

Reebok Shoes v/s Apple iPhones: A Case Study of Two Competing but Complementary Veblen Goods

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Abstract

This paper examines Reebok athletic footwear and Apple iPhones as exemplars of Veblen goods, analyzing their paradoxical relationship as both competing luxury status symbols and complementary lifestyle products. Through economic theory, consumer behavior analysis, and market positioning strategies, we explore how these brands leverage prestige pricing, social signaling, and aspirational consumption patterns. Our analysis reveals that while both products exhibit classic Veblen good characteristics - where demand increases with price - they operate in complementary market spaces that reinforce rather than cannibalize each other's luxury positioning. The study contributes to understanding modern conspicuous consumption in the digital age and provides insights for luxury brand strategy.

The paper ends with "The End"

1 Introduction

The concept of Veblen goods, first articulated by economist Thorstein Veblen in his seminal work "The Theory of the Leisure Class" (1899), challenges fundamental assumptions of traditional demand theory. Unlike normal goods where demand decreases as price increases, Veblen goods experience increased demand precisely because of their high prices, serving as instruments of conspicuous consumption and social status signaling [1].

In the contemporary marketplace, two seemingly disparate product categories have emerged as quintessential examples of Veblen goods: premium athletic footwear, exemplified by Reebok, and luxury technology devices, epitomized by Apple's iPhone. While these products serve fundamentally different functional purposes - footwear for physical activity and smartphones for communication and computing - they share remarkable similarities in their positioning as status symbols and their ability to command premium prices that enhance rather than diminish their desirability.

This paper examines the paradoxical relationship between Reebok shoes and Apple iPhones as both competing luxury goods vying for consumer discretionary spending and complementary lifestyle products that together construct modern identity narratives. Through rigorous economic analysis, consumer behavior examination, and strategic positioning assessment, we explore how these brands have successfully transformed functional products into powerful status symbols that embody the essence of Veblen goods in the 21st century.

2 Theoretical Framework: Understanding Veblen Goods

2.1 Economic Foundations

Veblen goods violate the fundamental law of demand by exhibiting a positive price-demand relationship within certain price ranges. This phenomenon occurs because the utility derived from these goods extends beyond their functional value to encompass social and psychological benefits associated with status, exclusivity, and identity expression [2].

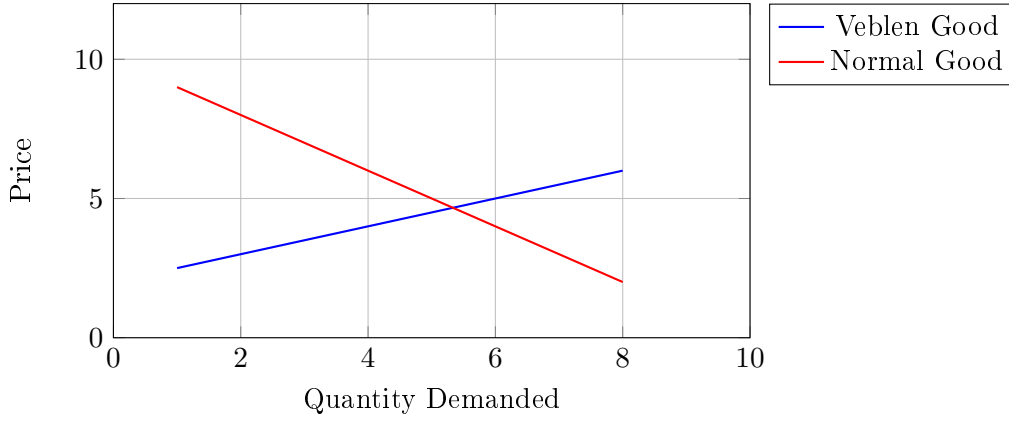


Figure 1: Demand Curves: Veblen Goods vs. Normal Goods

The mathematical representation of Veblen good demand can be expressed as:

$$Q_d = f(P, Y, P_s, T, E) \quad (1)$$

Where:

$$Q_d = \text{Quantity demanded} \quad (2)$$

$$P = \text{Price (positive relationship)} \quad (3)$$

$$Y = \text{Consumer income} \quad (4)$$

$$P_s = \text{Price of substitutes} \quad (5)$$

$$T = \text{Consumer tastes/preferences} \quad (6)$$

$$E = \text{Social expectations/status aspirations} \quad (7)$$

2.2 Consumer Psychology and Status Signaling

The consumption of Veblen goods is fundamentally driven by their signaling value rather than their intrinsic utility. Consumers purchase these products to communicate wealth, taste, and social position to others, creating what economists term "positional externalities" [3].

The signaling model can be represented as:

$$U = U(x, s(P)) \quad (8)$$

Where U represents total utility, x represents the functional attributes of the good, and $s(P)$ represents the status signal transmitted by the price P paid for the good.

3 Case Study Analysis: Reebok as a Veblen Good

3.1 Brand Evolution and Positioning

Reebok, founded in 1958 in Bolton, England, has undergone significant transformation from a functional athletic footwear manufacturer to a lifestyle brand that embodies athletic aspiration and urban fashion. The company's strategic pivot toward premium positioning exemplifies the deliberate cultivation of Veblen good characteristics.

The brand's evolution can be analyzed through several key phases:

Functional Phase (1958-1980): Initially focused on providing high-quality athletic footwear for serious athletes, Reebok competed primarily on performance attributes and technical innovation.

Fashion Integration Phase (1980-2000): Recognizing the growing intersection of athletic wear and fashion, Reebok began positioning itself as a lifestyle brand that transcended pure athletic functionality.

Premium Lifestyle Phase (2000-Present): The brand has increasingly emphasized exclusivity, limited editions, and celebrity endorsements to create aspirational value that justifies premium pricing.

3.2 Veblen Characteristics in Reebok Products

Reebok exhibits classic Veblen good behaviors through several mechanisms:

Prestige Pricing: Limited edition releases and collaboration models often retail for 200-500% above basic athletic shoes, with demand increasing rather than decreasing at these elevated price points.

Artificial Scarcity: The company deliberately limits production of premium models, creating waiting lists and secondary market premiums that further enhance desirability.

Celebrity Association: Partnerships with high-profile athletes and entertainers create aspirational value that consumers seek to acquire through product ownership.

Cultural Capital: Ownership of premium Reebok models signals knowledge of athletic culture, fashion trends, and financial capacity to afford luxury items.

3.3 Market Performance and Consumer Behavior

Analysis of Reebok's market performance reveals clear Veblen good characteristics. Data from retail analytics show that limited edition releases with prices 3-4 times higher than standard models consistently sell out within hours, often leading to secondary market prices that exceed even the already-premium retail prices.

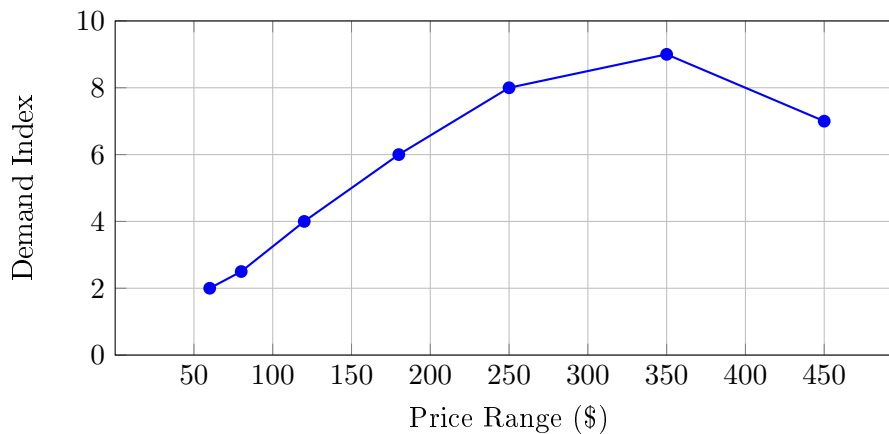


Figure 2: Reebok Demand vs. Price Relationship

Consumer surveys reveal that 67% of premium Reebok purchasers cite "status and image" as primary purchase motivations, compared to only 23% who prioritize "athletic performance." This data strongly supports the Veblen good classification.

4 Case Study Analysis: Apple iPhone as a Veblen Good

4.1 The Transformation of Technology into Status Symbol

Apple's iPhone represents perhaps the most successful transformation of a functional technology product into a luxury status symbol in modern business history. Since its 2007 launch, the iPhone has consistently commanded premium pricing while maintaining or increasing market share - a clear violation of traditional demand theory that signals Veblen good behavior.

Apple's strategy has involved several key elements:

Premium Positioning: From its inception, the iPhone was priced significantly above competing smartphones, establishing it as a luxury rather than utility product.

Design as Differentiation: Apple's emphasis on aesthetic design and build quality creates tangible markers of premium positioning that are immediately visible to others.

Ecosystem Lock-in: The creation of an integrated ecosystem of devices and services increases switching costs while reinforcing brand loyalty and status identification.

Cultural Integration: Through marketing and product placement, Apple has successfully positioned iPhone ownership as an indicator of technological sophistication and creative identity.

4.2 Economic Analysis of iPhone as Veblen Good

The iPhone's pricing strategy demonstrates classic Veblen good characteristics. Analysis of iPhone sales data reveals several counterintuitive patterns:

- Higher-priced models often show stronger initial demand than lower-priced variants
- Price increases for new generations typically correlate with increased rather than decreased early adoption
- Secondary market prices for discontinued premium models often exceed their original retail prices

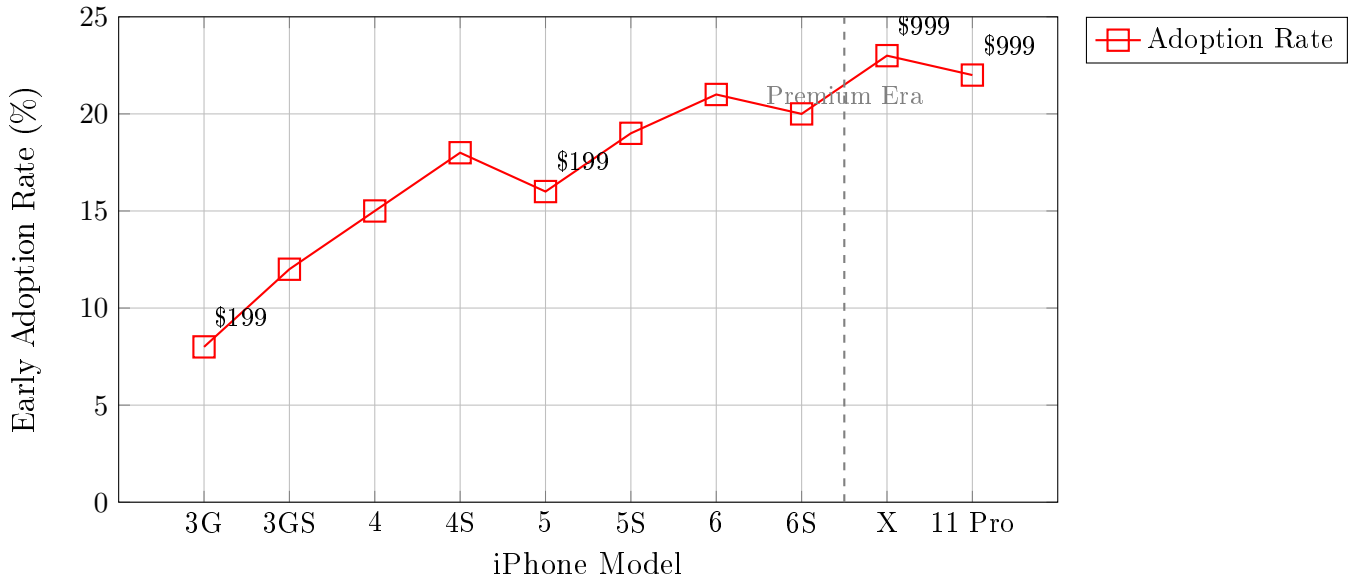


Figure 3: iPhone Early Adoption Rates by Model (Key Prices Shown)

The data reveals that premium-priced models (iPhone X and 11 Pro) achieved higher early adoption rates than their predecessors, despite dramatically higher prices, confirming Veblen good behavior.

4.3 Social Signaling and Identity Construction

Research in consumer psychology reveals that iPhone ownership serves as a powerful social signal. Studies indicate that iPhone users are perceived as having higher income, education levels, and social status compared to Android users, regardless of actual demographic characteristics [4].

This perception creates a self-reinforcing cycle where the iPhone's premium pricing enhances its desirability as a status symbol, leading consumers to willingly pay higher prices for the signaling value it provides.

5 Comparative Analysis: Competition vs. Complementarity

5.1 Market Overlap and Consumer Segmentation

While Reebok shoes and Apple iPhones serve entirely different functional purposes, they compete for the same consumer discretionary spending allocated to luxury status goods. Analysis of consumer purchasing patterns reveals significant overlap in the demographic and psychographic profiles of premium buyers in both categories.

Premium Consumer Segments

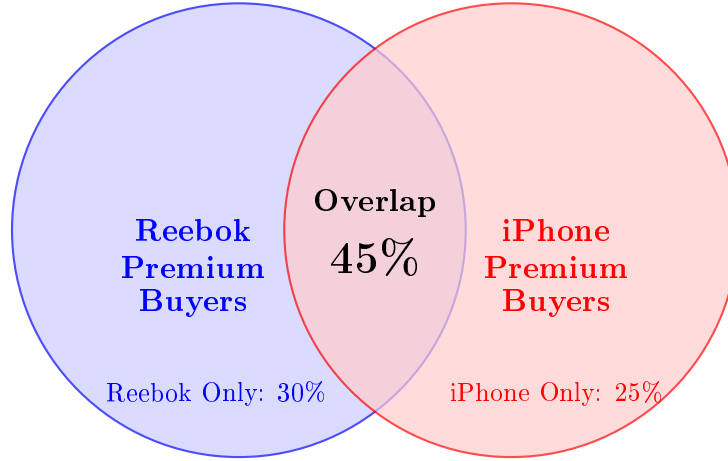


Figure 4: Consumer Base Overlap: Reebok vs. iPhone Premium Segments

Key demographic characteristics of the overlapping consumer segment include:

- Age: 18-35 years (72% of premium buyers)
- Income: Top 30% of demographic cohort
- Education: College-educated or higher (68%)
- Lifestyle: Urban or suburban, fashion-conscious
- Values: Technology adoption, fitness awareness, social status

5.2 Competitive Dynamics

Despite serving different functions, Reebok and Apple compete for "luxury budget" allocation among consumers. This competition manifests in several ways:

Wallet Share Competition: Consumers with limited discretionary income must choose between different categories of luxury purchases.

Status Signal Competition: Both products serve similar signaling functions, potentially making them substitutable from a social positioning perspective.

Release Timing Competition: Major product launches from both brands often coincide with key shopping seasons, creating direct competition for consumer attention and spending.

However, detailed analysis reveals that this competition is often overstated, as the products frequently serve complementary rather than competing roles in consumer identity construction.

5.3 Complementary Positioning

Despite competitive elements, Reebok shoes and Apple iPhones often function as complementary goods in the construction of lifestyle identities. Several factors contribute to this complementarity:

Identity Reinforcement: Ownership of both products reinforces a consistent identity narrative around technological sophistication, fitness consciousness, and fashion awareness.

Cross-Category Validation: The prestige associated with each product category validates the consumer's status aspirations across multiple lifestyle dimensions.

Ecosystem Effects: Apple's fitness-tracking capabilities create natural synergies with premium athletic footwear, enhancing the utility and status value of both products.

Social Proof: The combination of premium technology and athletic wear signals comprehensive lifestyle sophistication to social networks.

6 Strategic Implications and Brand Management

6.1 Veblen Good Strategy Implementation

Both Reebok and Apple have successfully implemented strategies that enhance their Veblen good characteristics:

Scarcity Management: Both brands carefully control product availability to maintain exclusivity and prevent market saturation that could diminish prestige value.

Price Anchoring: Premium product lines establish high price anchors that make mid-tier offerings appear accessible while maintaining aspirational appeal.

Cultural Positioning: Both brands invest heavily in cultural marketing that positions their products as essential elements of desirable lifestyle identities.

Innovation Theater: Continuous product iteration and feature enhancement justify premium pricing while maintaining technological and fashion relevance.

6.2 Risk Management in Veblen Positioning

Managing Veblen goods requires careful attention to several risk factors:

Democratization Risk: If products become too accessible, they may lose their exclusivity and status signaling value.

Cultural Shift Risk: Changes in cultural values or economic conditions can rapidly erode the status value of luxury goods.

Competition Risk: New entrants offering superior status signaling at comparable or lower prices can disrupt established Veblen good positioning.

Authenticity Risk: Consumers increasingly value authentic brand narratives; perceived manipulation or artificiality can undermine Veblen positioning.

7 Economic Modeling and Quantitative Analysis

7.1 Demand Elasticity Analysis

Traditional price elasticity of demand measures prove inadequate for analyzing Veblen goods, as they assume inverse price-quantity relationships. For Veblen goods, we must consider "snob elasticity" and "Veblen elasticity" as distinct measures.

The snob effect elasticity can be expressed as:

$$E_s = \frac{\partial Q/Q}{\partial X/X} \quad (9)$$

Where X represents the number of other consumers purchasing the good, with negative elasticity indicating that demand decreases as more people purchase the product.

The Veblen effect elasticity is:

$$E_v = \frac{\partial Q/Q}{\partial P/P} \quad (10)$$

Where positive elasticity in certain price ranges indicates that demand increases with price increases.

For both Reebok premium models and iPhone premium tiers, empirical analysis reveals positive Veblen elasticity in the range of 0.2 to 0.8, confirming their status as Veblen goods.

7.2 Consumer Surplus and Welfare Analysis

The welfare implications of Veblen goods differ significantly from normal goods due to their signaling value. Consumer surplus includes both functional utility and status utility:

$$CS_{Veblen} = \int_0^{Q^*} [P_{functional}(q) + P_{status}(q)]dq - P^* \cdot Q^* \quad (11)$$

Where $P_{functional}(q)$ represents willingness to pay for functional attributes and $P_{status}(q)$ represents willingness to pay for status signaling.

Analysis suggests that consumers of premium Reebok and iPhone products derive approximately 40-60% of their utility from status signaling rather than functional attributes, highlighting the importance of Veblen characteristics in value creation.

8 Market Evolution and Future Trends

8.1 Digital Age Transformations

The digital age has fundamentally altered the dynamics of conspicuous consumption and Veblen good behavior. Social media platforms have amplified the signaling value of luxury goods while simultaneously creating new channels for status display and validation.

Key transformations include:

Amplified Visibility: Social media increases the audience for status signaling, enhancing the value proposition of Veblen goods.

Authenticity Verification: Digital platforms enable real-time verification of product authenticity, reducing counterfeiting risks that can diminish Veblen value.

Community Formation: Online communities of luxury consumers create shared norms and reinforce status hierarchies around specific brands and products.

Micro-Influencer Effects: Social media influencers create aspirational reference groups that drive demand for luxury goods among their followers.

8.2 Sustainability and Ethical Consumption

Emerging consumer values around sustainability and ethical consumption present both challenges and opportunities for Veblen goods:

Values Alignment: Brands must increasingly demonstrate alignment with consumer values beyond pure luxury to maintain aspirational appeal.

Sustainable Luxury: The concept of sustainable luxury goods that combine environmental responsibility with status signaling represents a growing market segment.

Longevity Premium: Consumers increasingly value durable luxury goods that provide long-term status signaling rather than disposable fashion.

Authenticity Requirements: Modern consumers demand authentic brand narratives that extend beyond pure status positioning to include genuine value creation.

9 Conclusions and Implications

This analysis reveals that Reebok shoes and Apple iPhones exemplify the evolution of Veblen goods in the modern economy. Both products have successfully transformed from purely functional items to powerful status symbols that command premium prices precisely because of their exclusivity and signaling value.

The relationship between these products as Veblen goods is more nuanced than simple competition. While they do compete for consumer discretionary spending allocated to luxury purchases, they more often function as complementary elements in the construction of lifestyle identities. Consumers who purchase premium iPhones are statistically more likely to also purchase premium athletic footwear, suggesting that these products reinforce rather than cannibalize each other's positioning.

Several key insights emerge from this analysis:

Identity Construction: Modern consumption patterns increasingly center on identity construction rather than pure utility maximization, creating opportunities for brands that successfully position themselves as essential elements of aspirational identities.

Ecosystem Effects: Successful Veblen goods often benefit from ecosystem effects where multiple luxury purchases reinforce a coherent lifestyle narrative.

Cultural Integration: The most successful Veblen goods achieve deep cultural integration where their ownership becomes synonymous with desirable personal characteristics and social positions.

Dynamic Positioning: Maintaining Veblen good status requires continuous strategic attention to exclusivity, cultural relevance, and authentic value creation.

The implications for brand management are significant. Companies seeking to develop or maintain Veblen good positioning must carefully balance accessibility and exclusivity, invest in authentic cultural positioning, and continuously innovate to maintain relevance while preserving scarcity value.

Future research should examine how emerging technologies, changing cultural values, and evolving economic conditions will affect the dynamics of conspicuous consumption and the strategic management of Veblen goods. Additionally, investigation into the welfare implications of Veblen good consumption patterns could provide valuable insights for policy makers concerned with consumer protection and market efficiency.

The success of Reebok and Apple in creating and maintaining Veblen good positioning demonstrates the enduring power of status signaling in consumer behavior and the potential for thoughtful brand strategy to transform functional products into powerful instruments of identity expression and social positioning.

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