The Paradox of Luxury: Blossom Amidst Chaos

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Despite the high level of uncertainty in the macro environment, the luxury sector has demonstrated remarkable tenacity, exhibiting a growth trend against all odds (Achille & Zipser, 2020). Even with the looming threats of an economic downturn and a deceleration in inflation and GDP growth during the Covid-19 outbreak, the luxury industry has managed to thrive (Andronic, 2021; Bradshaw et al., 2020). According to the 2020 Deloitte Global Luxury Industry report, the pinnacle ten luxury brands marked a growth rate of 12.8% in sales compared to the pre-pandemic year of 2019. Amidst these times of ambiguity, consumers are increasingly being allured to non-essential luxury items as a mechanism to deal with the disintegration of societal frameworks and palpable or societal threats. This behavior deviates from rational logic, where indulgence in high-end product consumption typically escalates during economic prosperity.

Prior investigations on luxury consumption patterns during societal upheaval triggered by economic recessions or pandemics have primarily fixated on compensatory consumption (Heine et al., 2006; Mandel et al., 2017; Wang et al., 2020) or Terror Management Theory (Pyszczynski et al., 1999). In the context of a pandemic, the narrative for the crisis deviates from a conventional economic downturn. Individuals may encounter anxiety stemming from the realization of life's finite nature. Nonetheless, preceding studies have yet to thoroughly examine the disparities between the impacts of mortality salience and crisis on consumption habits. If the degree of severity is the differentiating factor between the two, then the consumer behavior should remain in the same context but differ in magnitude accordingly. This study endeavors to meticulously scrutinize the implications of a crisis on luxury consumption by drawing comparisons with mortality salience, an area that needs to be covered in previous studies. Moreover, the study seeks to illuminate the consumption mechanism in these two paths.

In the first study, we deployed an Implicit Association Test (IAT) to ascertain the unconscious affinity of participants towards luxury brands during a macro crisis environment and mortality salience (condition of death), juxtaposed with a control group. We engaged American females aged 18-39 via CloudResearch's online panel (66% were in their 30s, n=135) and paid 2 USD as remuneration. The fundamental objective of the study was revealed post-completion to guarantee precision, and the average completion time clocked by participants was 12.84 minutes. Luxury and non-luxury brands were shortlisted through a pretest involving 50 American adults (both male and female) aged 18-39.

Consequently, participants in the crisis scenario exhibited a stronger correlation with luxury brands than the control group, indicating a surge in preference for luxury brands during an economic crisis. Likewise, participants in the death condition manifested a more significant disparity in preference between luxury and non-luxury brands than the control group. These findings remained significant, even after accounting for personal materialistic tendencies, income, and routine luxury consumption expenditures. Nonetheless, in the experimental conditions mentioned above, it was not plausible to differentiate the contrast in luxury consumption value between two disparate crisis scenarios (mortality salience vs. economic crisis). Thus, the second experiment endeavored to substantiate the impact of crisis and death reminders on luxury consumption through scenarios of brand advertising attitudes.

For the second study, we brought together a digital panel of 312 American women aged 18-44 via CloudResearch to investigate their attitude towards luxury brand advertisements (symbolic social value vs. personal hedonic value). Their luxury fashion consumption experience served as a screening metric to exclude those lacking interest in luxury brands. The advertising stimulus was the globally renowned luxury brand, Gucci, chosen from our pretest. For the second study, we utilized a three-group design like the first one and randomly presented two advertisements to each group in sequential order.

Participants subjected to the death condition bestowed a higher rating on advertisements emphasizing the symbolic social value of luxury compared to both the crisis and control conditions. Furthermore, the fondness for the brand collection exhibited in the advertisement positively influenced brand equity evaluation, even after considering variables such as materialism, luxury fashion spending, and income. Both the crisis and death conditions revealed significant deviations from the control condition for advertisements appealing to personal hedonic values. In the crisis condition, attitudes towards advertisements seeking personal hedonic values *entirely* mediated the pathway to brand collection attitudes. In contrast, attitudes towards personal hedonic and symbolic social values *partially* mediated the pathway to brand collection attitudes in the death condition. These findings suggest that through disparate mechanisms, crisis and death reminders influence consumers' luxury consumption.

Overall, studies corroborate that during periods of macro-crisis, consumers exhibit a more favorable attitude towards luxury consumption. However, crises and death reminders influence luxury consumption behavior through different mechanisms each other. Many scholars have highlighted that psychologically unstable situations can trigger different emotions and unconscious attitude shifts, ultimately leading individuals to choose luxury consumption (Meuris & Leana, 2018; Park et al., 2022; Xu & Yue, 2022). This study sheds light on previously undiscovered insights regarding luxury consumption during times of turbulence, expanding our understanding in the field. Further research should investigate the differences between crisis and death reminders in luxury consumption using more precise research designs such as emotion or cognition. Additionally, exploring interactive virtual crisis environments that enhance consumer experience satisfaction in the virtual world could provide valuable insights for luxury brands seeking to establish sustainable and balanced interactions with consumers.

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