

# The Functional Alibi

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**ABSTRACT** Spending money on hedonic luxuries often seems wasteful, irrational, and even immoral. We propose that adding a small utilitarian feature to a luxury product can serve as a *functional alibi*, justifying the indulgent purchase and reducing indulgence guilt. We demonstrate that consumers tend to inflate the value, and usage frequency, of utilitarian features when they are attached to hedonic luxuries. Using a mixed-method approach, combining archival data (an analysis of over 1,000 online reviews of handbags) with studies conducted in the field and laboratory, we establish the functional alibi effect and show that it is mediated by guilt and more likely to occur when the luxury purchase is perceived as frivolous and expensive, and when the purchase is for oneself rather than a gift. We explore the effect of adding a functional alibi in a variety of marketing contexts, and we examine various consumer populations representing diverse demographics.

Every vice has its excuse ready.

—Publilius Syrus

It has been my experience that folks who have no vices have very few virtues.

—Abraham Lincoln

Marketers of luxury products face two major challenges. On the one hand, marketers have to appeal to consumers' aspirations and fantasies, connect with consumers' hopes, wishes, and dreams, and satisfy consumers' emotional desires. On the other hand, creating a desire or a craving for a luxury product is not enough; consumers often feel guilty spending money on nonpractical luxuries and avoid purchasing them. The purchase and consumption of luxury products often seem wasteful and even immoral, and consequently difficult to justify.

Thus, luxury marketers need to appeal to consumers' conscience and provide them with an excuse, or an "alibi," that would justify their purchase and make it seem "rational" and logical. Such alibis can help consumers alleviate their indulgence guilt and view their purchase decisions as influenced by product functionality rather than solely by nonpractical, hedonistic desires.

In the present research, we propose that adding a small utilitarian feature to a luxury product can serve as a "functional alibi," justifying the indulgent purchase and reducing guilt.

We argue that consumers tend to inflate the value of utilitarian features when they are attached to hedonic luxuries. For example, consumers who never drive off-road or in harsh weather conditions may justify the purchase of an extravagant SUV through its handling under extreme driving conditions. Similarly, marketers of luxury handbags flaunt protective pockets for mobile devices to help consumers justify the purchase of a multi-hundred-dollar Coach or Louis Vuitton purse.

The functional alibi can be applied to a variety of product categories: advertisements for luxury watches and pens often emphasize precision, performance, and functionality, framing these luxury items as purposeful instruments. Similarly, exclusive black credit cards are marketed as offering useful and practical features, making them "the ultimate buying tool." Home luxuries can be positioned in a similar manner—consumers often emphasize the increased efficiency and functionality of their remodeled luxury kitchen or high-end professional cookware; in a newspaper interview, a consumer indicated "cooking healthy is a big priority" to justify his recent purchase of a \$6,500 outdoor arti-

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san pizza oven (*USA Today* 2010). Even advertisements for luxury cars, private jets, and yachts make sure to highlight superior functionality and practical features; BMW, “the ultimate driving machine,” stresses safety and performance, and Acura’s “driven by reason” campaign argues that while people rationalize their extravagant luxuries with ridiculous reasons, buying an Acura is a rational choice.

We use a mixed-method approach combining archival, secondary data (content analysis of over 1,000 online product reviews of handbags on [www.bloomingdales.com](http://www.bloomingdales.com)) with studies conducted in the field and lab. Taken together, the studies show that consumers use functional alibi to justify their indulgent choice. The functional alibi effect (i.e., the tendency to inflate the value of utilitarian features when they are attached to hedonic luxuries) is mediated by indulgence guilt, and is more likely to occur when the luxury purchase is perceived as frivolous and expensive, and when the purchase is for oneself rather than a gift for others.

Four studies demonstrate consumers’ tendency to seek and use functional alibis to justify indulgent purchases. In study 1, we analyze over 1,000 online product reviews of handbags posted on [www.bloomingdales.com](http://www.bloomingdales.com). We examine what drives mentions of utilitarian features in handbag reviews and find that, consistent with the proposed functional alibi effect, consumers are more likely to mention utilitarian features (but not hedonic features) when the bag is more expensive. Additionally, consumers are less likely to mention utilitarian features when the product is purchased as a gift for someone else.

Building on the archival data analysis, study 2 experimentally demonstrates that the functional alibi is valued more when consumers consider a purchase for themselves rather than as a gift for their friend. The study explores expectant mothers’ willingness to pay for a luxurious Coach diaper bag, and the effectiveness of emphasizing a utilitarian feature of the luxury bag (i.e., an insulated pocket for bottles). The study further demonstrates that the functional alibi effect is mediated by indulgence guilt.

Study 3 demonstrates that adding a small utilitarian feature (a cellphone emergency battery recharger) to an expensive luxury smartwatch can dramatically increase the willingness to pay for the luxury product, beyond the stand-alone “objective” value of the added utilitarian feature. This superadditivity occurs when the functional alibi is attached to the expensive, luxury product but not when it is added to a less expensive, and nonluxury, product.

Finally, study 4 examines whether functional features are viewed by consumers as more helpful and likely to be used

when they can serve as a functional alibi. This study, conducted at a large shopping center, further demonstrates that the functional alibi effect is mediated by a decrease in consumers’ indulgence guilt.

The remainder of the article is organized as follows. We first discuss consumers’ difficulty in purchasing luxuries, and review the social and cultural trends that lead consumers to seek a functional alibi when purchasing such goods. This discussion leads to the prediction that adding a small utilitarian feature (i.e., a functional alibi) can significantly reduce the guilt associated with buying luxuries and consequently increase the willingness to purchase, and pay for, such products. We then report the findings from four studies exploring consumers’ tendency to inflate the value of utilitarian features when they are attached to hedonic luxuries. We discuss the theoretical and managerial implications of this research in the final section.

#### SEEKING A FUNCTIONAL ALIBI

The luxury sector is a “dream-making” business (Keinan, Crener, and Bellezza 2016) that reinforces and capitalizes on an attractive and aspirational lifestyle (Holt et al. 2004). Luxury products are typically associated with exclusivity, elegance, and prestige and have the power to make their owners feel accomplished (Mandel et al. 2006), socially superior (Rucker and Galinsky 2008; Mazzocco et al. 2012), and proud (Bellezza and Keinan 2014). However, while luxuries are more alluring and aspirational than necessities, they are also more difficult to justify and tend to induce indulgence guilt (Strahilevitz and Myers 1998; Wertenbroch 1998; O’Curry and Strahilevitz 2001; Kivetz and Simonson 2002a, 2002b; Okada 2005; Kahn and Dhar 2006, 2010; Kivetz and Keinan 2006; Kivetz and Zheng 2006; Haws and Poynor 2008; Keinan and Kivetz 2008; Dhar and Wertenbroch 2011).

Indeed, luxuries are at an inherent disadvantage relative to necessities since, by definition, the latter have a higher status in the hierarchy of needs (Maslow 1970; Frankfurt 1984; Scitovsky 1992; Berry 1994). Because practicality and functionality are central values in American culture (Rifkin 1987), spending money on unnecessary products may seem unwise and wasteful. Puritan ethics and ideas have encouraged a form of rationalized capitalism in which making money and spending it frugally is an ethical obligation (Weber 1930). Inspired by this protestant work ethic, many consumers are constantly concerned with being productive and using their time and money efficiently and wisely, even when spending their discretionary time and disposable income (Keinan and Kivetz 2011). As a result of this “obsession” with efficiency

and practicality, consumers may find it difficult to justify products that do not offer functionality, solve a problem, or save time and money.

### *Hyperopia and Indulgence Guilt*

Recent research demonstrates that these cultural values drive consumers to overly focus on choosing virtues and necessities, deprive themselves of indulgence, and chronically delay hedonic experiences. As a result, consumers often suffer from a reverse self-control problem, involving excessive farsightedness (hyperopia) and future-biased preferences (Kivetz and Simonson 2002a; Kivetz and Keinan 2006; Haws and Poynor 2008; Keinan and Kivetz 2008; Rick, Cryder, and Loewenstein 2008; Shu 2008; Shu and Gneezy 2010).

Kivetz and Simonson (2002a) show that people who perceive themselves as suffering from hyperopia may employ precommitments to indulgence and luxury; for example, people choose luxuries over cash prizes of equal or greater value and explain such choices as intended to guarantee that the award is not spent on necessities or savings. Building on these findings, Kivetz and Keinan (2006) show that supposedly farsighted (hyperopic) choices of virtue over vice evoke increasing regret over time. They find that the effect of time on self-control regret is mediated by the decay of guilt and the intensification of feelings of missing out on the pleasures of life. Consistent with the notion of hyperopia, Shu and Gneezy (2010) demonstrate that consumers often procrastinate in engaging in enjoyable activities, and Haws and Poynor (2008) show that many consumers acknowledge their own difficulty with indulgence.

Hyperopia suggests that many consumers would allow themselves to indulge and buy luxuries only when these consumers have a compelling justification. Accordingly, research has shown that consumers are more likely to choose indulgences and luxuries based on such actions as engaging in charitable behavior (Strahelevitz and Meyers 1998; Dhar and Simonson 1999; Khan and Dhar 2006), prior shopping restraint (Mukhopadhyay and Johar 2009), exerting high effort (Kivetz and Simonson 2002b), or excelling in a task (Kivetz and Zheng 2006). Additionally, recent research on price framing and promotions has demonstrated that discounts and promotions are particularly effective in driving purchase behavior when such discounts and promotions are associated with hedonic items (Khan and Dhar 2010; Kivetz and Zheng 2016). While discounting luxury brands can alleviate feelings of guilt and induce purchases in the short term, such discounts are costly and might erode brand equity in the long term (Thomas 2007).

### *The Functional Alibi*

Rather than relying on justification mechanisms associated with consumers' past behaviors/choices or on promotions and discounts, the present research investigates how emphasizing utilitarian (often minor) features or aspects of hedonic luxuries could help justify luxury purchases and reduce indulgence guilt. We define utilitarian aspects as practical, instrumental aspects of the product that fill a basic need or accomplish a functional task. We propose that such utilitarian functional alibis help consumers justify the purchase and reduce their guilt.

Importantly, because emphasizing or adding such functional alibis helps justify highly desired, yet guilt-ridden purchases, we predict that consumers will inflate the value of utilitarian features that are attached to luxury items, compared to the "stand-alone values" of the luxury and the utilitarian feature when considered separately. Thus, we provide the following definition of the functional alibi:

**Functional Alibi:** A tendency to inflate the value and importance of (often minor) utilitarian aspects or features of luxury products in order to justify the purchase and reduce indulgence guilt. Such utilitarian features are typically not the main reason for buying the product but rather serve as an excuse for an otherwise guilt-inducing purchase.

The functional alibi effect is different from, and can be more effective than, other justification methods in several important ways. While most justifications are only present and salient at the time of the purchase (e.g., using effort expenditure, excellence, licensing, price discounts, promotions, or charity giving as means for justifications), the functional alibi remains with the product over time. Thus, the added utilitarian feature justifies not only the purchase but also the use and display of the item. As opposed to other justification methods, the functional alibi can be observed by others and thus may be a more effective justification in a social setting; consumers may not always have the opportunity to explain to others that the luxury purchase was a reward for hard work, obtained at a discount, or contributed to charity, but consumers can easily demonstrate to others that the item has a functional purpose (e.g., the crystal artwork is used as a vase for flowers or as a serving bowl). Compared to other justification methods that are typically associated with consumers' past behaviors (high effort or achievement, doing a good deed, saving, and prior shopping restraint), the functional alibi is controlled by the marketer; luxury marketers can stra-

tegitally determine and emphasize specific features of the product and mention utilitarian aspects in their advertising. Additionally, the functional alibi can be more cost effective compared to other justification methods offered by marketers: while price discounts, promotions, and donations reduce profitability, a functional alibi increases consumers' willingness to pay and allows marketers to increase rather than decrease prices.

A question that naturally arises is: How do we know that a functional aspect is used as an alibi or excuse for a luxury purchase, as opposed to the functional aspect being inherently valued itself? Accordingly, to test the alibi-granting nature of functional aspects, we employ several different research methodologies that demonstrate that consumers tend to inflate the value and importance of utilitarian features when they are attached to hedonic luxuries that consumers consider purchasing. As discussed below, these methodologies include: (i) an analysis of online reviews or luxury items; (ii) a comparison of consumers' willingness to pay for a luxury item and the added utilitarian feature when sold together rather than offered separately; and (iii) explicitly asking consumers how important is a functional feature; we predict that the importance of the functional feature will be inflated when the feature is described as part of a luxury item that consumers consider purchasing, rather than when that functional feature is offered separately, because in the former case the feature serves as a functional alibi for the luxury purchase.

Additionally, we explore the underlying mechanism and demonstrate the mediating role of reduction in indulgence guilt associated with the luxury purchase. We also examine several moderators and boundary conditions that show that functional features are more appealing when consumers are looking for a justification, for example, when the luxury is purchased for oneself rather than as a gift. These moderators also help rule out alternative explanations for the attractiveness of the features serving as a functional alibi, such as complementarity and usefulness of the added feature. For example, while the alternative explanation can predict a main effect of the functional alibi, these rival accounts cannot explain the interactions observed in all studies; such interactions demonstrate that the added functional features are not universally important and valuable.

The empirical section of this article starts by examining how consumers describe expensive luxury items—compared to inexpensive products—that they purchased. We predict that shoppers would be more likely to mention the utilitarian features of the product (i.e., features that en-

hance the functionality and practicality of the product), when they buy an expensive item sold by a prestigious luxury brand, compared to when they buy a lower priced item sold by a less prestigious brand. We do *not* anticipate a similar pattern in the mentions of hedonic attributes (e.g., the prestige and appearance of the product/brand and the likelihood of getting compliments from other people). That is, we predict an interaction effect between the type of attribute mentioned (utilitarian or hedonic) and the price (or luxuriousness) of the product purchased. We test this prediction in study 1 by analyzing online product reviews of handbags representing a wide range of prices and brands. Thus, our first hypothesis is:

**H1:** Consumers would be more likely to mention utilitarian (but not hedonic) attributes of the product when buying more expensive and more luxurious brands.

To further examine consumers' tendency to inflate the value of utilitarian features that are attached to luxury items, we examine the willingness to pay (WTP) for products and features that are sold separately and compare them (between-subjects) to the WTP for the same products and features when sold as a bundle of a luxury product and a utilitarian feature (i.e., when the product considered for purchase is bundled with a functional alibi). Contrary to the extant literature on bundle pricing, which suggests that the bundle should be priced at a discount (Simon and Wuebker 1998), we predict superadditivity in consumers' WTP, such that the WTP for the bundle of a luxury product and a functional alibi will be higher than the combined WTP for the components of the bundle (the luxury and the utilitarian feature) when offered separately. Such superadditivity is predicted because the utilitarian item or feature serves an additional purpose by providing a functional alibi or justification for purchasing the luxury. Thus, our second hypothesis is:

**H2:** Adding a small utilitarian feature to a luxury purchase will create a *functional alibi* effect, such that consumers will increase their WTP beyond the stand-alone value of the utilitarian addition. That is, the WTP for a luxury product bundled with a functional alibi will be higher than the combined WTP for each product or feature sold separately.

We argue that by inflating the value and importance of utilitarian features attached to luxury items, consumers alleviate some of the guilt they feel about spending money on

luxuries. To further test whether utilitarian aspects serve as a justification, and to explore the psychological mechanism driving consumers to inflate the value of utilitarian features, we examine the mediating role of indulgence guilt associated with the purchase. Relatedly, our third hypothesis is:

**H3:** The functional alibi effect will be mediated by reduction in feelings of indulgence guilt associated with the purchase of luxury products.

We further explore moderators and boundary conditions that test whether these utilitarian features are more appealing when the consumer needs a justification for the purchase. Specifically, we explore whether adding a functional alibi is more effective when buying a product for oneself versus as a gift for someone else. Recent research demonstrates that purchasing a gift for others evokes a different mind-set and highlights different product attributes (Baskin et al. 2014; Steffel and LeBoeuf 2014). Based on the notion that buying a luxury for oneself induces more guilt than buying the same luxury as a gift for someone else (Kivetz and Simonson 2002a; Kivetz and Zheng 2016), we predict that functional alibis will be more effective in inducing purchases, and will be more valued, when consumers are buying the product for themselves. When consumers purchase a luxury as a gift for another person, the utilitarian addition could even backfire and detract from the perceived value of the product. That is, when the objective is to pamper a friend, the functional feature could have a reversed effect. Accordingly, our fourth hypothesis is:

**H4:** Adding a functional alibi will be effective in motivating purchases when consumers consider buying a luxury for themselves but not when buying a gift for others.

In addition, because purchasing practical necessities is easy to justify and does not evoke guilt, we predict that the functional alibi effect will only occur when the utilitarian feature is added to a hedonic luxury and not when it is added to a practical necessity (e.g., the functional alibi effect is predicted to occur when a utilitarian feature is attached to a designer bag but not a practical piece of luggage). These predictions are consistent with research on new product features; such research demonstrates that the characteristics of the products to which new features are added are important determinants of the impact of these features on

sales and market share (Nowlis and Simonson 1996). Thus, our fifth hypothesis is:

**H5:** The functional alibi effect will occur when the utilitarian feature is added to a hedonic luxury but not when it is added to a practical necessity.

In addition to the aforementioned moderators, in the last study we examine another boundary condition for the functional alibi effect, namely consumers' ability to afford the luxury item. Adding a functional alibi could potentially nudge wealthy consumers who are able to afford such products but is less likely to affect consumers who view these products as clearly beyond their means. Next, we test hypotheses 1–5 using a mixed-method approach, combining analyses of archival data with experiments conducted in the field and in the laboratory. The various studies show consumers' tendency to inflate the value of utilitarian features when such features are attached to hedonic luxuries and operate as functional alibis. The studies also examine the underlying psychological processes and demonstrate the effectiveness of functional alibis in reducing consumers' indulgence guilt.

#### STUDY 1: WHAT DRIVES MENTIONS OF UTILITARIAN AND HEDONIC FEATURES IN HANDBAG ONLINE REVIEWS?

Study 1 examines the relationship between the price of handbags and the number of utilitarian and hedonic comments mentioned in online reviews of such products. Based on our conceptualization, we predict that consumers will inflate the value of utilitarian features when such features belong to more expensive handbags. That is, shoppers would be more likely to mention the utilitarian features of a product (i.e., features that enhance the functionality and practicality of a product) when they buy an expensive item from a prestigious luxury brand, compared to when they purchase a cheaper item from a less prestigious brand. We do *not* predict such a difference between purchasers of expensive and cheaper bags in their mentions of hedonic attributes (e.g., the prestige and appearance of the product/brand and the likelihood of getting compliments from other people). Thus, consistent with hypothesis 1, we predict an interaction effect between the type of attributes mentioned (utilitarian or hedonic) and the price of the product purchased.

#### Method

We tested hypothesis 1 by analyzing 1,034 online product reviews of handbags representing a wide range of prices and

brands. The analysis included all the handbag product reviews that appeared on bloomingdales.com (accessed on August 17, 2015). There were 1,850 handbags available on the Bloomingdale’s website, and 14% (263 bags) were reviewed by at least one customer. For bags with multiple reviews, we limited the number of reviews per bag to 20, to make sure that the results were not biased by the idiosyncratic qualities of a few specific bags (for bags with more than 20 reviews, we analyzed the 20 most recent reviews). Overall, the online reviews were very positive, and only 10% of the reviews received less than 5 or 4 stars (the maximum rating was 5 stars). The modal price for a handbag in our data was \$195, suggesting that this price level constitutes an important threshold in the willingness to spend on handbags, possibly because it is difficult to justify spending more than \$200 on a bag. The average number of reviews per handbag was 3.9 reviews. See appendix A (apps. A–F available online) for descriptive statistics of the online review data.

For each of the 1,034 online reviews, two independent coders, who were unaware of the research question and hypotheses, coded the number of hedonic and utilitarian attributes mentioned in the review. A detailed description of the coding method and examples of verbatim online reviews are provided in appendix B. Comments coded as mentioning utilitarian attributes discussed the handbags’ functionality and practicality (e.g., “easy to clean,” “sturdy,” “the strap is adjustable,” “fits my laptop,” “lightweight,” “side pockets hold water bottle and everything you need to throw at them”). Comments coded as mentioning hedonic attributes discussed the handbags’ aesthetic and symbolic value (e.g., “trendy,” “cute,” “gorgeous,” “beautiful,” “great looking,” “very fashion forward,” “definitely an eye catcher wherever I go,” “I get

compliments as soon as I step out of the house,” “everyone who saw it just raved about it,” “I’ve gotten more compliments on this bag than I’ve gotten with my other designer bags”). The 1,034 online reviews were also coded with regard to whether they explicitly mentioned that the bag was purchased as a gift for someone else (e.g., “I purchased this as a gift for my dear sister. She absolutely adored it.”; “I bought this for my daughter-in-law, the mother of a 2yr old, and it is great for all her and his needs!! Not to mention, it looks so good!!”; “the bag and color look better in person! too bad it was given as a gift. I wish I got it for myself. The recipient loved it.”; “My niece recently turned 16 and this purse was number 1 on her wish list. Made it so easy for us to make her happy since we know we can trust the quality and style of Marc by Marc Jacobs”; “I bought this for my daughter who is in college. She likes it and it looks good on her. I recommend it for people who have little to carry around”; “gift for a daughter who is a busy mom. She absolutely loved the style and flexibility. Great everyday handbag.”).

**Results**

We first report a repeated-measures ANOVA analysis exploring our main hypothesis (an interaction effect), and then report a regression analysis exploring additional variables that may influence the type of attributes mentioned. To test the interaction between a handbag’s price and the type of attributes mentioned in the online review (i.e., hedonic vs. utilitarian), we used a repeated-measures ANOVA with price level as an independent variable, discretized into seven levels (up to \$100, \$101–\$200, \$201–\$300, \$301–\$400, \$401–\$500, \$501–\$600, more than \$600) to allow for visualization and nonlinear price effects (see fig. 1). The

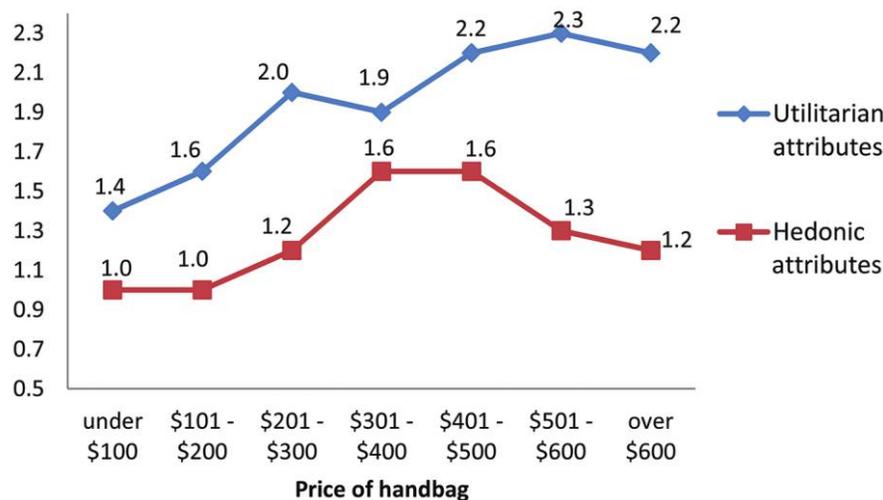


Figure 1. Study 1 results—number of utilitarian and hedonic attributes mentioned in online reviews of handbags.

number of utilitarian and hedonic comments is a repeated measure because for each review we coded both measures of the number of utilitarian and hedonic comments. Both main effects as well as the interaction effect were statistically significant. Online reviews of more expensive handbags mentioned a higher number of attributes (main effect of price:  $F(6, 1027) = 11.4, p < .001$ ). Further, the online reviews were generally more likely to mention utilitarian rather than hedonic attributes (main effect of comment type:  $F(1, 1027) = 117.3, p < .001$ ). More importantly, and supporting hypothesis 1, there was a significant interaction between the type of attribute mentioned (utilitarian or hedonic) and the price of the purchased handbag ( $F(6, 1027) = 2.4, p < .05$ ). Consistent with the operation of a functional alibi, for the relatively high price ranges (above \$300), the number of utilitarian attributes mentioned increased with higher prices while the number of hedonic attributes mentioned decreased.

Additionally, we conducted a regression analysis examining the nonlinear relationship between price and mentions of hedonic attributes. The regression analysis allows us to: (i) include additional control variables; (ii) avoid the discretization of price to gain additional power; and (iii) leverage a random effect analysis to control for the fact that some bags had multiple reviews, thus controlling for unobserved heterogeneity across handbags. The dependent variable in the regression analysis was the number of hedonic attributes mentioned in the review. The regression included the following independent variables: (1) price of handbag (a continuous variable, mean-centered for ease of interpretation); (2) price-squared (testing for a nonlinear relationship); (3) the number of utilitarian attributes mentioned in the review (included as a covariate); (4) the overall rating provided in the review (i.e., 1–5 hearts), which allows us to control for negative reviews; and (5) a dummy variable indicating whether the reviewer gifted the bag to someone else (64 of the 1,034 online reviews indicated that the consumer purchased the product as a gift for someone else); and (6) the reviewer's age (included as an additional covariate). Importantly, as some of the handbags received more than one review, the regressions were estimated with handbag random effects to account for unobserved heterogeneity across handbags. Both the price and the price-squared variables were statistically significant ( $t(138) = 3.08, p = .002$ , and  $t(253) = -2.17, p = .031$ ), confirming the observed nonlinear relationship between price and the number of hedonic attributes (see detailed results in app. D). This pattern (illustrated in fig. 1) suggests that reviews of more expensive bags tend to put less emphasis on hedonic

attributes and instead highlight utilitarian aspects of the bag. This arguably counterintuitive pattern provides strong support for our conceptualization. The regression also demonstrates that more positive reviews mention more hedonic attributes ( $t(807) = 2.34, p = .019$ ) and that, overall, the number of hedonic attributes mentioned is also correlated with the number of utilitarian aspects mentioned ( $t(820) = 2.50, p = .012$ ). The remaining variables were not significant ( $p > .10$ ).

### *Gift versus Self-Purchase*

Next we conducted a repeated-measures ANOVA analysis to examine the interaction between the purchase's purpose or recipient (i.e., buying for self vs. as a gift for someone else) and comment type (i.e., utilitarian vs. hedonic). Both main effects, as well as the interaction, were statistically significant. Importantly, the main effect of attribute type ( $F(1, 1032) = 7.49, p < .01$ ) and the main effect of purchase for self versus as a gift ( $F(1, 1032) = 33.08, p < .001$ ) were qualified by a significant interaction between the type of attributes mentioned (utilitarian or hedonic) and whether the item was purchased as a gift ( $F(1, 1032) = 13.487, p < .001$ ). As shown in figure 2, when buying for oneself, customers were more likely to mention utilitarian attributes compared to hedonic attributes ( $F(1, 969) = 160.82, p < .001$ ). In contrast, when the product was purchased as a gift for others, the online reviews mentioned directionally more hedonic than utilitarian features ( $F(1, 63) = .46, NS$ ). These results are consistent with hypothesis 4 and our conceptualization. More specifically, because purchasing a luxury for oneself induces more guilt than buying the same luxury as a gift for someone else, functional alibis are more effective and valued when consumers buy a luxury product for themselves as opposed to as a gift for someone else.

In conclusion, study 1 demonstrates that when consumers review more expensive, luxury items that they had purchased, they are more likely to elaborate on the utilitarian benefits of the product but are *not* more likely to elaborate on the hedonistic benefits of the item. Moreover, consumers are more likely to elaborate on the utilitarian features when they purchase the luxury product for themselves as opposed to as a gift for others. These results support hypothesis 1 and are consistent with the operation of functional alibi, whereby consumers emphasize the utilitarian features of luxury products, particularly when the item is purchased for oneself rather than as a gift for others (hypothesis 4).

One possible alternative explanation for the positive correlation between the price of the bag and the number

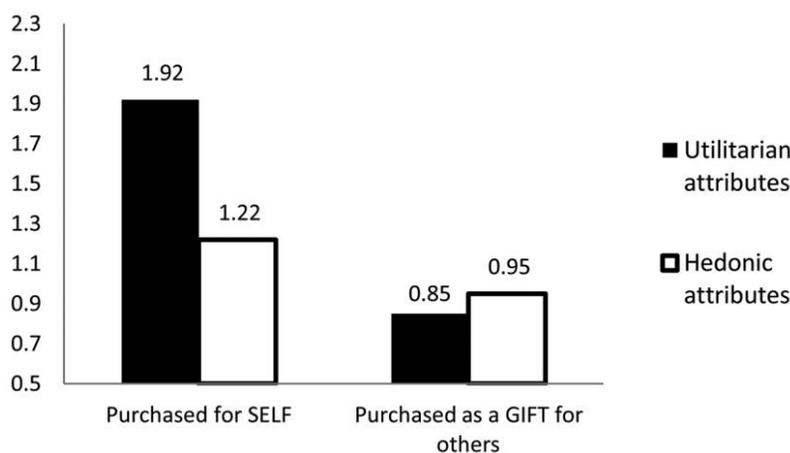


Figure 2. Study 1 results—a comparison of online reviews of handbags purchased for oneself versus as a gift for someone else.

of utilitarian attributes mentioned is that more expensive products might include more features, including more utilitarian features. Contrary to this alternative explanation, it is interesting to note that we do not observe an increase in the number of mentions of hedonic attributes for the more expensive bags, even though more expensive bags are typically more luxurious and possess more hedonic attributes (e.g., nicer designs, more desirable brand names). Additionally, the utilitarian attributes that online reviewers mentioned most frequently were common across all the price ranges (e.g., size, what fits in the bag) and are not necessarily the type of additional features that might be provided only at higher price points. Finally, if more expensive products were to contain more utilitarian features, then we would have expected to see a similar increase in the number of mentions of utilitarian attributes with higher prices both for handbags that are purchased for oneself and for handbags purchased as a gift for others. However, contrary to this alternative explanation, the number of mentions of utilitarian features did not increase with higher price, for products purchased as a gift.

The results regarding the gift purchases are also consistent with recent research on deception in product reviews, demonstrating that reviews are more likely to mention features such as the fit or feel of items when the reviewer actually purchased the product (Anderson and Simester 2014). It is possible that reviewers who gave the bag as a gift to others were less likely to mention utilitarian attributes because they did not have direct experiences with using the bags. To rule out this alternative explanation for the low frequency of utilitarian attributes mentioned by consumers who

purchased bags as gifts for others, in the next study, we experimentally test hypothesis 4 by manipulating, rather than measuring, the purchase recipient (i.e., self vs. other).

While results of study 1 are consistent with the operation of the function alibi, because we cannot fully rule out all alternative explanations using archival (secondary) data, we experimentally test our hypotheses in the remaining studies in this article (i.e., studies 2–4).

#### STUDY 2: HOW DO FUNCTIONAL FEATURES AFFECT THE WILLINGNESS TO PAY FOR A LUXURY BAG?

Study 2 tests hypothesis 4 and examines the effectiveness of adding a functional alibi when making a luxury purchase for oneself versus when buying a luxury as a gift for a friend. Specifically, this study explores how adding a functional alibi affects expectant mothers' willingness to pay for a luxurious Coach diaper bag. We test whether adding a small utilitarian feature to a luxury brand can alleviate some of the guilt mothers feel when spending on themselves. Thus, study 2 also tests hypothesis 3, whereby the functional alibi effect is predicted to be mediated by feelings of indulgence guilt emanating from the purchase of luxury products.

A pilot study with 25 expectant mothers in advanced pregnancy stages confirmed that mothers tend to feel guilty about spending money on themselves. Consistent with the notion of hyperopia (e.g., Kivetz and Simonson 2002a), while most respondents believed it is important to occasionally spend time or money on things they want for themselves, the majority of respondents also indicated they would feel guilty doing so. Respondents were asked: "Do you think

that, as a new mother, you would feel guilty about spending time or money on things that you want for yourself?" Responses were provided on a 7-point scale ranging from "will not feel guilty at all" (1) to "will feel very guilty" (7). The respondents were also asked: "Do you think it is important that new mothers occasionally spend some time or money on things that they want for themselves?" Responses were provided on a similar scale ranging from "not important at all" (1) to "very important" (7). The respondents were also asked to explain each of their answers. A majority of the respondents (i.e., 68%) indicated that it is very important that new mothers occasionally spend some time or money on things that they want for themselves (selected 5 or above on the 7-point scale) and explained their answers using such verbatim responses as: "it is important that moms feel good about themselves to help them be good mothers," "it is important for mental and emotional well-being," "it is important to not forget about yourself because you will be unhappy in the long run," and "a mother needs to feel like a person too."

However, consistent with research on hyperopia and research on maternal guilt (e.g., Seagram and Daniluk 2002; Rotkirch 2009), a majority of respondents (i.e., 64%) also indicated that spending on themselves would result in strong feelings of guilt (selected 5 or above on the 7-point scale). Respondents explained their answers using such verbatim responses as: "I'll probably be thinking that money could be better used for diapers, college funds, etc.," "I would feel like I could've gotten something my baby needs," "in the first year the baby is growing and learning and I would feel guilty taking time or money away from that purpose," and "baby's needs are more important than mom's wants."

The main study (reported next) examines the dilemma faced by mothers who need to negotiate between their own, and their children's, needs and wants, and tests whether adding a functional alibi can assuage some of the guilt involved in this trade-off. We examine the willingness to pay for a luxurious product (a stylish Coach diaper bag) and test whether adding a small utilitarian feature (an insulated pocket for bottles and cups) can serve as a functional alibi for purchasing the luxury-branded bag. Diaper bags sold by popular baby product brands such as Fisher-Price and Gerber typically cost \$30. We test whether expectant mothers would be willing to pay more for a designer bag that is more stylish and sold by a luxury brand when a functional alibi is added to the bag.

To examine whether the functional alibi effect is stronger for guilt-inducing purchases, participants were told that

they are making the purchase either for themselves or as a gift for a friend. Based on hypothesis 5, we predicted that consumers buying the luxury bag as a gift for a friend will feel less guilty about the purchase and will be less likely to look for a functional alibi to justify the purchase.

### Method

The participants were 91 expectant mothers at an advanced stage of their pregnancy. Participants were randomly assigned to one of four conditions in a 2 (functional alibi vs. no alibi)  $\times$  2 (buying for self vs. as a gift for someone else) between-subjects design. Participants were given a description of a Coach diaper bag and were asked to indicate what is the maximum price they would be willing to pay for this luxury bag. In all conditions, the bag was described as: "the stylish Coach diaper bag, used by celebrity moms like Jennifer Garner." The product description included a picture of the bag and a picture of Jennifer Garner. In the no alibi condition, participants were given no additional information about the product. In the functional alibi condition, the product also included a small utilitarian feature. Specifically, participants were told that the Coach bag includes an insulated pocket for bottles and cups, and the description included an additional small picture of a toddler happily drinking from his sippy cup (see app. E).

Participants were told that they were making the purchase either for themselves or as a gift for a friend. After indicating their willingness to pay for the Coach diaper bag, all participants were asked to indicate whether they would or would not feel guilty about the purchase and were also asked to complete the following sentence: "I would / would not feel guilty about buying the Coach diaper bag because . . ."

### Results

As predicted by hypothesis 4, there was a significant interaction effect on willingness to pay between the purpose, or recipient, of the purchase and the availability of a functional alibi ( $F(1, 87) = 5.9, p < .05$ ). An analysis of simple effects indicated that adding a functional alibi was more effective in increasing the willingness to pay for the Coach bag when the purchase was for oneself rather than as a gift for someone else (see fig. 3). When buying the Coach bag for themselves, participants were willing to pay more when the product description included the insulated pocket for bottles and cups compared to when it did not (\$93 vs. \$63,  $F(1, 45) = 3.41, p = .07$ ). A different result was observed

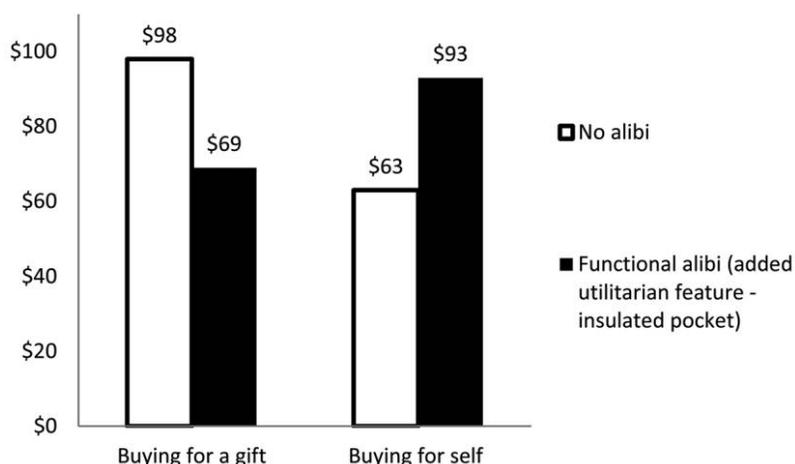


Figure 3. Study 2 results—the impact of adding a utilitarian feature on the willingness to pay for a luxury bag.

when the Coach bag was purchased as a gift; interestingly, adding the functional feature to the gift seemed to reduce its attractiveness. Participants were willing to pay directionally less for the Coach bag as a gift when the description included the utilitarian feature compared to when it did not (\$69 vs. \$98,  $F(1, 42) = 2.53$ , NS). These results suggest that when the purchase requires justification, a functional alibi can increase the purchase likelihood of the product. However, when the purpose of the purchase is to pamper a friend, a functional feature is less effective and might even reduce the purchase likelihood of the gift.

Consistent with hypothesis 3, this interaction effect was mediated by feelings of guilt about spending on the Coach bag. The interaction effect on indulgence guilt between the purpose (or recipient) of the purchase and the availability of a functional alibi was statically significant ( $z = 2.1$ ,  $p < .05$ ). An analysis of simple effects indicated that the majority of participants who considered buying the bag as a gift did *not* feel guilty in either condition (i.e., with or without a functional alibi). Only 29% and 39% indicated that they felt guilty about the purchase (as a gift for their friend) without or with the utilitarian feature, respectively. The difference in indulgence guilt between these two conditions was not statistically significant. In contrast, the indulgence guilt of participants who considered buying the luxury bag for themselves was significantly reduced by the functional alibi, with 82% feeling guilty without the utilitarian feature versus only 52% feeling guilty with this feature added ( $z = 2.3$ ,  $p < .05$ ).

Participants' open-ended guilt explanations discussed the dilemma or trade-off between "mother's wants" and

"baby's needs," which was identified in our pilot study. Participants who considered buying the luxury bag for themselves and were *not* provided with a functional alibi provided such open-ended verbatim responses as: "it would be about 'my' status and how I look and not getting practical needs for the baby—the bag is called a diaper bag because it is for the baby not me," "it's too much to spend on myself," "I can't justify buying a product that is the same price as a crib," and "I would be feeling real guilty because I can use that money on diapers."

A mediated moderation analysis tested the mediating role of indulgence guilt. The three regressions reported in appendix F show that the purpose, or recipient, of the purchase (i.e., for self vs. as a gift for someone else) moderates the effect of adding a functional alibi on willingness to pay, and that this moderation is mediated by feelings of indulgence guilt. As highlighted in appendix F, all conditions for a mediated moderation were satisfied. These results are consistent with hypothesis 3 and support the notion that adding a functional alibi (e.g., a small utilitarian feature) to a luxury product can serve as a guilt-reducing mechanism and consequently enhance the willingness to purchase the product.

In summary, study 2 revealed an interaction between the need to justify the purchase and the availability of a functional alibi. Without the functional alibi, consumers feel that buying a luxury brand's bag for themselves would be a selfish and guilt-ridden purchase, whereas with a functional alibi the purchase feels more justified. The results also suggest that, although functional alibis are effective in increasing the attractiveness of products purchased for

self-use, they might decrease the attractiveness of products purchased as gifts for others. Therefore, when consumers are considering buying a luxury brand for themselves, marketers should emphasize the functional features of the product, but when the consumer is looking for a gift, it is more important to emphasize the indulgent rather than practical aspects of the product.

### STUDY 3: WHEN ARE CONSUMERS LIKELY TO INFLATE THE VALUE OF FUNCTIONAL FEATURES?

In study 3, we continue to explore the accessories product category, but examine an item that is also relevant for male consumers, namely a smartwatch. The study was conducted several years before the introduction of the Apple smartwatch, and thus respondents did not watch the recent influx of smartwatches to form a reference price for indicating their willingness to pay for the product.

As the market for wearables develops, marketers will need to determine which features to bundle with the product and which features to offer as added optional features. For example, companies can include a heart rate sensor or fitness feature in a smartwatch or smartshirt, or a smartphone charger feature in a purse. Interestingly, such added functional features are typically used to justify the purchase of expensive wearables (Dell'Antonia 2015) and argue that the added features are not just "high tech gadgets and 'toys'" (Shaoolian 2013).

Our conceptualization suggests that functional alibis are effective in inducing purchases and increasing willingness to pay when such functional alibis are used to rationalize frivolous purchases that are difficult to justify. Study 3 examines the effectiveness of adding a utilitarian feature (an emergency cellphone battery recharger) to either a practical necessity (an ordinary Swatch watch) or to a luxury Swatch watch (a Swatch Infinity, which is a luxurious and stylish gadget). Consistent with hypothesis 2, we predict that, when a functional alibi (i.e., the cellphone recharger feature) is attached to the luxury watch, consumers' willingness to pay for the product will increase beyond the stand-alone value of the added feature. This superadditivity in WTP arises from the ability to use the added utilitarian feature as an excuse (a functional alibi) for buying the luxurious watch. In contrast, because buying practical necessities does *not* call for a special justification, and consistent with hypothesis 5, we predict that attaching the utilitarian feature to the ordinary watch will *not* lead to superadditivity in WTP.

### Method

One hundred and six students at a large East Coast university were asked to read a product description and indicate their willingness to pay for the product. Participants were randomly assigned to one of four conditions, in a 2 (luxury vs. practical product)  $\times$  2 (alibi vs. no-alibi) between-subjects design. Participants were given a description of either an ordinary Swatch watch or the Swatch Infinity luxury watch. To control for brand and quality perceptions and inferences, participants were explicitly told that both products are produced by Swatch. The luxury watch (Swatch Infinity) was described as: "a new super-sleek watch by Swatch that has the following features built in: an MP3 player (50 songs), a camera (6 mega pixels), and a digital photo album." The ordinary watch was described as "durable and water resistant." The utilitarian feature that either was already included in the watch or could be added to the watch (manipulated between-subjects) was described in all conditions as "a cellphone emergency battery recharger—if your mobile phone's battery dies while you're away from your charger, this recharger will quickly transfer power into your cellphone, getting you back on the air again."

To examine the effect of adding a functional alibi, participants were randomly assigned to either a no alibi condition or a functional alibi condition. In the no alibi condition, participants were asked to indicate what is the most they would be willing to pay for the watch. To measure the "stand-alone value" of the added practical feature that was meant to serve as a functional alibi, *after* indicating their willingness to pay for the watch, participants in the no alibi condition were given a description of the emergency cellphone recharger and were asked to indicate what is the most they would be willing to pay to add this feature to the described watch. In the functional alibi condition, participants were told that the watch they are considering buying contains a cellphone recharger feature and were then asked what is the most they would be willing to pay for the watch. Thus, in both the alibi and no alibi conditions, participants were given the same information about the product and added feature. In the functional alibi condition, this feature was bundled with the watch, and in the no alibi condition, this utilitarian feature could be added for an additional cost. Participants in all conditions were asked to avoid guessing the market price but to indicate what is the most they personally would be willing to pay for the product/feature.

A pretest confirmed that buying a Swatch Infinity is perceived as a more pleasurable and indulgent purchase compared to buying an ordinary Swatch. Thirty respondents were

asked to rate on a 7-point scale: (a) whether people buy the item: “primarily for practical necessary purposes” (1) or “for pleasurable indulgent purposes” (7); and (b) whether people buy the item: “because they need it” (1) or “because they want to have it although they don’t need it” (7). The Swatch Infinity scored significantly higher on these two measures (6.0 and 6.2) compared to the ordinary Swatch (4.4 and 4.6,  $t = 4.9$  and  $5.2$ , respectively; both  $p < .001$ ). The pretest also confirmed that the cellphone emergency battery recharger is a practical feature (with low ratings on these two scales of 2.0 and 2.9).

**Results**

Figure 4 depicts respondents’ willingness to pay in the four conditions. We analyzed the willingness to pay for the watch using a 2 (no alibi vs. functional alibi)  $\times$  2 (buying a practical vs. a luxury watch) between-subjects ANOVA. As expected, the main effect of the functional alibi was qualified by a significant interaction between the presence of the functional alibi and the type of product being considered for purchase ( $F(1, 102) = 5.0, p < .05$ ).

The functional alibi had a significant effect only when it was attached to the luxury item. More specifically, an analysis of simple effects demonstrates that when participants considered purchasing the luxury watch, the willingness to pay for the product in the functional alibi condition (i.e., when the watch and the cellphone recharger were bundled together) was significantly higher than the willingness to pay for the luxury watch and the recharger when they were sold separately (i.e., \$206.10 in the functional alibi condition vs. \$130.70 in the no alibi condition [i.e., \$112.40 for watch + \$18.30 for cellphone recharger];  $t = 2.6, p < .05$ ). In contrast,

when participants were considering buying the practical watch, there was no significant difference between the willingness to pay reported in the functional alibi condition and in the no alibi condition (i.e., \$68.10 in the functional alibi condition vs. \$54.90 in the no alibi condition [i.e., \$38.70 for watch + \$16.20 for cellphone recharger];  $t = 1.3, NS$ ). Thus, consistent with our conceptualization and hypotheses 2 and 4, superadditivity in consumers’ WTP was observed when a functional alibi was added to a luxury purchase (that is difficult to justify) but not when a functional alibi was added to a relatively necessary purchase.

A comparison of the willingness to pay for adding the utilitarian cellphone recharger in the practical versus luxury watch conditions helps rule out alternative explanations for the observed interaction effect. In the no alibi condition, the willingness to pay for adding the utilitarian cellphone recharger did *not* depend on the type of product being considered. Participants were willing to pay \$16.20 to add the recharger to the practical watch and \$18.30 to add it to the luxury watch ( $t = .43, NS$ ). This null effect rules out the possibility that participants perceived the cellphone recharger feature itself in a different light (e.g., as more of a premium feature) when it could be added to a luxury rather than a necessity item.

In summary, study 3’s results indicate that small utilitarian additions to hedonic luxuries (but not to practical necessities) can increase the WTP for a product beyond the “stand-alone value” of the added feature. Such minor utilitarian features can serve as a functional alibi that provides a justification or excuse for purchasing the luxury product.

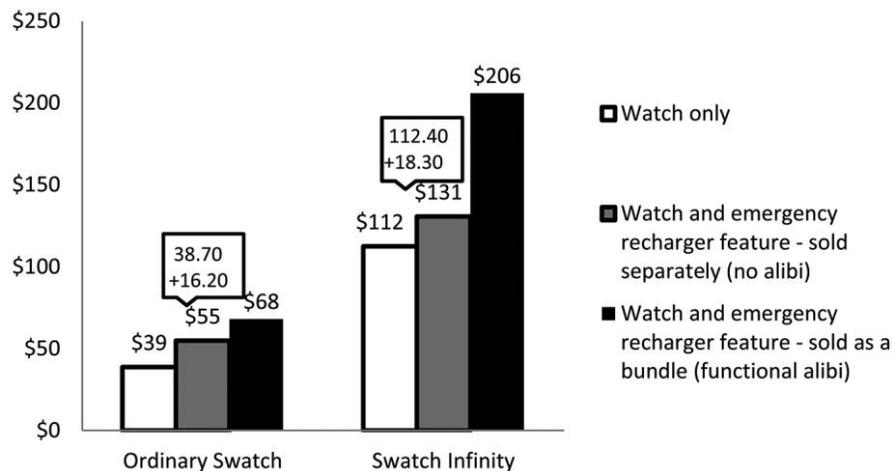


Figure 4. Study 3 results—willingness to pay for a watch with an added utilitarian feature.

**STUDY 4: THE SHOPPING CENTER  
EXPERIMENT—EXAMINING CONSUMERS’  
TENDENCY TO OVERVALUE UTILITARIAN  
FEATURES WHEN THEY SERVE  
AS A FUNCTIONAL ALIBI**

In study 4, we further demonstrate the overvaluation of functional alibis by explicitly asking respondents how helpful is the utilitarian feature that could serve as a functional alibi, and how frequently they anticipate using that feature. We predict that consumers will rate the utilitarian feature as more helpful and likely to be used when that feature is attached to a luxury product that consumers consider purchasing. That is, when the utilitarian feature is attached to (and therefore can justify) a luxury item that consumers desire, that utilitarian feature will be rated as more helpful and more likely to be used; in contrast, the same utilitarian feature would be perceived by consumers as relatively unimportant when it is offered separately and therefore cannot provide a functional alibi to a luxury purchase.

A second objective of the study is to examine an additional boundary condition for the functional alibi effect: consumers’ ability to afford the luxury item. Adding a functional alibi could potentially nudge wealthy consumers who are able to afford such products but is less likely to affect consumers who view these products as clearly beyond their means. Advertisements that offer consumers functional alibis for buying expensive luxury cars, watches, or pens are typically targeted at wealthy consumers who are able to afford such high-end products but still need to justify the extra cost. Consumers who view these products as out of their reach are not considering a purchase, and therefore such consumers would not seek a functional alibi.

In order to recruit demographically diverse participants and find shoppers with a varying level of ability to afford luxuries, we conducted the study at a large shopping center. We specifically identified a mall that has department stores representing a wide range of price points (e.g., Lord & Taylor, Nordstrom, Target, Macy’s) and thus is targeted at a diverse shopper population.

Finally, the present study aims to extend the findings of study 2 by investigating the psychological process and mediating role of indulgence guilt and by examining respondents’ open-ended explanations. We predict an interaction effect between the presence of a functional alibi and consumers’ ability to afford the product. Consumers who cannot afford the product are expected to report low purchase intentions and high indulgence guilt in both conditions, because they would be clearly spending beyond their means. Consum-

ers who can afford the luxury product are expected to report higher purchase intentions and lower guilt when the luxury product comes with a functional alibi.

The study examined consumers’ intentions to purchase a Michael Kors handbag. We selected this brand because it was most prominently displayed in the handbag sections at the stores in the mall and was prominently featured on these stores’ handbags webpages. The Michael Kors brand was also one of the most frequently reviewed handbag brands in study 1 (online reviews on Bloomingdale’s website). The added utilitarian feature used as a functional alibi in this study (i.e., a coin/key pouch) was also based on the handbag reviews analyzed in study 1, which mentioned functional solutions for avoiding “handbag clutter” and for finding items in the bag.

**Method**

Respondents were approached at the shopping center and received a chocolate bar for answering a short survey. Eighty-two female shoppers responded to the survey. All respondents were given a description and picture of the bag and asked to indicate their purchase likelihood on a 1 to 7 scale ranging from 1 (“Not likely at all”) to 7 (“Would definitely buy it”). In all conditions, the handbag was described as “The Michael Kors Satchel: the bag comes in lush French calf leather with subtly chic gold-tone hardware, this Michael Kors satchel has a lock on understated elegance.” Respondents were randomly assigned to a functional alibi or no alibi condition. In the functional alibi condition, the bag’s description also included the following information: “This bag comes with an attachable key/coin pouch, a great way to keep your bag organized, and find what you need right when you need it. It is a practical and functional solution to handbag clutter.” In the no functional alibi condition, the bag’s description did not include the attachable key/coin pouch. After indicating their purchase intention, all participants were asked: “How guilty do you think you would feel about buying this bag?” Guilt ratings were provided on a scale ranging from 1 (“Will not feel guilty at all”) to 7 (“Will feel very guilty”). Participants were also given space (2 lines) to explain their responses.

Next, to compare whether participants in the functional alibi condition rated the added feature as more valuable, all participants were asked to rate the perceived usefulness of the coin/key pouch; participants in the no alibi condition were given a description of the coin pouch that was identical to the one in the functional alibi condition. Participants in all conditions were asked “If you had the key/coin pouch

how often would you use it?” and “Do you think this pouch would be helpful in finding important items in your bag and making sure they don’t get lost?”

A final question measured the consumer’s ability to afford a luxury handbag. Since in this non-lab context (i.e., in which shoppers are approached at a mall by an interviewer) respondents are typically not willing to report their actual income, we asked participants a slightly less obtrusive question: “Do you feel you can afford designer bags?” (with a response scale ranging from [1] cannot afford these bags to [7] can definitely afford these bags). This self-reported, subjective measure of ability to afford luxuries and designer fashion accessories is also more relevant to understanding the phenomenon we examine than is the respondent’s objective wealth.

**Results**

Responses were analyzed using a linear regression with purchase intention as the dependent variable and the following independent variables: a dummy variable for alibi condition (coded as 0 for “no alibi” and 1 for “functional alibi”), ability to afford designer bags (a continuous variable ranging from 1 to 7, mean-centered for ease of interpretation), and the interaction of these two variables. The analysis revealed a significant interaction ( $B = .535, t = 2.92, p < .005$ ) and no significant main effects.

To explore the aforementioned interaction, we performed a spotlight analysis focusing on participants with higher and lower perceived ability to afford designer bags. As shown in

figure 5 below, the spotlight analysis at one standard deviation above the mean of “ability to afford luxuries” revealed a statistically significant difference in purchase likelihood between the functional alibi and no functional alibi conditions ( $B = 1.44, t = 2.77, p < .01$ ). In contrast, a similar spotlight analysis performed at one standard deviation below the mean “ability to afford luxuries” indicated that there was no significant difference between the two conditions ( $B = -.699, t = 1.38, NS$ ). That is, as expected, adding a functional alibi had a significant effect on the purchase intentions of respondents who can afford luxuries but did not affect the purchase intentions of participants who could not afford luxuries.

We then conducted the same regression analyses with indulgence guilt as the dependent variable. Consistent with the pattern of results for purchase intentions, the analysis revealed a significant interaction between the ability to afford designer bags and the functional alibi condition ( $B = -.629, t = 2.55, p < .05$ ) and no main effects. To explore this interaction, we performed a spotlight analysis focusing on participants with higher and lower ability to afford designer bags. The spotlight analysis at one standard deviation above the mean of “ability to afford luxuries” revealed a significant difference in indulgence guilt between the functional alibi and no functional alibi conditions ( $B = -2.01, t = 2.86, p < .005$ ). In contrast, a similar spotlight analysis performed at one standard deviation below the mean “ability to afford luxuries” indicated that there was no significant difference in felt guilt between the functional alibi and no functional

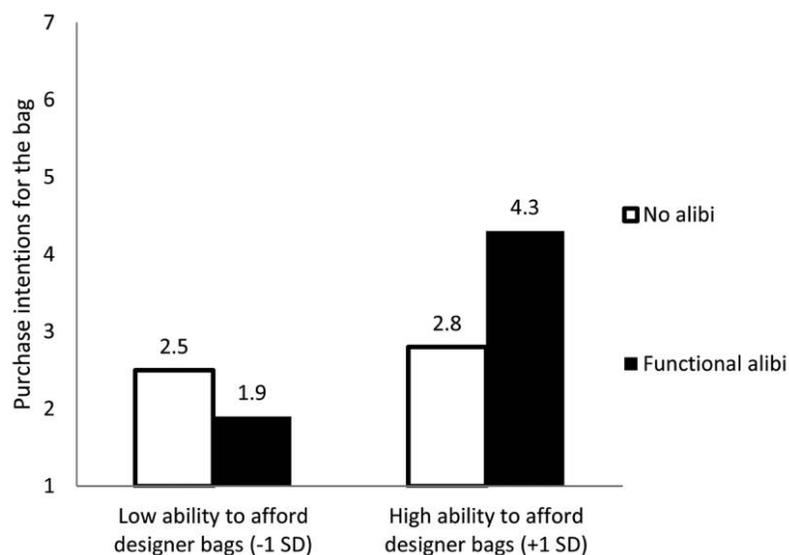


Figure 5. Study 4 results—intentions to purchase the luxury bag with or without a functional alibi.

alibi conditions ( $B = .507, t = .74, NS$ ). Thus, adding a functional alibi significantly reduced consumers' indulgence guilt when these consumers could afford buying the luxury bag but did not affect the felt indulgence guilt of those consumers who could not afford buying luxuries.

Shoppers' open-ended responses explained this pattern of results. In the no alibi condition, respondents who indicated that they cannot afford designer bags explained: "I can buy a perfectly good bag for much less, it's a waste of money" and "there are more important things I could spend the money on." Interestingly, even shoppers who can afford to buy designer bags indicated that they would feel guilty spending on the bag. These responses suggest that even wealthier consumers are not comfortable spending on luxuries unless they have a justification. Respondents in the no alibi condition, who were able to afford designer bags, still felt guilty, providing such verbatim responses as: "I don't think I 'need' a luxury bag, it's too gaudy," "There is no need for something like this, there are less expensive bags for the same purpose," and "I would feel guilty because I feel like I'm paying for the name brand as I can go and get a similar bag for \$20 that will serve the same purpose." In contrast, respondents in the functional alibi condition who were able to afford designer bags used the words "comfortable," "easy," "practical," and "useful" to describe the bag. Examples of such verbatim responses include: "If I wanted one bad enough and it was useful [underline added by respondent] it would be money well spent."

Next, we conducted a mediated moderation analysis to test whether reduction in guilt mediated the effect of adding a functional alibi on consumers' purchase intentions (hypothesis 3). We estimated a moderated mediation model 8 in PROCESS (Hayes 2013), with *purchase intentions* as the dependent variable and *ability to afford designer bags* as the moderator. A bootstrap analysis with 5,000 resamples yielded an index for moderated mediation of .12, with a confidence interval that excluded zero (.019, .316), suggesting a significant indirect effect. Thus, indulgence guilt mediated the interaction effect between adding a functional alibi and respondents' ability to afford luxuries.

Finally, to examine whether participants in the functional alibi condition rated the added feature as more valuable, we examined participants' responses to the two questions about the anticipated frequency of use and the helpfulness of the coin/key pouch. We conducted an additional regression analysis with the average of these two questions ( $\alpha = .77$ ) as the dependent variable. Consistent with the previous regressions, the analysis revealed a significant interaction between "ability to afford designer bags" and the functional alibi con-

ditions ( $B = .418, t = 2.04, p < .05$ ) and no main effects. The spotlight analysis at one standard deviation above the mean of "ability to afford luxuries" revealed a marginally significant difference between the functional alibi conditions, such that participants assigned to the functional alibi condition rated the coin/key pouch feature as more valuable compared to participants assigned to the no functional alibi condition ( $B = 1.094, t = 1.9, p = .06$ ). In contrast, a corresponding spotlight analysis performed at one standard deviation below the mean "ability to afford luxuries" indicated that there was no significant difference in the perceived value of the coin/key pouch between the functional alibi conditions ( $B = -.576, t = 1.01, NS$ ). Thus, consistent with our conceptualization, respondents who could afford luxuries inflated the value and anticipated usage frequency of the utilitarian feature, but only when it could serve as a functional alibi (i.e., when it was attached to the luxury bag); in contrast, the value of the utilitarian feature was not inflated by respondents who could not afford luxuries, even when that feature was attached to the luxury bag.

In conclusion, study 4 demonstrates that consumers who view themselves as potential buyers of luxury (based on their ability to afford such products) are more likely to purchase a luxury product when the product offers a functional alibi that can help justify the purchase, and that such an increase in purchase likelihood is mediated by a reduction in feelings of indulgence guilt. Moreover, these consumers are also more likely to inflate the helpfulness and anticipated usage frequency of a utilitarian feature, but only when such a feature is attached to a luxury item that consumers are considering buying (i.e., only when the utilitarian feature can serve as an alibi for purchasing the luxury).

## GENERAL DISCUSSION

Twitchell (2001, 269) argues that: "The irrationality of overvaluing certain rocks, fabrics, logos, textures, wines, bottles, appliances, nameplates, tassels, zip codes, T-shirts, monograms, hotel rooms, purses, and the like is insulting to our intellect. At one level this kind of luxury is *indefensible* [emphasis added]. The 'good life' seems so blatantly unnecessary, even evil, especially when millions of people around the globe are living without the bare necessities." In the present research we propose that functional alibis can defend and justify such frivolous or lavish purchases and significantly reduce the guilt associated with profligate spending. We demonstrate that when consumers desire luxurious products that seem wasteful, they tend to seek a logical excuse for the purchase, and, consequently, consumers are more willing

to buy, and pay for, luxury products that come with built-in functional alibis.

Our studies tested the idea that adding a small utilitarian feature can serve as a functional alibi for luxury spending. We demonstrated that such small utilitarian additions to hedonic luxuries can increase consumers' WTP and purchase likelihood beyond the "stand-alone value" of the added feature, since such small utilitarian additions provide additional utility from serving as a justification for the purchase.

### *Future Research*

It would be interesting to examine cultural differences in the tendency to seek functional alibis for status purchases. In Western society, completely transparent exhibitions of wealth can often be socially unacceptable (Zafirovski 2003; Bellezza, Gino, and Keinan 2014), and purchasing or displaying prestigious luxury products may require a functional alibi. However, recent research demonstrates that the nature of status consumption may vary across cultures and class factions (Ustuner and Holt 2010; Ordabayeva and Chandon 2011; Bellezza, Paharia, and Keinan 2017). It would be interesting to examine whether consumers in the emerging countries of luxury (e.g., China, Russia) do not feel a need to deny that they are buying luxury products because they are prestigious.

Future research could also examine cultural differences in the value of functionality. We posit that, compared to French consumers, Americans would be more likely to seek, and be influenced by, functional alibis when buying luxuries because American society tends to value and praise efficiency and functionality. While American consumers seek and expect to see utilitarian features when spending on luxuries, European consumers may be put off by a greater emphasis on the functionality of the luxuries they desire. Americans tend to seek luxury in things they can use, such as large homes, top-of-the-line automobiles, professional-quality kitchens, and designer clothes. Other cultures find luxury in things that are less functional. French consumers, for example, may feel less guilty spending money on things that have artistic value but no practical function (Rapaille 2006). In addition to examining cultural differences, future research could examine the role of individual differences in hyperopia and self-control (Haws and Poynor 2008; Haws et al. 2011) in determining the effectiveness of functional alibis.

Moreover, we hope that study 2 and the verbatim responses of expectant mothers will inspire consumer researchers to further examine how mothers could attend to

their own needs and wants without feeling guilty. This tendency to downplay the importance of one's own needs compared to the needs of others can have a negative impact on well-being and long-term health. Similarly, many consumers only realize the negative long-term consequences of their hyperopia when they assume a broader life perspective (Kivetz and Keinan 2006; Keinan and Kivetz 2008). Thus, identifying and studying guilt-reducing strategies, additional to the functional alibi, can have important implications for consumers' welfare.

### *Marketing Implications*

Using functional alibis is an effective strategy, not only for consumers but also for companies that market luxury products and brands. Our findings suggest that adding a small functional feature to a luxury product can significantly increase consumers' willingness to pay for, and purchase, the luxury product. In addition to adding features, marketers can also find creative ways to emphasize existing utilitarian aspects of the product. For example, in a pilot study we conducted, 78 female students indicated feeling significantly less guilty about buying a piece of "stylish and sleek Tommy Hilfiger luggage" when they were told that the "Tommy Hilfiger luggage has a unique color, so you will be able to recognize it easily at the baggage claim and it will never be confused with other luggage" (2.8 vs. 3.6,  $t(76) = 2.1, p < .05$ ).

The strategy of providing functional alibis is particularly important during downturns in the economy, when even the wealthiest consumers feel guilty about spending on luxuries. Consistent with our conceptualization, economic recessions may lead to a movement away from spending on "pure luxuries" and toward "functional luxuries." For example, spending on home luxuries tends to change from purely decorative to functional items. As a gallery owner reports: "when the economy was flying high we were selling large glass pieces. Now we're selling more functional pottery" (Crafts Report 2004). Instead of using photos of grand chandeliers in their advertising, Waterford now advertises its crystal with a child eating cherries from a simple bowl (*Economist* 1993). The trend away from nonpractical items can explain why Tiffany & Co. responded to the last downturn in luxury sales by offering new products that also have a functional use, such as watches and sunglasses (Dodes and Passariello 2008). During economic downturns, luxury marketers "must marry function and fashion, such as Apple's iPhone" and convince consumers there's an added value in their products: "marketers need to give luxury

shoppers the words they can use at a dinner party to justify their purchase" (*USA Today* 2010, 1B).

Advertising messages reflect an increasing preference for luxuries that offer a functional alibi: advertisers appear to have moved away from advertising luxuries solely as status symbols and are more careful in emphasizing the functionality of the luxuries. While in the past, advertisements of luxury products and brands used to urge people to "be the first one on the block to own this product" (*Economist* 1993), in a postrecession context, luxury shoppers have been avoiding flaunting displays of luxury consumption (Kapferer 2010) and keep struggling to reconcile the price of luxury products with their real value (Bain & Company 2015). As a consequence, an increasing number of advertisements have emphasized functionality and attempt to make ostentation less ostentatious. According to *Advertising Age* (2004), advertising for luxury credit cards used to emphasize the prestige and the color of the card, but now focuses more on what the cards do for high-spending cardholders and less on what cards mean to them.

In conclusion, our findings suggest that creating a desire for luxurious products and brands is not enough; marketers also need to provide consumers with a "functional alibi" to rationalize the purchase and reduce the guilt associated with spending on luxuries. Creative marketers apply this strategy by designing products, promotions, and advertisements that appeal both to consumers' desire for luxury and to their need for justification.

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