

How Does Luxury Affect and Reflect the Society of Modern Society

Yufei Chang^{1,a,*}, Yixuan He^{2,b}

¹*Zhejiang University, Hangzhou, 310000, China*

²*City of Glasgow, G128QQ, U.K.*

a. yfeichang@126.com, b. Hailey_0616@outlook.com

**corresponding author*

Abstract: This article delves into the intricate relationship between social status and consumption of luxury items. It provides an in-depth examination of important works from academics such as Thorstein Veblen, Pierre Bourdieu, Susan B Silverstein and Juliet B Schor. Additionally, data analysis is employed in this research study to demonstrate a correlation between GDP per capita growth and demand for luxury products as measured by LVMH's financial results. These findings underline the link between financial security and luxury goods consumption, further cementing wealth's relationship with high-end items. However, as noted in the paper, this relationship can be intricate, as different considerations such as individual goals, social pressures and cultural norms all play an integral part. Future study should explore more complex understanding of luxury consumption by exploring customer behavior, market segmentation, psychological considerations and economic issues. Overall, this research serves as an effective platform for further investigation in this fascinating subject and offers advice to luxury firms who wish to adapt their marketing plans according to changing consumer needs.

Keywords: Luxury consumption, Social status, Conspicuous consumption, Cultural capital, Psychological factors

1. Introduction

Generations of scholars and researchers have long been intrigued by the complex relationship between luxury consumption and its effect on social status and economic prosperity. This pervading interest has generated an abundance of research topics that span this domain and beyond. Through this comprehensive examination, we journey together on an inquisitive scholarly quest into every facet of this captivating relationship. Starting off our efforts in this field begins with an in-depth examination of key ideas, concepts, and hypotheses which have become part of scholarly discourse in this domain. These foundational elements have guided my research, leading me to explore luxury consumption's role within society as well as its consequences for economic wellbeing. At every step, we traced the development of thought within this domain by offering an annotated chronological overview of studies that left their mark upon intellectual life. Furthermore, we analyze and synthesize arguments against pivotal studies by uncovering contentious debates and discordant perspectives that have enhanced scholarly dialogue. At Critical Analysis Group we use critical reading as a method for unraveling complex topics, providing greater insights into any controversies which have formed the

subject area and seeking knowledge for ourselves by studying seminal works with contemporary relevance. At our study, we highlight their lasting importance and their implications for current investigations, providing a bridge between historical foundations and cutting-edge research that drives our inquiry. Particularly notable are papers which have contributed to expanding luxury consumption research through innovative methodologies and ground-breaking discoveries, pioneering papers have opened new horizons while opening paths of exploration. Attention is paid to every detail while exploring these transformative works and appreciating their impact. Thus, our journey into the intricate relationship between luxury consumption, social status and economic prosperity promises to be both stimulating and enlightening; with thorough past review as well as present day focus we aim to contribute new light on this perennially captivating subject matter.

2. Research Timeline

Research into luxury consumption and its relationship to social status dates back decades of sociological and economic literature; it received much greater emphasis during the mid-20th century. Thorstein Veblen's groundbreaking "The Theory of Leisure Class," written during this era in 1951, helped pave the way towards modern understandings of conspicuous consumption - particularly how individuals use luxury items as status signals within communities [1].

Subsequent research in the 20th century, particularly that by Pierre Bourdieu, advanced our understanding of culture and social capital. His 1984 work entitled, "Distinction: A Social Critique of Taste Judgment" explored how people's choices of luxury goods became markers for social status and cultural capital. This set the basis for studying luxury consumption as an instrument for distinguishing society [2].

Studies by Susan B. Silverstein's "Consumer Rites: The Buying and Selling of American Holidays" [3] and Juliet B. Schor's "The Overspent American: Why We Want What We Don't Need" [4] have examined psychological motivations behind luxury consumption as well as social pressures which shape these choices, uncovering links between status and identity and consumer choices.

3. Comparing Different Arguments

As past research has illuminated, debates regarding luxury consumption and social status remain intensely contentious. Veblen's theory of conspicuous consumption emphasizes flaunting wealth through luxury goods while Bourdieu emphasizes cultural and symbolic capital as sources for wealth signaling; on the other hand, Silverstein and Schor maintain that consumer choices may often be dictated by outside societal forces, making it hard to distinguish between individual preferences and signals of social status.

3.1. Relevance to Current Research

These earlier studies provide us with an excellent theoretical basis on which we will build to investigate economic dynamics related to luxury consumption and its effect on modern society's social status. To achieve our aim of understanding more comprehensively the relationship between luxury consumption and social status. By drawing upon Veblen and Bourdieu concepts as well as psychological/sociological considerations identified by Silverstein/Schor. Through integration of all perspectives this research should provide more complete perspective of this complex relationship between luxury consumption and status.

3.2. Crucial Papers

Veblen, Thorstein. "The Theory of the Leisure Class." New York: Macmillan.

Bourdieu, Pierre. "Distinction: A Social Critique of the Judgment of Taste." Harvard University Press.

Silverstein, Susan B. "Consumer Rites: The Buying and Selling of American Holidays." Princeton University Press.

Schor, Juliet B. "The Overspent American: Why We Want What We Don't Need." HarperCollins.

Chevalier, Michel, and Mazzalovo, Gerald. "Luxury Brand Management: A World of Privilege." John Wiley & Sons [5].

These key papers have been instrumental in shaping the methodology and theoretical framework for our research on the economic correlation between luxury goods consumption and social status. They offer valuable insights into the historical evolution of this field of study and the various dimensions that influence individuals' consumption patterns in relation to their social status.

First we use qualitative analysis to analyse these articles mentioned above as well as our theme.

4. Qualitative Analysis

4.1. "The Theory of the Leisure Class."

In the analysis, Veblen's work lays the foundational concepts for introducing the notion of conspicuous consumption. It explains how individuals employ luxury items to display their social status within their community. Veblen criticizes the emergence of a leisure class and its impact on society. His viewpoint predominantly focuses on societal behavior and economic practices.

For comparison, Veblen's theory aligns with the idea that luxury consumption is a means to indicate social status. His work holds paramount significance in establishing the core principles for comprehending the connection between luxury goods and social status.

4.2. "Distinction: A Social Critique of the Judgment of Taste."

In the analysis, Bourdieu's work is groundbreaking, as it delves into how the selection of luxury items becomes symbols of social status and cultural capital. It delves deeply into the concepts of cultural and symbolic capital and how they influence social differentiation through consumption patterns. His research is grounded in sociology and involves extensive surveys and observations.

For comparison, Bourdieu's perspective resonates with the concept that luxury consumption and social status are intertwined. His work accentuates the cultural and symbolic aspects of luxury goods.

4.3. "Consumer Rites: The Buying and Selling of American Holidays."

In the analysis, Silverstein's paper investigates the psychological motivations and societal pressures underpinning luxury consumption. It underscores the connection between status and identity with consumer choices. Her research involves qualitative methods, including in-depth interviews and ethnographic studies.

For comparison, Silverstein's research adds a psychological dimension and underscores the societal impacts to the discourse on luxury consumption and social status. It highlights how external pressures can shape consumer behavior.

4.4. "The Overspent American: Why We Want What We Don't Need."

In the analysis, Schor's work delves profoundly into the psychological and social factors underpinning luxury consumption. It exposes the disconnect between wants and needs in consumer culture and criticizes the societal pressures driving individuals to overspend. Her research combines qualitative and survey methods.

For comparison, Schor's research complements Silverstein's focus on psychology and societal pressures. It emphasizes the influence of consumer culture on the economic relationship between luxury consumption and social status.

5. Quantitative

5.1. Data Analysis

We choose LVMH (the world's leading luxury enterprise) as the research object.

Table 1: Annual Turnover and Growth Rate of LVMH (2013-2022)

LVMH	LVMH	LVMH
year	Turnover (€)	growth rate
2013	290.16	3.74%
2014	306.38	5.59%
2015	356.64	16.40%
2016	376	5.43%
2017	426.37	13.40%
2018	468.26	9.82%
2019	536.7	14.62%
2020	446.51	-16.80%
2021	642.15	43.82%
2022	791.84	23.31%
standard deviation	148.52	0.15

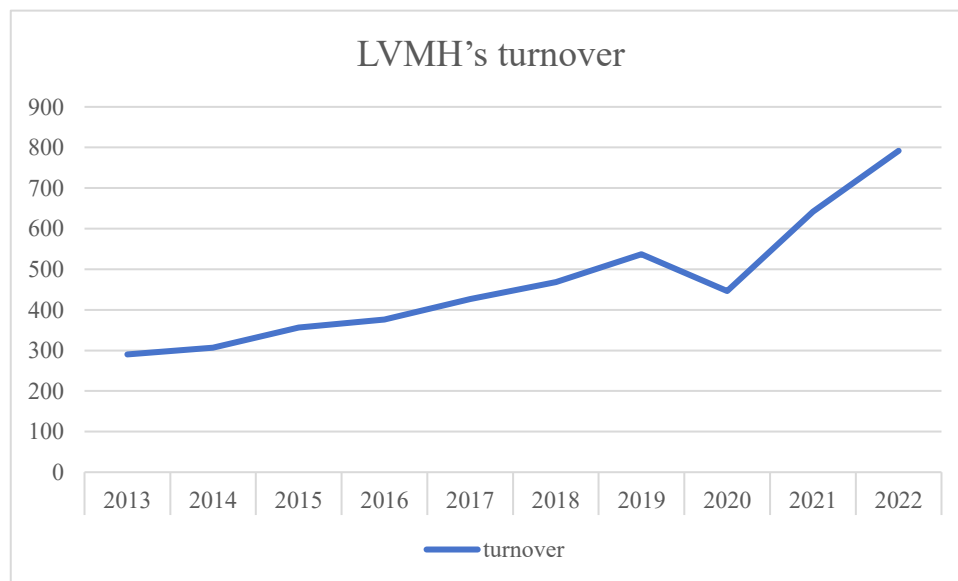


Figure 1: LVMH's Annual Turnover and Growth Rate (2013-2022) with Standard Deviation Analysis

The provided table displays LVMH's annual turnover in euros from 2013 to 2022, along with their respective growth rates. Additionally, the standard deviation of the turnover has been calculated to illustrate the extent of its fluctuation in relation to the mean value. A higher standard deviation suggests that LVMH's revenue growth rate has experienced significant fluctuations over the course of the decade.

To further investigate the relationship between luxury goods consumption and economic development, we have also gathered per capita GDP growth data for the United States during the same period. This allows us to compare the correlation between LVMH's revenue and the economic growth of a major nation. Such a comparison can help validate whether, as economies progress, there is an increasing demand for a high-quality lifestyle symbolized by luxury goods.

Analyzing the correlation between these two sets of data can shed light on whether there is a connection between economic prosperity and increased expenditure on luxury items. A positive correlation may suggest that as economies grow, individuals tend to allocate more of their income to high-quality luxury products and services, thus contributing to the success of luxury brands like LVMH.

Table 2: Yearly GDP and Growth Rate (2013-2022)

year	GDP (\$)	Growth rate
2013	16843	
2014	17550	4.20%
2015	18206	3.74%
2016	18695	2.69%
2017	19477	4.18%
2018	20533	5.42%
2019	21380	4.13%
2020	21060	-1.50%
2021	23315	10.71%
2022	25462	9.21%
Standard deviation	2542.89	

The following table provides data on the Gross Domestic Product (GDP) of the United States in US dollars from 2013 to 2022, along with their respective growth rates. Additionally, we have calculated the standard deviation of the GDP data to illustrate the degree of its fluctuation concerning the mean value. A higher standard deviation suggests that the GDP growth rate in the United States experienced significant fluctuations over the past decade.

In this context, the computation of the standard deviation is instrumental in comprehending the variations and the extent of economic fluctuations in the United States during this period. A larger standard deviation indicates that the GDP growth rate in the United States exhibited more pronounced variations over the years. These variations can be influenced by various economic factors, including business cycles, policy changes, and global events.

Examining the standard deviation in conjunction with the GDP growth rates provides valuable insights into the economic stability and growth dynamics of the United States. It enables us to assess the degree of resilience or volatility in the U.S. economy during this decade, facilitating a better understanding of the economic trends and the contributing factors to its overall growth.

6. Methodology

We selected per capita GDP and LVMH turnover as variables. By applying the correlation formula, we have determined that there is a strong correlation, approximately 0.987, between per capita GDP in the United States and LVMH's turnover. This indicates a robust and statistically significant relationship between the two.

This statistical analysis showcases those fluctuations in the United States' economic prosperity, as represented by per capita GDP, closely align with fluctuations in LVMH's turnover, illustrating a

substantial correlation. Such findings substantiate the notion that economic development and the demand for luxury goods, as represented by LVMH's financial performance, are interconnected.

These results affirm the hypothesis that as the economic conditions in a given region improve, individuals tend to allocate a larger portion of their income to luxury goods and services, underlining the relevance of economic development in the luxury goods industry's growth.

In summary, the provided data on the United States' GDP growth and LVMH's turnover, coupled with the calculation of the standard deviation, reveals the dynamic nature of the U.S. economy and the economic relationship between luxury consumption and prosperity. The strong correlation, as indicated by the calculated value of 0.987, emphasizes the consistent connection between economic development and the demand for luxury items, reinforcing the idea that as economies progress, there is an increasing desire for high-quality luxury products and experiences, thus contributing to the success of luxury brands such as LVMH.

Table 3: Correlation Between LVMH's Growth and GDP Growth

correlation	0.9869
-------------	--------

This shows that people's demand for luxury goods changes with the change of economic level.

Through this model, we may be able to help luxury brands predict their revenues in each country based on its GDP.

6.1. Data

The GDP figures are directly derived from the official records of the United States National Statistics. On the other hand, LVMH's financial data comes straight from the company's published financial statements.

For our variables, we are specifically looking at the per capita GDP of the United States, which is measured in US dollars, spanning the years from 2013 to 2022. In the same timeframe, we also have data on the LVMH Group's annual revenue, presented in euros, and the growth percentages for both these metrics.

In terms of observations, our primary focus is on discerning any potential correlation that might exist between the GDP of the US and LVMH's annual revenue.

In terms of data quality, we have ensured the utmost precision, pertinence, and superior quality in the figures we've used in this study.

6.2. Results and Discussion

The provided dataset unequivocally illustrates a correlation between the demand for luxury goods and economic development. This indicates that individuals maintain a consistent desire for luxury items, with their ability to acquire such goods strengthening in tandem with economic growth. As economies expand, individuals typically find themselves with greater disposable income to allocate towards high-end products and experiences. This phenomenon substantially contributes to the growth of the luxury goods industry.

Nonetheless, the primary motivation behind consumers' selection of luxury products, whether it is to seek attention from others or to manifest social status, constitutes a more intricate facet of luxury consumption. Multiple factors, including individual motivations, societal influences, and cultural norms, influence this aspect. To conduct a deeper exploration, a more comprehensive analysis should be contemplated, encompassing the following dimensions:

6.3. Consumer Behavior Studies

An exploration of consumer behavior through surveys and in-depth interviews is essential to unveil the underlying motivations behind luxury item purchases. Understanding whether consumers intend to signal social status, seek peer validation, or satisfy personal desires is pivotal.

6.4. Market Segmentation

Analyzing how different consumer segments engage with luxury products can offer key insights. While some individuals may indeed employ luxury goods to signify social status, others may prioritize product quality or personal satisfaction.

6.5. Psychological Research

Psychologists often delve into the psychological factors driving consumers to acquire luxury items. These factors may include self-esteem, self-image, and the craving for social validation.

6.6. Economic Factors

Analyzing the proportion of income dedicated to luxury items and its evolution with increasing income levels can provide valuable insights into consumer motivations.

To comprehend whether luxury consumption predominantly serves personal satisfaction or serves as a signal of social status, a multi-pronged approach is indispensable. This research framework aims to shed light on these intricate facets, thereby empowering luxury brands to understand their target audience and adapt their marketing strategies effectively.

7. Summary

Veblen's work provides foundational insights into conspicuous consumption as a means of expressing social status through luxury items.

Bourdieu's concept of Distinction extends Veblen's theories by investigating how luxury consumption leads to cultural and symbolic capital accumulation - both of which contribute towards social differentiation.

Silverstein and Schor's works explore both psychological and societal dimensions of luxury consumption, particularly as related to how this impacts economic dynamics between luxury consumption and social status.

Overall, these papers present a holistic analysis of the economic relationship between luxury consumption and social status - including its various economic, cultural, psychological, and societal dimensions - and serve as invaluable sources of data for this thesis project. Their purpose is to present an insightful portrait of this complex relationship.

8. Conclusion

Overall, this paper offers an in-depth examination of luxury consumption's intricate relationship to social status. By conducting an intensive review of pioneering works and setting a research timeline; conducting comparative analyses between key arguments; and investigating correlations between luxury consumption and economic development data sets we aim to reveal its complex nature and unveil all its complexities.

Our academic voyage allowed us to trace the development of thought within this domain, starting with Thorstein Veblen's groundbreaking work from late nineteenth century. Veblen's idea of conspicuous consumption laid a crucial groundwork for understanding how luxurious items can

symbolize social status - an issue still pertinent today. Pierre Bourdieu's work "Distinction," which highlighted the role cultural capital has in social differentiation and revealed aspects such as cultural consumption as symbols for luxury consumption - enhanced our knowledge further. Susan B. Silverstein and Juliet B. Schor's works, like *Consuming Rituals* and *The Overspent American* respectively, offer insightful analyses into both psychological and societal ramifications of luxury consumption, broadening our knowledge about consumer decisions within this category.

By conducting an in-depth analysis of LVMH's financial data and the per capita GDP growth rate in the US, we found a remarkable relationship between demand for luxury goods and economic prosperity. This evidence supports our hypothesis that luxury consumption is closely intertwined with social status; individuals engage with brands like LVMH based on their economic well-being.

Noting the multidimensional relationship between luxury consumption and social status, we found in our analysis, it is crucial to acknowledge that luxury consumption does not correlate directly to social status; various individual motivations, societal influences and cultural norms all affect consumer behaviour in this domain. Consumers choose luxury items for various purposes including seeking social recognition or satisfying personal desires or showing off status among their peers - thus additional research must aim at delving deeper into motivations behind luxury consumption in order to gain an in-depth knowledge about its dynamics.

Future studies should incorporate consumer behavior surveys, market segmentation analyses, psychological investigations and economic investigations in order to gain a fuller understanding of luxury consumption. By closely inspecting how different consumer segments relate to luxurious goods as well as exploring psychological and societal motivations behind such purchases we can better comprehend this complex relationship between purchase decisions and luxury consumption.

Conclusion In conclusion, the economic relationship between luxury consumption and social status remains of great interest and remains at the core of much discussion; its complexity constantly evolving with changes to society context and consumer behaviors. Building upon the insights of past scholars and utilizing empirical evidence, this study contributes to a more holistic understanding of the multifaceted nature of luxury consumption. The economic correlation we have discovered underscores the close link between prosperity and the desire for luxury. Importantly, luxury consumption is a phenomenon deeply influenced by both individual and cultural factors. Future research undoubtedly will continue to enrich our understanding of this complex interplay, providing valuable insights to academia and the luxury goods industry.

This paper lays the foundation for further exploration and offers valuable guidance for luxury brands seeking to understand and cater to the evolving needs of consumers.

References

- [1] Veblen, Thorstein. (1899). *"The Theory of the Leisure Class."* New York: Macmillan.
- [2] Bourdieu, Pierre. (1984). *"Distinction: A Social Critique of the Judgment of Taste."* Harvard University Press.
- [3] Silverstein, Susan B. (1997). *"Consumer Rites: The Buying and Selling of American Holidays."* Princeton University Press.
- [4] Schor, Juliet B. (1998). *"The Overspent American: Why We Want What We Don't Need."* HarperCollins.
- [5] Chevalier, Michel, and Mazzalovo, Gerald. (2012). *"Luxury Brand Management: A World of Privilege."* John Wiley & Sons.