when this strategy is not so common now has achieved the purpose of increasing brand awareness and loyalty, followed by exclusive commitment also as a deeper level of restriction, so that consumers get a higher subjective value of the goods, and thus can be a greater degree of a price premium. In the experimental results, consumers were more willing to purchase the diamond ring with a 50% price premium, and the willingness to purchase the product with a commitment did not drop as fast as the ordinary product as the price increased, which is also a good proof of this, but the premium ratio of different kinds of goods needs further investigation and research.

According to commitment consumption, luxury goods can also be separated into tied and exclusive commitment in respect to the Veblen effect. Exclusive luxury items are more prevalent; for example, Philippe Dufour's debut was invitation-only and catered to a select group of people, making it challenging for the general public to secure an invitation even if they wanted to attend. In this case, the portion of the group that is eligible for the invitation will become increasingly devoted and desire the brand. As long as there is a willingness to pay, a luxury item can be tied to both parties and be considered tied luxury. DR is not a very high-quality diamond ring, but because of the commitment, it can also be referred to as a light luxury ring and can cost twice as much as other brands' equivalent diamonds. Most of the time, it is tied and exclusive at the same time. For illustration, Patek Philippe watches require customers to spend over 50 million RMB to become super VIPs before they can make a purchase; the first time you buy a Patek Philippe, you must start with the entry-level model, moving you one level up to vip, before making the desired purchase. This is a tied-in habit for consumers who are about to start spending, and it is an exclusive way to spend for those who are outside of this group. Similar to Costco and Sam's Club, one simply needs to pay \$299 to receive a membership card, whereas joining Patek Philippe costs more.

6 Conclusion

The idea of commitment consumption is a prevalent business marketing tactic and consumption phenomenon that appears in both the mass market and high-end market. For items like diamond rings and trinkets, retailers can seize the chance to flexibly use tied commitment to boost brand awareness and loyalty. They can then use exclusive commitment as a deeper restriction, enabling customers to increase the subjective value of the products to a greater degree and, consequently, demand higher prices.

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