Marketing Strategy And Consumer Behavior: The Importance Of Reference Groups In Purchase Decisions

Introduction to Reference Groups

Consumers belong to several social groups such as family, school, clubs, sports teams, neighborhood, etc. and is generally used as a standard for comparison. Reference groups help individuals understand the social norms, which helps them shape their values, ideas, behavior as well as their appearance. As consumers grow older, their association with people or groups change and hence there is change in the consumption pattern. Hence, it would be apt to say that the groups have a major influence in the consumption pattern and ultimately the buying decision.

A group becomes a reference group when an individual recognizes with the group and takes on many of the values, attitudes or personal standards of group members and use it as the base of his/her day to day behavior as mentioned above. Hawkins and Mothersbaugh (2016) explains reference group as a group whose presumed perspective or values are being used by an individual as the basis for his/ her current behavior. In simple words, it is defined as people or group of people or institution whose opinions are respected and to whom a person looks for guidance in his / her own behavior, values, and conduct. The influence of these reference groups is based on the purchase of tangible products (products that can be seen and identifiable) as well as products that are conspicuous that not everybody owns (Boone & Kurtz, 2016). However, it is also important to note that though the influence on the individual by a reference group can be visible in the purchase decision and behavior, the individual may not be a part of the reference group. In other words, when the product is consumed publicly, the influence of reference group is more visible (Amaldoss & Jain, 2008).

Review/Analysis of the Case

This paper will examine the role of reference groups in the context of shoes, barbeque grill, car, toaster, iPhones and pet adoption from the shelter. Reference groups have a lot of influence on consumers mind and it is particularly important as marketers to understand how consumers interpret the information gathered from the reference groups and make purchase decisions. This paper will also shed light on the nature of reference groups, its influence on individuals as well norms that these social groups follow.

The Importance of Reference Groups in Purchase Decisions

As social animals, the desire to belong or fit-in is the primary reason individuals associate themselves to some form of group. Often, consumers are seen using others as a source of information for evaluating their beliefs about the world or product and services (Escalas & Bettman, 2003). Reference Groups are thus used as a standard for comparison for self-assessment or as a model that helps them shape the behavior, values, beliefs, opinions, preferences, and ultimately acts as a guide for purchase or consumption decision.

The groups that consumers interact daily has a lot of influence on the consumption and purchase decision. The influence of reference groups can be in the form of informational, normative and identification (Mothersbaugh & Hawkins, 2016). For example, as consumers and a social animal, we are conditioned to purchase certain products without much thought because the family has been using the certain product for a long time. When consumers rely on the direct association with a group, and see products of a specific brand, they tend to change switch the brand as in the case of informational influence. As stated above, the need to belong or the desire to be accepted may be another reason for consumers to switch to a different brand as in the case of normative influence. Lastly, when consumers have accepted the norms and values of the group that they associate with as their own, the switching or acceptance of different brand happens naturally like in the case of value expressive influence. Hence, it would be apt to say that reference group affect the choice of brand and model.

The reference group influence can further be explained based on the product category. There are three types of reference groups that influence the product or brand choice namely informational, value-expressive and utilitarian (Leijer, 2010). It is often seen that low involvement products that do not have visibility in the consumption have little or no influence on the purchase decision. But tangible products that are expensive and have risk associated with it, consumers tend to rely on the reference group for information and validation.

Reference group influence is well accepted by individuals mainly because it gives a sense of belonginess, satisfaction and information that may not be otherwise available from other sources. However, it is important to note that the degree to which the group influences the purchase and consumption decision is based on the credibility of the reference group, consumer conformity, product/brand visibility, and information and experience held by the members in the reference group ('Factors Affecting the Influence of Reference Groups', 2007).

Product 1. Shoes

The reference group influence is stronger for shoes as this product as well as the brand is visible to the group. Informational Influence is what we will notice among college students who want to be accepted in the group and rely on the group for information. The influence can be that of identification as well when it comes to style and brand.

Product 2. Barbeque Grill

The reference group influence on the purchase of barbeque grill is weak. As college students, barbeque grill is not a necessity, nor do students want to showcase their consumption through the grill. Even if they involved themselves in purchase decision, the brand would not play any significant role. But the choice of style and model maybe through informational influence.

Product 3. Car

Car is a high involvement product, that is expensive and involves risk. As a buyer, the students rely on the school or office reference groups for information on the product, brand, pricing and features. They also rely on information that is available online, but the influence from a class-mate or coworker who owns the specific brand or has an expertise on the cars will have a greater influence. This influence can be categorized under identification as well as normative

influence.

Product 4: Toaster

A low involvement product that has no visibility of the consumption is said to have no influence from the reference group. The college students do not pay attention to the brand or model as long as the toaster does its job.

Product 5: iPhone

iPhone is a luxury item that acts as a status symbol for a lot of individuals. The purchase decision highly depends on the group influence at school and work. Informational as well identification influence is seen on the purchase of iPhone where the reference group influence is strong.

Product 6: Adopting a pet from shelter

Having a pet is an individual choice and most often the reference group such as a member of because related organizations have a large influence on the adopting a pet from shelter homes. This would be normative influence.

In a purchase decision, the influence of reference group can be noticed on the choice of brand and the product itself as mentioned above. However, for the influence to happen, consumers must first seek information, comply with the preferences of others in the group, and adopt values of the group through some form of communication or observation, opinion and behavior of others (Bearden & Etzel, 1982).

Reference Groups Relevant to the Purchase Decision

The student market segment is quite unique. They have different needs, wants and preferences. College students are an important market segment because this group is conditioned to purchase certain products based on the family group they belong to as the reference group (family) has a lot of influence on them. Students are constantly faced with a lot of life decisions, which may also include many first-time buying decisions without the intervention or influence of the parents. College students join groups that share common values, interest and attitudes as this is crucial time for them in terms of consumer socialization (Eszter & Jozsa, 2018). Products that require high involvement level such as cars or phones often have group influence from family, friends and roommates while low involvement products like butter, laundry detergent and cereal box do not have any influence from any social groups.

Product 1. Shoes

For shoes, the reference group is important based on the choice of brand, style and purpose. Students may not be influenced by the reference group if the shoes are bought for everyday use, that will be used outside school and work. If the shoes are to be purchased for running, the individual tends to rely on expert advice from the reference group namely the sports club, family and friends who are sports enthusiast. Family and Friends are the primary group that have a lot of influence. This kind of influence can be informational influence as well as identification

influence because the brand choice and style are influenced by the values and norms of the reference group.

Product 2. Barbeque Grill

For the purchase of the barbeque grill, the reference group may not have any influence. But if the brand or the model was to be taken into consideration, the group may have certain influence (norms), but ultimately the purchase decision is based on the need and desire of the individual. There would be an informational influence – secondary group from the reference group.

Product 3. Car

Car is a high involvement product and the reference group is very important in the purchase decision and belong to the primary group. The brand/ model may have normative influence as the buyer fulfills the group expectations.

Product 4: Toaster

Toaster does not have any visibility and does not reflect the status among the group. Hence, it would be apt to say that the toaster does not have any influence from reference groups.

Product 5: iPhone

The need and desire for a phone is an individual choice, however, for the brand and style, the reference group may have a lot of influence. This will be a primary group influence. Buyers tend to collect information from friends and colleagues and value the opinion and ideas from these groups. This could be categorized under the identification influence as the choice is influenced by the values and norms of the reference group.

Product 6: Adopting a pet from shelter home

The association of an individual with non-profit organizations or cause related organizations, or even the closed family and friends that belong to the primary group may have an influence on the decision of adopting a pet from the shelter home and can be referred as normative influence.

Norms of the Social Groups

Norms are simply the informal rules that govern the behavior in groups and societies ('Social Norms', 2018). They serve as a foundation of correct behavior and are often noticed when individual violate the rules. Even if an individual does not conform to the social norms, he /she may follow it purely out of societal pressure. Below is the list of social norms that individuals of various groups usually follow:

1. Religious Group & Social Norms

- a. Cover my head with a cloth and hands joined while praying.

- b. Taking off shoes while entering a religious or holy place.

2. Sport Club & Social Norms

- a. Wear shoes & clothes that are comfortable to workout.

3. Online Group & Social Norms

- a. Keep up with the internet lingo.

4. School Group & Social Norms

- a. Not wearing provocative clothing.
- b. Addressing the professor with Sir or Ma'am.

5. Family Group & Social Norms

- a. Respecting elders and loving younger ones.
- b. Not calling your elders by their name.
- c. Not answering back or arguing with elders.
- d. Chewing slowly and with your mouth closed.

When these social norms are violated, the consequences may include being excluded from the group. The violator may face some punishment and even be ridiculed. It may also result in feeling guilty for not adhering to the norms.

Product 1. Shoes

The norms for the shoes would be related to fashion. It should be stylish, fashionable and cute.

Product 2. Barbeque Grill

The norms for Barbeque Grill would be charcoal grill as it would add flavor to the barbeque.

Product 3. Car

The norms for the car would be better mileage, no dent, sleek design, and good resale value.

Product 4. Toaster

The toaster should have life-time warranty.

Product 5. iPhone

It should have all the functionality and features of the smart phone and should be stylish.

Product 6. Adopting a pet from shelter

As responsible citizens of the nations, one should protect animals.

Possibility of Using Asch-Type Situation

The Asch Conformity experiment explains how the social influence shapes a person's values, ideas, practices, behavior and beliefs (Asch, 1955). When people associate themselves to certain groups, they either are already a member of the group and follow the norms and internalize the values and ideas as their own or they aspire to become like one of the members of the reference groups. Being associated with the groups gives them a sense of belonging and the choices made by the group are perceived in a positive way and hence individuals conform to the norms of the groups. According to Asch type experiment, people conform with a motivation to meet people's expectations. It is also noted that when a reference group consists of an expert, people tend to conform with the majority (Gavac, Murrar, & Brauer, 2014).

Product 1. Shoes

When making a purchase decision, individuals tend to think about the society instead of following their heart. In the hope of being accepted by the society, people tend to go with the latest trend and buy shoes that the society conforms.

Product 2. Barbeque Grill

Barbeque Grills are not something that people buy on a daily basis, hence, it becomes important to gather information from those who own or have experience buying the product. Hence, it would be apt to say the Asch type theory can be used to sell or purchase barbeque grills.

Product 3. Car

To get a social acceptance in the society, people tend to conform with what the society thinks as good and favorable. Though the individual need and choice of the car play a significant role in the purchase decision, thinking what the society will think about the car purchase, or if it will enhance the status in the society will impact the purchase decision and brand choice.

Product 4. Toaster

People tend to buy toasters even though they are not an avid user of the toaster. They conform to the Asch type theory by purchasing a toaster that others think is necessary to have in the household.

Product 5. iPhone

Today, iPhones are perceived as a status symbol. Even though the other smart phones may have the same functionality and features, people buy iPhones regardless of the cost. They think this will give them social acceptance and status.

Product 6. Adopting a pet from shelter

When group members have similar opinions about taking care and protecting the pets, they end up adopting the pets from shelter homes as this action conforms to the society as well as gives them a social status and acceptance.

Summary and Conclusions

Consumers belong to various groups in their lifetime. When individuals identify themselves with a group; they perceive and share common interest, beliefs, ideas, attitude, behavior and values, a reference group is formed. The influence of reference group on individuals is such that it gives them the social acceptance and sense of belonginess. It helps them define their own behavior and set parameters for themselves. It is important as marketers to understand how consumers in the reference group make consumption and purchase decision as well as understand the degree to which consumers can be influenced by reference groups and formulate the marketing strategy. Marketers can also use Asch-type theory it relates to the social conformity or social influence that consumers base their consumption and purchase decision.

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