

May 29, 2005

When the Joneses Wear Jeans

By JENNIFER STEINHAUER

BEACHWOOD, Ohio - It was 4:30 p.m., sweet hour of opportunity at the Beachwood Place Mall.

Shoppers were drifting into stores in the rush before dinner, and the sales help, as if on cue, began a retail ritual: trying to tell the buyers from the lookers, the platinum-card holders from those who could barely pay their monthly minimum balance.

It is not always easy. Ellyn Lebby, a sales clerk at Saks Fifth Avenue, said she had a customer who regularly bought \$3,000 suits but "who looks like he should be standing outside shaking a cup."

At Oh How Cute, a children's boutique, the owner, Kira Alexander, checks out shoppers' fingernails. A good manicure usually signals money. "But then again," Ms. Alexander conceded, "I don't have nice nails and I can buy whatever I want."

Down the mall at the Godiva chocolate store, Mark Fiorilli, the manager, does not even bother trying to figure out who has money. Over the course of a few hours, his shoppers included a young woman with a giant diamond ring and a former airplane parts inspector living off her disability checks.

"You can't make assumptions," Mr. Fiorilli said.

Social class, once so easily assessed by the car in the driveway or the purse on the arm, has become harder to see in the things Americans buy. Rising incomes, flattening prices and easily available credit have given so many Americans access to such a wide array of high-end goods that traditional markers of status have lost much of their meaning.

A family squarely in the middle class may own a flat-screen television, drive a BMW and indulge a taste for expensive chocolate.

A wealthy family may only further blur the picture by shopping for wine at Costco and bath towels at Target, which for years has stocked its shelves with high-quality goods.

Everyone, meanwhile, appears to be blending into a classless crowd, shedding the showiest kinds of high-status clothes in favor of a jeans-and-sweatsuit informality. When Vice President Dick Cheney, a wealthy man in his own right, attended a January ceremony in Poland to commemorate the liberation of Nazi death camps, he wore a parka.

But status symbols have not disappeared. As luxury has gone down-market, the marketplace has simply gone one better, rolling out ever-pricier goods and pitching them to the ever-loftier rich. This is an America of \$130,000 Hummers and \$12,000 mother-baby diamond tennis bracelet sets, of \$600 jeans, \$800 haircuts and slick new magazines advertising \$400 bottles of wine.

Then there are the new badges of high-end consumption that may be less readily conspicuous but no less potent. Increasingly, the nation's richest are spending their money on personal services or exclusive experiences and isolating themselves from the masses in ways that go beyond building gated walls.

These Americans employ about 9,000 personal chefs, up from about 400 just 10 years ago, according to the [American Personal Chef Association](#). They are taking ever more exotic vacations, often in private planes. They visit plastic surgeons and dermatologists for costly and frequent cosmetic procedures. And they are sending their children to \$400-an-hour math tutors, summer camps at French chateaus and crash courses on managing money.

"Whether or not someone has a flat-screen TV is going to tell you less than if you look at the services they use, where they live and the control they have over other people's labor, those who are serving them," said [Dalton Conley](#), an author and a sociologist at [New York University](#).

Goods and services have always been means to measure social station. [Thorstein Veblen](#), the political economist who coined the phrase "conspicuous consumption" at the beginning of the last century, observed that it was the wealthy "leisure class," in its "manner of life and its standards of worth," that set the bar for everyone else.

"The observance of these standards," Veblen wrote, "in some degree of approximation, becomes incumbent upon all classes lower in the scale."

So it is today. In a [recent poll by The New York Times](#), fully 81 percent of Americans said they had felt social pressure to buy high-priced goods.

But what Veblen could not have foreseen is where some of that pressure is coming from, says [Juliet B. Schor](#), a professor of sociology at [Boston College](#) who has written widely on consumer culture. While the rich may have always set the standards, Professor Schor said, the actual social competition used to be played out largely at the neighborhood level, among people in roughly the same class.

In the last 30 years or so, however, she said, as people have become increasingly isolated from their neighbors, a barrage of magazines and television shows celebrating the toys and totems of the rich has fostered a whole new level of desire across class groups. A "horizontal desire," coveting a neighbor's goods, has been replaced by a "vertical desire," coveting the goods of the rich and the powerful seen on television, Professor Schor said.

"The old system was keeping up with the Joneses," she said. "The new system is keeping up with the Gateses."

Of course only other billionaires actually can. Most Americans are staring across a widening income gap between them and the very rich, making such vertical desire all the more unrealistic. "There is a bigger gap between the average person and what they are aspiring to," Professor Schor said.

But others who study consumer behavior say that the wanting and getting of material goods is not just a competitive exercise. In this view, Americans care less about emulating the top tier than about simply having a fair share of the bounty and a chance to carve out a place for themselves in society.

"People like having stuff, and stuff is good for people," said [Thomas O'Guinn](#), a professor of advertising at the [University of Illinois](#) who has written textbooks on marketing and consumption. "One thing modernity brought with it was all kinds of identities, the ability for people to choose who you want to be, how you want to decorate yourself, what kind of lifestyle you want. And what you consume cannot be separated from that."

### **Falling Prices, Rising Debt**

Throughout the mall in this upscale suburb of Cleveland, high-priced merchandise was moving: \$80 cotton rompers at Oh How Cute, \$40 scented candles at Bigelow Pharmacy. And everywhere, it seemed, was the sound of cellphones, one ringing out with a salsa tune, another with bars from Brahms.

Few consumer items better illustrate the democratization of luxury than the cellphone, once immortalized as the ultimate toy of exclusivity by Michael Douglas as he tromped around the 1987 movie "Wall Street" screaming into one roughly the size of a throw pillow.

Now, about one of every two Americans uses a cellphone; last year, there were 176 million subscribers, almost eight times the number a decade ago, according to the [market research firm IDC](#). The number has soared because prices have correspondingly plummeted, to about an eighth of what they were 10 years ago.

The pattern is a familiar one in consumer electronics. What begins as a high-end product - a laptop computer, a DVD player - gradually goes mass market as prices fall and production rises, largely because of the cheap labor costs in developing countries that are making more and more of the goods.

That sort of "global sourcing" has had a similar impact across the American marketplace. The prices of clothing, for example, have barely risen in the last decade, while department store prices in general fell 10 percent from 1994 to 2004, the federal government says.

Even where luxury-good prices have remained forbiddingly high, some manufacturers have come up with strategies to cast more widely for customers, looking to middle-class consumers, whose incomes have generally risen in recent years; the median family income in the United States grew 17.6 percent from 1983 to 2003, when adjusted for inflation.

One way makers of luxury cars have tapped into this market is by introducing cheaper versions of their cars, trying to lure younger, less-affluent buyers in the hope that they may upgrade to more prestigious models as their incomes grow.

Mercedes-Benz, BMW and Audi already offer cars costing about \$30,000 and now plan to introduce models that will sell for about \$25,000. Entry-level luxury cars are the fastest growing segment of that industry.

"The big new trend that is coming to the U.S. is 'subluxury' cars," said David Thomas, editor of [Autoblog](#), an online automotive guide. "The real push now is to go a step lower, but the car makers won't say 'lower.'"

The luxury car industry is just one that has made its products more accessible to the middle class. The cruise industry, once associated with the upper crust, is another.

"The cruise business has totally evolved," said [Oivind Mathisen](#), editor of the newsletter [Cruise Industry News](#), "and become a business that caters to moderate incomes." The luxury end makes up only 10 percent of the cruise line market now, Mr. Mathisen said.

Yet today's cruise ships continue to trade on the vestiges of their upper-class mystique, even while offering new amenities like on-board ice skating and wall-climbing. Though dinner with the captain may be a thing of the past, the ships still pamper guests with spas, boutiques and sophisticated restaurants.

All that can be had for an average of \$1,500 a week per person, a price that has gone almost unchanged in 15 years, Mr. Mathisen said. The industry has kept prices down in part by buying bigger ships, the better to accommodate a broader clientele.

But affordable prices are only one reason the marketplace has blurred. Americans have loaded up on expensive toys largely by borrowing and charging. They now owe about \$750 billion in revolving debt, according to the Federal Reserve, a six-fold increase from two decades ago.

That huge jump can be traced in part to the credit industry's explosive growth. Over the last 20 years, the industry became increasingly lenient about whom it was willing to extend credit to, more sophisticated about assessing credit risks and increasingly generous in how much it would let people borrow, as long as those customers were willing to pay high fees and risk living in debt.

As a result, to take one example, millions of Americans who could not have dreamed of buying their own homes two decades ago are now doing so in record numbers because of a sharp drop in mortgage interest rates, a surge in the number of mortgages granted and the creation of the sub-prime lending industry, which gives low-income people access to credit at high cost.

"Creditors love the term the 'democratization of credit,'" said Travis B. Plunkett, the legislative director of the [Consumer Federation of America](#), a consumer lobbying group. "Over all, it has certainly had a positive effect. Many families that never had access to credit now do. The problem is that a flood of credit is now available to many financially vulnerable families and extended in a reckless and aggressive manner in many cases without thought to implications. The creditors say it has driven the economy forward and helped many families improve their financial lives, but they omit talking about the other half of the equation."

### **The Marketers' Response**

Marketers have had to adjust their strategies in this fluid world of consumerism. Where once they pitched advertisements primarily to a core group of customers - men earning \$35,000 to \$50,000 a year, say - now they are increasingly fine-tuning their efforts, trying to identify potential customers by interests and tastes as well as by income level.

"The market dynamics have changed," said [Idris Mootee](#), a marketing expert based in Boston. "It used to be clearly defined by how much you can afford. Before, if you belonged to a certain group, you shopped at Wal-Mart and bought the cheapest coffee and bought the cheapest sneakers. Now, people may buy the cheapest brand of consumer goods but still want Starbucks coffee and an iPod."

Merchandisers, for example, might look at two golfers, one lower middle class, the other wealthy, and know that they read the same golf magazine, see the same advertisements and possibly buy the same quality driver. The difference is that one will be splurging and then play on a public course while the other will not blink at the price and tee off at a private country club.

Similarly, a middle-income office manager may save her money to buy a single luxury item, like a Chanel jacket, the same one worn by a wealthy homemaker who has a dozen others like it in her \$2.5 million house.

Marketers also know that today's shoppers have unpredictable priorities. Robert Gross, who was wandering the Beachwood mall with his son David, said he couldn't live without his annual cruise. Mr. Gross, 65, also prizes his two diamond pinkie rings, his racks of cashmere sweaters and his Mercedes CLK 430. "My license plate reads BENZ4BOB," he said. "Does that tell you what kind of person I am?"

But a taste for luxury goods did not stop Mr. Gross, an accountant, from scoffing as David paid \$30 for a box of Godiva chocolates for his wife. The elder Mr. Gross had been to a local chocolate maker. "I went to Malley's," he said, "and bought my chocolate half price."

Yet virtually no company that has built a reputation as a purveyor of luxury goods will want to lose its foothold in that territory, even as it lowers prices on some items and sells them to a wider audience. If one high-end product has slipped into the mass market, then a new one will have to take its place at the top.

Until the early 1990's, Godiva sold only in Neiman Marcus and a few other upscale stores. Today it is one of those companies whose customers drift in from all points along the economic spectrum. Its candy can now be found in 2,500 outlets, including Hallmark card stores and middle-market department stores like Dillard's.

"People want to participate in our brand because we are an affordable luxury," said Gene Dunkin, president of Godiva North America, a unit of the Campbell Soup Company. "For under \$1 to \$350, with an incredible luxury package, we give the perception of a very expensive product."

But the company is also trying simultaneously to hold on to the true luxury market, which has increasingly been seduced away by small, expensive artisan chocolate makers, many from Europe, that are opening around the country. Two years ago, Godiva introduced its most expensive line ever, "G," handmade chocolates selling for \$100 a pound. Today it is available only in holiday seasons and only at selected stores.

### **The New Status Symbols**

While the rest of the United States may appear to be catching up with the Joneses, the richest Joneses have already moved on.

Some have slipped out of sight, buying bigger and more lavish homes in neighborhoods increasingly insulated from the rest of Americans.

But the true measure of upper class today is in the personal services indulged in.

Professor Conley, the New York University sociologist, refers to these less tangible badges of status as "positional goods." Consider a couple who hire a baby sitter to pick up their children from school while they both work, he said. Their status would generally be lower than the couple who could pick up their children themselves, because the second couple would have enough earning power to allow one parent to stay at home while the other worked.

But the second couple would actually occupy the second rung in this after-school hierarchy. "In the highest group of all is the parent who has a nanny along," Professor Conley said.

Status among people in the top tier, he said, "is the time spent being waited on, being taken care of in nail salons, and how many people who work for them." From 1997 to 2002, revenues from hair, nail and skin care services jumped by 42 percent nationwide, Census Bureau data shows. Revenues from what the bureau described as "other personal services" increased 74 percent.

Indeed, in some cases, services and experiences have replaced objects as the true symbols of high status. "Anyone can buy a one-off expensive car," said Paul Nunes, who with Brian Johnson wrote "[Mass Affluence](#)," a book on marketing strategies. "But it is lifestyle that people are competing on more now. It is which sports camps do your kids go to and how often, which vacations do you take, even how often do you do things like go work for Habitat for Humanity, which is a charitable expense people can compete with."

In the country's largest cities, otherwise prosaic services have been transformed into status symbols simply because of the price tag. In New York last year, one salon introduced an \$800 haircut, and a Japanese restaurant, Masa, opened with a \$350 prix fixe dinner (excluding tax, tips and beverages). The experience is not just about a good meal, or even an exquisite one; it is about a transformative encounter in a Zen-like setting with a chef who decides what will be eaten and at what pace. And it is finally about exclusivity: there are only 26 seats. Today, one of the most sought-after status symbols in New York is a [Masa](#) reservation.

And that is how the marketplace works, Professor Conley says. For every object of desire, another will soon come along to trump it, fueling aspirations even more.

"Class now is really like three-card monte," he said. "The moment the lower-status aspirant thinks he has located the nut under the shell, it has actually shifted, and he is too late. "