

To listen to consumers and the media, you would think that price is all that matters. Whether it's house prices, holidays, the latest bargains, mobile phone contracts or even the price of a pint of beer, all people seem to focus on is the cost. And in many cases, price is indeed key. Think back to when chocolate bar companies shrunk their products rather than raise their prices, or how big a deal some retailers make out of their Boxing Day Sales and Black Friday deals. However, price isn't always all that matters for consumers. Price, and what we're prepared to pay, it turns out, is a complex thing.



In recent weeks, Northern Ireland, consumers have faced hikes in petrol and diesel prices off the back of the increased price of a barrel of oil, and this has also fed through into Consumer Price Inflation (CPI) which accelerated to 2.5 percent year-on-year in July. Households in Northern Ireland are also bracing themselves for price rise on the energy

front in terms of electricity as one Northern Ireland provider unveiled a 13.8 percent increase to take effect from October this year.

These are price rises that consumers will find difficult to avoid because they are necessities and difficult to economise on. But there are other things that are discretionary spend where consumers could make the decision not to accept rising prices or to significantly reduce their consumption. One of the most high profile examples is perhaps Belfast's infamous £8 pint, of which I spoke before. There have been a wide range of opinions on what that £8 is actually buying; some seeing it as purely a purchase of 568ml of alcoholic beverage and others viewing it as a drink with an exclusive experience. Why else would someone spend £38 for two coffees and water in Venice's St Mark's Square? The reality is that price and what you buy is in the eye of the beholder.

The term Veblen goods is one that economists use to describe a perhaps counter-intuitive aspect of consumer behavior. Veblen goods are luxury goods which see demand go up when prices increase. On the other hand, when demand is low, cutting prices might seem the thing to do but in reality could be counter-productive as it erodes brand value and status. This highlights why the luxury brand Burberry burnt £28m worth of stock. Rather than sell this excess stock at a discount, they decided to constrain supply and keep prices up. So, demand can go up as prices go up.

For some purchasing the £8 pint, part of what they are paying for is the right to take a photograph with a view for their Instagram. Indeed, it could be said that consumer spending is being turned on its head by technology. The obvious example is Amazon and the disruption it is bringing to retailing. However, the less obvious one is the perhaps the social media effect.

As the chief executive of Thomas Cook, who own Club 18-30, said, the likes of Instagram has

been fueling what has been described as 'ego-tourism', whereby young people chose their holiday based on what "fancy and cool" photos they can get for their Instagram. As a result, Club 18-30 is falling out of favour and is being dropped by its owners having been around since 1970. There are no doubt other factors at play, but the CEO of Thomas Cook's point does perhaps some validity.

And this effect goes wider than tourism and hospitality. 'Keeping up with the Jones's' used to mean buying a better car or investing more in your garden to impress the neighbours. Today this is played out on social media platforms rather than in your street. This tells us that certain types of consumer spending has always been about, or partly about, status; what economists would class as conspicuous consumption. But how we demonstrate status has changed and therefore so too has how we spend. Instead of it being the car on your driveway it could be the selfie sipping a cocktail in Raffles Hotel.

This now well-known phrase is perhaps instructive: "Too many people spend money they haven't earned, to buy things they don't want, to impress people they don't like". And in Northern Ireland, it would seem that we suffer more from this more than most when you consider we have the highest levels of unsecured debt per head in the UK and the highest take up of store card credit. Northern Ireland has a keeping up with the Jones's tendency; indeed, rightly or wrongly, it has been often said that Northern Ireland has the highest concentration of BMWs per head of population in the world outside of Bavaria.

The PwC Global Consumer Insights Survey 2018, an annual survey of 22,000 online shoppers found that consumers see social networks as a key source of inspiration for purchases. So, keeping up with the Jones's has become keeping up with the Kardashians. It has never been all about price, but in many respects, with social media, it's now even less so. For consumer-focused businesses wanting to be successful, keeping up with these changes, and consumers' perception of value, not just price, is key.

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