

Status Goods: Experimental Evidence from Platinum Credit Cards

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Extended Abstract

Economists have long suspected that social status considerations are a powerful driver of consumption choices (Veblen 1899). But empirically identifying conspicuous consumption is difficult, since social-image components of consumption are confounded by unobserved instrumental utility.

Using a series of field experiments with real stakes in a natural setting, this paper isolates the role of social image in consumption, by examining the demand for a ‘status good’, holding constant both instrumental benefits and self image. In particular, we work with a large bank in Indonesia to market their widely-recognized Platinum credit cards. These cards are typically restricted to high-income customers, and thus serve as a symbol of success. We complement the experiments with an analysis of expenditure patterns of card-holders, to provide evidence that the Platinum credit cards are used for social signaling.

Experiment 1. In the first experiment, we market the cards to a marginally eligible population of bank customers. In a control group, customers are offered all the financial services and benefits of the platinum card, but as an included upgrade on their existing nondescript credit card. In a treatment group, customers are instead offered the platinum card itself. In both groups, customers are truthfully told that they were randomly selected to receive the offer, thus avoiding any boost

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in self image (i.e. beliefs about one’s relative income and success) from being offered the platinum card.

We find that demand for the platinum card (21% at market price) is substantially higher than demand for the instrumental benefits it comes with (14% at the same price), providing evidence of the importance of image considerations.

Boosting customers’ self-image by additionally revealing that they were selected in part due to their high income and achievements has no additional effect on demand. Thus, demand for the platinum credit card appears to be driven substantially by social image concerns, rather than self image or identity.

We find that it is precisely the less-rich (middle-class) individuals in the sample who show a demand for the social image aspect of the platinum card. The wealthier half of the sample shows no differential demand for the instrumental benefits and the platinum card itself. This is consistent with the intuition of income signaling, since the more wealthy are likely to have many other ways and occasions to signal their high status, while the Platinum credit cards provide a valuable opportunity to signal status for the less wealthy.

Credit Card Expenditures Next, for a different population of credit card customers, we analyze credit card expenditure data and show that platinum card holders are causally more likely to use the card in social situations such as restaurants, bars and clubs, where the card may be visible to others. In contrast, there are no effects on more private uses of the card, such as online purchases. This result is consistent with our hypothesis that the Platinum credit cards are used to earn social image by signaling high income or status, and points to the potential effect of social image concerns on consumption patterns more broadly.

Experiment 2. In a second field experiment, we provide evidence of the negative externality imposed by the consumption of status goods. In a control group, existing Platinum card owners are offered a costly upgrade to a new Diamond card product, which is more expensive but has no additional material benefits. In the treatment group, the customers are additionally truthfully informed that the income eligibility criteria for their existing Platinum card has been reduced, and thus their card is becoming less exclusive (although all the financial services and benefits remain the

same). We find that providing this additional information – which weakens the status associated with their card – almost doubles takeup of the new Diamond card. The results are consistent with the predictions of models of fashion cycles in status goods (Pesendorfer 1995).