

Personality drives purchasing of luxury goods

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People who are extraverted and on low incomes buy more luxury goods

than their introverted peers to compensate for the experience of low financial status, finds new UCL research.

The study, published today in *Psychological Science*, used real life spending data from UK bank accounts to investigate the spending habits of richer and poorer people with different personality types.

People living on a low [income](#) often feel low status in society and spend a higher percentage of their money on goods and services that are perceived to have a high status.

"We've shown that personality looks to be an important factor in how people respond to living with limited resources. We hope this new association will help us better understand which people may be likely to engage in behaviour that perpetuates the conditions of financial hardship," explained Joe Gladstone, study co-author from UCL School of Management.

Previous research has found that people who are sociable and outgoing care more about their social status than others. The new research shows that when extraverted people have a lower income, they spend proportionately more on status goods than introverts on the same income. At higher incomes, the difference in spending lessens as introverted people buy more [luxury goods](#).

"It's clear from our study that an extraverted personality is a driver for low-income individuals purchasing more luxury goods, and this is most likely to compensate for a perceived low social status that isn't as keenly felt by introverts. We saw very little difference in the spending habits of introverts and extraverts with high incomes," said Blaine Landis, study co-author from UCL School of Management.

The study was conducted in collaboration with a UK-based multinational

bank. Customers were asked whether they would complete a standard personality questionnaire, and to consent to their responses being matched anonymously for research purposes with their bank transaction data.

The study analysed thousands of transactions from 718 customers over 12 months. The results took into account other factors that could influence spending habits, such as age, sex, employment status and whether the customers had children. Cash spending was also taken into account.

Each person's spending data were sorted into a number of spending categories from one (very low status) to five (very high status). High-status categories (i.e., those with average scores of four or five) included foreign air travel, golf, electronics and art institutions, whereas low-status categories (i.e., those with average scores of two or one) included pawnbrokers, salvage yards and discount stores.

The team found the interaction between income and extraversion in predicting [spending](#) on luxury goods is significant and emphasize that while this useful in understanding the relationship, further research is needed to see whether the relationship is causal and whether the results are representative of the UK population as a whole.

More information: Joe Gladstone and Blaine Landis, 'Personality, Income, and Compensatory Consumption: Low-Income Extraverts Spend More on High-Status Goods' *Psychological Science* 23 August 2017.

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