Reference Groups

- An actual or imaginary individual/group conceived of having significant relevance upon an individual’s evaluations, aspirations, or behavior
  - Reference groups influence consumers in three ways:
    - Informational
    - Utilitarian (satisfies expectations)
    - Value-expressive (enhance image)

Reference Group Influences

- Reference group effects are more robust for purchases that are:
  - Luxuries rather than necessities
  - Socially conspicuous/visible to others

<table>
<thead>
<tr>
<th>BRAND</th>
<th>Weak Reference Group Influence</th>
<th>Strong Reference Group Influence</th>
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<tbody>
<tr>
<td>PUBLIC NECESSITIES</td>
<td>PUBLIC LUXURIES</td>
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<tr>
<td>PRIVATE NECESSITIES</td>
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- Social power: capacity to alter the actions of others
  - Referent power
  - Information power
  - Legitimate power
  - Expert power
  - Reward power
  - Coercive power

Types of Reference Groups

- Any external influence that provides social clues
  - Cultural figure
  - Parents
  - A large, formal organization
    - Tend to be more product- or activity-specific: comparative influence
  - Small and informal groups
    - Exert a more powerful influence on individual consumers
    - A part of our day-to-day lives: normative influence

Membership vs. Aspirational Reference Groups

- People the consumer actually knows vs. people the consumer doesn’t know but admires
  - Admirational strategies concentrate on highly visible, widely admired figures (athletes or performers)
Membership strategies focus on “ordinary” people whose consumption provides informational social influence
  • Propinquity, mere exposure, and group cohesiveness

Positive vs. Negative Reference Groups
• Reference groups may exert either a positive or negative influence on consumption behaviors
  — Avoidance groups: motivation to distance oneself from other people/groups
  — Marketing: ads with undesirable people using competitor’s product

Consumers Do It in Groups
• Deindividuation
  — Binge drinking at college parties
• Social loafing
  — We tend to tip less when eating in groups
• Risky shift
  — Diffusion of responsibility
  — Value hypothesis
• Decision polarization
• Home shopping parties
  — Tupperware and Botox parties
  — Informational and normative social influence
  — Deindividuation
  — Risky shift

Conformity
• Most people tend to follow society’s expectations regarding how to look/act
  — Change in beliefs/actions toward societal norms
    • Appropriate clothing/personal items, gift-giving, sex roles, and personal hygiene

Factors Influencing Conformity
• Cultural pressures
• Fear of deviance
  — Sanctions against “different” behavior
• Commitment to group membership
  — Principle of least interest
• Group unanimity, size, expertise
• Susceptibility to interpersonal influence
  — Role relaxed

Social Comparison
• “How’m I doing?”
  — We look to others’ behavior to inform us about reality
  — Occurs as way to increase stability of one’s self-evaluation (sans physical evidence)
    • Tastes in music and art
  — We tend to choose co-oriented peer when performing social comparison

Resisting Conformity
• Independence vs. anticonformity
  – “Marching to own drummer” vs. being aware of what is expected (and not doing it)
• Reactance
  – Negative emotional state when we are deprived of our freedom of choice
  – Censored books, TV shows, music lyrics

Word-of-Mouth Communication
• WOM: product information transmitted by individuals to individuals
  – More reliable/trustworthy form of marketing
  – Backed up by social pressure to conform
  – Influences two-thirds of all sales of goods
  – We rely upon WOM in later stages of evaluation and adoption
  – WOM is powerful when we are unfamiliar with product category
• Product-related conversation factors:
  – High involvement with product (pleasure)
  – Knowledgeable about product (impressing others)
  – Genuine concern for others (avoid wasting money)

Negative WOM and Power of Rumors
• We weigh negative WOM more heavily than we do positive comments!
  – Negative WOM is easy to spread, especially online
  – Determined detractors
    • Discussion: What is the best way for a company to deal with determined detractors?
  – Information/rumor distortion
    • Assimilation, leveling, and sharpening

Virtual Communities
• A collection of people who share their love of a product in online interactions
  – Multi-user dungeons (MUD)
  – Rooms (IRC), rings, and lists
  – Boards
  – Blogs/blogosphere
• Great potential for abuse via untrustworthy members
  – Amazon.com lawsuit (charging publishers to post positive reviews of Web site)

Types of Web Surfers

Guerrilla Marketing
• Promotional strategies that use unconventional locations and intensive WOM to push products
  – Recruiting legions of real consumers for street theater
• Hip-hop “mix tapes”/street teams
• P&G’s Tremor
• Kayem Foods’ Great Sausage Fanout

— Brand ambassadors

Social Networking
• Web sites letting members post information about themselves and make contact with similar others
  — Share interests, opinions, business contacts

Opinion Leadership
• We don’t usually ask just anyone for advice about purchases!
• We most likely seek advice from someone who knows a lot about a product
  — Opinion leaders frequently influence other’s attitudes/behaviors
• E-fluential advice

Reasons to Seek Advice from Opinion Leaders
• Expertise
• Unbiased knowledge power
• Highly interconnected in communities (social standing)
• Referent power/homophily
• Hands-on product experience (absorb risk)
• Generalize opinion leader vs. monomorphic (specialist)/polymorphic (generalist) experts
• Although opinion leaders exist for multiple product categories, expertise tends to overlap across similar categories
  — It is rare to find a generalized opinion leader
• Innovative communicators
• Opinion seekers
  — More likely to talk about products with others and solicit others’ opinions
  — Casual interaction prompted by situation

The Surrogate Consumer
• A marketing intermediary who is hired to provide input into purchase decisions
  — Interior decorators, stockbrokers, professional shoppers, college consultants
  — Consumer relinquishes control over decision-making functions
• Marketers should not overlook influence of surrogates!

Identifying Opinion Leaders
• Many ads intend to reach influentials rather than average consumer
  — Local opinion leaders are harder to find
  — Companies try to identify influentials in order to create WOM “ripple effect”
  — Exploratory studies identify characteristics of opinion leaders for promotional strategies

The Self-Designating Method
• Most commonly used technique to identify opinion leaders...
  — Simply ask individuals whether they consider themselves to be opinion leaders
  — Method is easy to apply to large group of potential opinion leaders
  — View with skepticism...inflation or unawareness of own importance/influence
• Alternative: key informants identify opinion leaders

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