

## How Confidence in the Government Boosted Status Shopping during COVID-19: A Cross-cultural Study

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### Introduction

The COVID-19 pandemic has upended everyone's normal daily lives. As consumers drastically limited social and leisure activities, retailers faced an extremely high level of uncertainty and business disruptions. Fashion retailers are among the most affected as consumer spending on apparel plummeted since the beginning of the pandemic (Barua & Levin, 2020). While essential items such as loungewear and athletic wear fared better, highly social and symbolic items such as luxury goods were severely impacted (Arlidge, 2020).

Status consumption is driven by external (i.e., signaling wealth) and internal motivations (i.e., self-reward) (O'Cass & McEwen, 2004). The pandemic disrupted both motivations. The measures to slow the spread of the virus (e.g., social distancing, banning of social gatherings) limited the opportunity to signal one's status. Moreover, seeking status and investing in luxury goods may not be a priority for consumers when they are focused on staying safe and protecting loved ones from the imminent danger of the pandemic. In this regard, we believe a consumer's feeling of optimism which is an indicator of one's evaluation of satisfaction of the basic needs, could be a critical psychological factor leading to status shopping above and beyond the general preference and tendency. Hence, the purpose of this study is to investigate the influence of optimism, spurred by one's confidence in the government's management of the pandemic, on status shopping intentions through a two country-comparison (the U.S. and S. Korea).

### Theoretical Background & Hypotheses Development

The conservation of resources (COR) theory posits that people seek to retain, protect, and build resources (e.g., valued objects, personal characteristics), and that stress arises due to the potential or actual loss of such resources (Hobfoll, 2011). Previous research suggests that macro-environmental conditions such as the recession can cause resource scarcity and can change people's pursuit of resources (e.g., purchasing more essential items) (Hampson et al., 2021). As the fear of resource scarcity increases, consumers increasingly pay attention to efficient use of money, and how confident consumers feel about the future increase conspicuous consumption (Hampson et al., 2021).

Existing literature documents that optimism is associated with positive outlook and expectations and influences financial decision making (Puri & Robinson, 2007). Studies show that Americans in general report greater positive affectivity and life satisfaction than Koreans (Chang et al., 2003). Thus, we anticipate *a direct effect of country on optimism (H1)*. Moreover, positive emotions such as optimism can act as a buffer against stressful environments and help people persist in the face of uncertainty (Riulli & Savicki, 2003). Thus, during a crisis, *those who*

*are optimistic will continue to pursue resources that are symbolic and status-signaling (H2). One key antecedent of optimism during the pandemic may be people's confidence in the government's ability to cope with the crisis. The positive influence of organizational and governmental confidence and trust on consumer's optimism has been well-documented (de Jonge et al., 2008). As such, when people are confident in their government's leadership and policy, they are likely to be more hopeful about the future (H3). Studies have shown that Korean consumers, in general, are more likely to consume luxury, conspicuous products to signal status than American consumers (Stanforth & Lee, 2011) and tend to score higher on the materialism scale (Goldsmith & Flynn, 2013). Thus, we posit a direct effect of country on status shopping intentions (H4). Lastly, while countries like Korea implemented an invasive contact tracing system and mandated mask-wearing right away, the U.S. mounted a delayed and fragmented response to the pandemic (Solano et al., 2020). Indeed, the rate of COVID-19 cases per million people in the U.S. during which the data collection took place was nearly 25 times higher than that of Korea (WHO, n.d.). Given the discrepancy in the COVID-19 prevalence, we expect that Koreans would exhibit greater confidence in their government than Americans (H5).*

#### Methods & Results

A total of 658 participants responded to the online survey ( $n_{\text{Korea}}=347$ ,  $n_{\text{US}}=311$ ) between May 28<sup>th</sup> to June 5<sup>th</sup>, 2020. Constructs included in this study were measured by multi-item scales adapted from previous studies, which showed acceptable psychometric properties (e.g., reliability, discriminant validity, etc.). The hypotheses were tested using PROCESS macro with SPSS 26 (Hayes, 2013). As anticipated (H1), the country had a direct negative effect on optimism ( $b=-.16$ ,  $p=.039$ ) (i.e., Americans were more optimistic than Koreans when controlling for confidence in the government). Status shopping intention was positively associated with optimism ( $b=.33$ ,  $p=.000$ ) as hypothesized (H2). Confidence in the government in turn was positively associated with optimism ( $b=.22$ ,  $p=.000$ ), supporting H3. The country also predicted confidence in the government ( $b=.96$ ,  $p=.000$ ), providing support to H5. There was a significant direct effect of the country on status shopping intentions even when all mediators were entered to the model ( $b=.31$ ,  $p=.002$ ), supporting H4. The serial mediation (Country → confidence in government → optimism → status shopping intention) was significant (indirect effect = .0703).

#### Discussion & Conclusion

The results support that Koreans (vs. Americans) exhibited a higher status shopping intention because their confidence in the government boosted optimism above and beyond their general status shopping tendency. As a result, it is advised that luxury brands closely monitor consumer confidence and optimism. Furthermore, our study emphasizes the importance of government crisis management skills in boosting consumer confidence and shopping intentions. One example of such government effort would be to develop and communicate a clear and consistent message regarding the pandemic (e.g., efficacy of mask-wearing, social distancing) to help consumers feel safe and stay optimistic about the future. Academically, our study provides further understanding on the concept of optimism and its role as a buffer against stressful environments.

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