

## [MARKETING]

# Giving Consumers License to Enjoy Luxury

Research suggests that people will spend more freely if you first help them feel more virtuous.

BY UZMA KHAN, RAM DHAR AND SVENJA SCHMIDT

Stimulating consumption has become a key ingredient in the global effort to revive economic growth. However, even many well-off consumers have been suffering from a "shopper's block" since the financial crisis and economic downturn transformed consumers' mind-sets — and in the process turned luxuries into socially discouraged opulence. According to an October 2009 article in *The Wall Street Journal*, shoppers have been suffering from "luxury shame" since the financial crisis changed "the guilty pleasure of shopping ...to plain old guilt." And that guilt, it seems, has been hurting sales — and thus damping consumption and economic recovery.

As they try to maneuver through times of guilt and austerity, marketers seek tactics that they hope will overcome consumers' guilt and negative self-regard — and will as a result revive consumption. New research on consumer behavior suggests that an effective tactic can be to acknowledge consumers' unconscious attempts to balance their self-image. Research has shown that people engage in compensatory behavior when their self-image deviates from its standard level. In other words, when a person's self-image dips, the individual tries to compensate for this negative self-regard, by, for example, refraining from purchasing or consuming a guilty pleasure. If, on the other hand, a person's self-image rises above its standard level, the individual is inclined to give in to behaviors that are otherwise associated with feelings of

guilt. This is called "the licensing effect." When individuals have had a chance to boost their self-image by, for example, a virtuous act, they are subsequently more likely to engage in self-indulgent consumption. In line with this notion, our research has found that making an altruistic decision, such as a donation to charity, helps establish a positive personal self-image that is likely to liberate the person subsequently to make self-indul-



**CHOOSING LUXURY:** Study participants were significantly more inclined to choose designer jeans if they had previously imagined committing to a virtuous act.

gent choices. As a consequence of this so-called licensing effect, a consumer's preference for relative luxuries — and their likelihood of choosing them — increases.

Our research on the licensing effect in consumer choice illustrates its significant implications for management and marketing. In one study, we asked participants to make a hypothetical choice between purchasing a relative necessity (a vacuum cleaner) or a

relative luxury (designer jeans). Participants who in a previous part of the study had imagined committing to a virtuous act (volunteering for a charity) were significantly more likely to purchase the luxury jeans over a vacuum cleaner than those who had not. In other words, for the licensing effect to occur, participants did not have actually to *perform* any virtuous act; simply imagining doing good or intending to commit to some virtu-

ous behavior was sufficient to boost their self-images and license subsequent self-indulgent choices. This finding suggests that, for example, intending to start a diet on Monday or to begin working out tomorrow can license a box of chocolates today. Intending to exercise and imagining oneself in good shape counterbalance the negative attributions associated with the chocolate indulgence and license its enjoyment.

The licensing effect highlights the importance of choice sequence; the same guilt-reducing device can have different effects on consumer behavior depending on its availability before or after an indulgent choice option. Consider the following example: During the holiday shopping season, when people tend to feel the most pressure to donate to charity, supermarkets sometimes offer donation bags at the checkout area. When shoppers are placing their groceries on the belt, making a contribution to the donation bag can help compensate for any negative feelings associated with their own purchases; however, the donation bags will not trigger

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► U. Khan and R. Dhar, "Licensing Effect in Consumer Choice," *Journal of Marketing Research* 43 (May 2006): 259-266.

any licensing effect the store could benefit from. Now consider the likely effect of the same donation bags if they were placed in the entrance area – at the outset rather than at the conclusion of consumers' shopping experience. When provided an opportunity to commit to a charitable act just prior to shopping, customers are likely subsequently to show a preference for indulgent purchases – thanks to the licensing effect.

Our research also has implications for online shopping, where marketers have control over the sequence of purchase decisions. Starting an online retail interaction by offering online shoppers an opportunity to choose a charity to which they would like the retailer to make a small donation on their behalf can boost shoppers' self-images – and thereby increase their likelihood of choosing luxury items. Another approach to applying the licensing effect to marketing could be item bundling. For instance, programs offering customers the option of buying so-called carbon offsets to counter the planet-warming emissions generated by their airplane flights have been effective in easing customers' guilt at using airline transportation.

Stimulating indulgent consumption can be as easy as giving customers the opportunity to donate or imagine themselves in good shape. Actions such as participating in an online charity campaign or merely placing donation bags near the entrance area of a store do not require expensive investments. Yet such initiatives can be effective means of licensing consumers to indulge their taste for luxury.

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