

## MODULE 7: SOCIOLOGICAL INFLUENCES ON CONSUMER DECISION MAKING

- 7.1 Consumer groups**
- 7.2 Consumer reference groups**
- 7.3 Family and Family Life cycle**
- 7.4 Social class and mobility, Lifestyle analysis**
- 7.5 Culture, Sub-Culture and Cross Culture**
- 7.6 Interpersonal Communication and Influence**
- 7.7 Opinion Leadership**

### Introduction:

As has been mentioned in the previous module, consumer decision making process is impacted by (i) individual determinants that are specific to an individual and his self; and that take the form of psychological influences; and, (ii) group influences that are general across a class(es) of customers and take the form of sociological influences. The previous module dealt with the psychological influences on consumer decision making. This module deals with the sociological influences that impact consumer decision making; these include i) Consumer groups; ii) Consumer reference groups; iii) Family and Life cycle; iv) Social class and mobility, lifestyle analysis; v) Culture; Sub-Culture and Cross Culture. Apart from these the module also discusses the role played by Interpersonal Communication and Opinion Leadership.

## LESSON – 32 CONSUMER GROUPS AND REFERENCE GROUPS

### Instructional Objectives:

After completion of this lesson, the student shall know about:

**7.1.1 Meaning of Consumer Groups**

**7.1.2 Types of Consumer Groups**

**7.1.3 Consumer Socialization**

**7.1.4 Groups and Implications for Marketers**

**7.2.1 Meaning of Consumer Reference Groups**

**7.2.2 Types of Consumer Reference Groups**

**7.2.3 Factors affecting Impact of Reference Groups**

**7.2.4 Reference Group Appeals:**

**7.2.5 Usefulness of Reference Group Appeals**

**7.2.6 Influence of Reference Groups Varies By Product**

**7.2.7 Reference Group and Implications for Marketers**

### 7.1.1 MEANING OF CONSUMER GROUPS:

The term “group”, may be defined as two or more people who interact with each in order to achieve mutually agreed upon goals; such goals may relate to an individual or to the many who get together for the achievement of such goals. When we speak of **consumer groups**, we refer to individuals or group of individuals or the family who have a need and desire purchasing a good or service so as to fulfill the need and derive satisfaction.

While speaking of groups, it becomes necessary to understand the various kinds of groups. Groups may be i) small or large; ii) formal or informal (based on purpose of formation, legitimacy and structure of reporting relationships). So far as consumer behavior is concerned, the focus lies on small informal groups. This is because small groups are more cohesive in nature, there is more of interaction and the members can influence the purchase patterns and consumption behavior of each other.

### 7.1.2 TYPES OF CONSUMER GROUPS:

Groups may be classified on various bases like i) number and size; ii) regularity of contact; and iii) structure and hierarchy. The various types of consumer groups are as follows:

**i) Primary and Secondary Groups:** The distinction between *primary and secondary groups* is based on the significance/relevance of the group to an individual, and the frequency of interaction between group members.

Based on the regularity of contact and the importance given to subsequent interaction, groups may be classified as primary and secondary. When people interact with each other on a regular basis, and regard each others' opinions as valuable and significant, they are said to constitute a primary group; an individual who interacts with others regularly, is said to be a member of that primary group. For example, family, neighbours, work peers, co-workers and colleagues. Secondary groups, on the other hand, are those, where the level of interaction is infrequent, irregular and occasional, and not much of value is given to other's judgments and beliefs. When a person interacts with others on an occasional basis, he is said to be a constituent of a secondary group. So far as consumer behavior is concerned, the focus lies on primary groups.

**ii) Formal and Informal Groups:** Based on the group structure and membership, roles and norms, as well as purpose of formation, groups may be classified as *formal and informal groups*.

When the group structure and membership (membership roll list), roles (various positions, like president, secretary etc), group norms (do's and don'ts) and the reason for existence (goals of the group) are clearly defined, the group is said to be a formal group. On the other hand, when the group structure, roles and norms as even the purpose of the group are ill defined, or not defined at all, they are said to constitute an informal group. So far as consumer behavior is concerned, informal groups are of greater relevance to a marketer because with ill defined structures, and lesser of rules and regulations, there is greater opportunity for interaction between the members, better exchange of information and greater influence of each other on consumption patterns and behavior.

**iii) Membership and Symbolic Groups:** Groups can also be classified on the basis of membership as *membership groups and symbolic groups*. When a person belongs to a group by virtue of membership or even if he merely qualifies for a membership to that group, it is called a membership group. On the other hand, when a person does not form a part of a group

and/or does not qualify to be a member of the group, but nonetheless adopts the values, norms and patterns of behavior similar to members of the group, he is said to be a member of a symbolic group. In consumer behavior, the focus lies on membership groups.

To sum up, the focus in consumer behavior lies on small, informal, primary membership groups because such groups have the maximum influential impact on consumption patterns and consumption behavior. Speaking of such groups that are of maximum impact to consumer researchers, a discussion on consumer relevant groups becomes essential. The various consumer relevant groups with examples are illustrated in the table (See Table 1).

### 7.1.3 CONSUMER SOCIALIZATION:

The socialization process begins as we begin to realize the world around us. Of course the first influence comes from our family that comprises our parents and siblings. It could also include the extended family if staying together in the form of grand-parents, uncles, aunts and cousins. Interaction with family leads to what is referred to as child socialization. The child begins to learn the language, the dressing pattern, the eating pattern, the lifestyle, religion, customs, values and our culture. As he grows up, he is influenced by his friends, peers and colleagues, and there occurs what is known as adult socialization. They may belong to his culture or other cultures with varying lifestyles, values and customs. He is also influenced by his spouse and later on even by his children. His reference groups, both primary and secondary also have an impact on his behavior. The media also has a role to play, where the marketer indirectly plays a role (See Table 1).

**Table 1: Relevant Groups in the Study of Consumer Behavior**

S.No	Groups	Definition/Impact
1	Family	<ul style="list-style-type: none"> <li>- The family has the maximum impact on consumptions patterns and consumption behavior because of the socialization process that an individual as a family member undergoes through.</li> <li>- The family is the most influential group. Why? Because of frequency of contact and maximum interaction, and influence on values and lifestyles, attitudes and opinions.</li> <li>- Family of orientation: Parents, Grand-parents an Siblings</li> <li>- Family of procreation: Spouse and Children</li> </ul>
2	Friendship groups and informal social groups	<ul style="list-style-type: none"> <li>- As far as influence on purchase decisions is concerned, second in importance lie friendship groups.</li> <li>- Consumers tend to interact with their friends and others in their social groups and get influenced by them with respect to purchases and consumption patterns.</li> <li>- They are regarded as informal as they are loose, unstructured with no power and authority relationships.</li> </ul>

		<ul style="list-style-type: none"> <li>- The interaction that occurs is casual in nature; Opinions and beliefs regarding product and service offerings as also brands are discussed. Such discussions impact a person's decision with respect to the product and/or brands that he finally buys.</li> <li>- The assumption is that such friends belong to similar social classes and have similar values and lifestyles.</li> <li>- Thus, marketers tend to use a social appeal in their advertisements so as to illustrate how friends can influence each other.</li> </ul>
3	Official work groups: Superiors, Peers, Subordinates (Formal)	<ul style="list-style-type: none"> <li>- Social groups could also be official in nature. This would include peers and colleagues who work together as a team and interact with one another..</li> <li>- As considerable time is spent at the workplace, and there also occurs informal interaction between peers, official work groups also influence consumption patterns and behavior.</li> <li>- Superiors may act as reference groups and subordinates may admire them and desire to their purchase patterns and behavior.</li> </ul>
4	Formal social groups	<ul style="list-style-type: none"> <li>- Social groups can also be formal, such as membership to clubs, societies. Members of formal social groups also influence each other with respect to consumption behavior.</li> </ul>
5	Consumer-action groups	<ul style="list-style-type: none"> <li>- With the consumerist movement gaining strength all over the world, consumer-action groups have emerged that also have an impact on how the consumer behaves.</li> <li>- Consumer-action groups could be of two types; one, that emerge in order to fight and rectify a specific issue, and disband after the issue has been solved; two, that deal with general issues and remain in existence over longer periods even after a problem has been solved.</li> </ul>

The socialization process influences an individual's entire personal make-up; it impacts the manner in which a person acts out specific instances of behavior as well as the general instances of behavior. This includes consumption behavior as well. Consumer behavior gets influenced by various groups like family, friends, social class, reference groups, one's own culture, other cultures and sub-cultures. Right from the childhood, parents educate the children about products and service offerings, and/or brands, and inculcate within children favorable and unfavorable attitudes towards such offerings. Children also make observations about the manner in which the parents go through the purchase process. Later as they grow up, the children begin to interact with friends from their culture or other cultures and sub-cultures. Their consumption pattern gets influenced in terms of peer pressure towards product and service offerings as also brands. As and when they grow up to be adults, and get married, their attitudes towards product and service offerings as also the purchase process gets influenced by the spouse and later on by the children. As mentioned above the mass media (TV, radio, newspapers, magazines, etc) also has a role to play, where the marketer indirectly plays a role.

When a person acts out instances of behavior which relate to consumption patterns and behavior, it is known as **consumer socialization**. Consumer socialization occurs throughout life, as i) people acquire knowledge about product and service offerings as also brands; and ii) develop the skills and expertise to make the right kind of purchase decisions.

#### 7.1.4 GROUPS AND IMPLICATIONS FOR MARKETERS:

Marketers should realize that the focus in consumer behavior lies on small, informal, primary membership groups because such groups have the maximum influential impact on consumption patterns and consumption behavior.

Marketers also need to understand the relevance of consumer socialization. Similar to child and adult socialization, consumer socialization occurs throughout life, as people acquire learn about values, norms, behavior etc. from parents and family, as also friends and colleagues. Relevant to marketing is that i) people acquire knowledge about product and service offerings as also brands; and ii) develop the skills and expertise to make the right kind of purchase decisions.

#### 7.2.1 MEANING OF CONSUMER REFERENCE GROUPS:

It is a natural tendency on the part of an individual to look up to another as with comparison; each one of us looks towards another individual or a group as a point of comparison. This group to which a person looks up as a point of comparison is known as a **reference group**. A reference group may be a person or a group to which an individual looks up as a frame of reference for his general and specific acts of behavior, values, opinions, attitudes etc. The reference person or the reference group exercises tremendous influence on an individual. This is true for consumer behavior as well.

A consumer always has with him in his conscious and sub-conscious state, a person or a group that he looks up to as a reference point. Consumer actually look up to reference groups because:

- a) He desires information before he actually decides to go in for the purchase of a product and service offering. As reference groups are regarded as impartial and have no hidden agenda like salespersons, consumers trust the former more than the latter.
- b) He wants social approval for the product/services purchased or the brands bought, and he feels that once he has this approval from the reference group, he would not face any kind of social embarrassment .
- c) He feels that he would be much at ease if he does something that others approve of.

The reference group exercises impact on the manner in which a consumer selects, purchases and uses a product or service offerings and/or brands. He influences the purchase decision making process as also the purchase decisions, consumption patterns and resultant

behavior. It is noteworthy that consumers have different reference groups; he may look towards one for guidance and advice of one product, and he may look towards another for purchase of another product. Gradually, the consumer begins to adopt the standards and norms used by the reference group(s) and behaves like them. Thus, marketers make effective use of reference groups in bringing about changes in a consumer's thinking and purchasing pattern.

### 7.2.2 TYPES OF REFERENCE GROUPS:

Broadly speaking, based on the *kind of contact* (regularity, frequency, direct/indirect), reference groups could be of two kinds, viz., *primary* reference groups and *secondary* reference groups. Such group(s) with which a person has a direct (face-to-face) contact and where a direct influence occurs, is known as a primary reference group(s). For example, family, friends, neighbours, superiors, peers, colleagues etc. At the time of its origin, reference groups were narrowly defined so as to include only such groups. Gradually the concept broadened to include both direct and indirect influences. So such group(s) with which a person has an indirect contact and where an indirect influence occurs, is known as a secondary reference group. For example, movie stars and celebrities, sportsmen, successful business men, political leaders, religious leaders etc.

Based on the *kind of influence* that they have, reference groups can also be classified as *normative* reference groups and *comparative* reference groups. Those groups that influence general or broadly defined values, attitudes and/or behavior are known as *normative reference groups*. For example, for a child the family acts as a normative reference group; the parents (as family of orientation) have a big role to play in making us understand our value system as well as our acts of good and bad behavior. The parents teach the child his mannerisms, as well as what he should eat, how he should dress, and how he should behave. On the other hand, those groups that influence and serve as standards for specific or narrowly defined values, attitudes and/or behavior are known as *comparative reference groups*. For example, for the same child, his friend's family or a neighbor may constitute a comparative reference group. The child desires emulating their lifestyles, customs, traditions etc, which he finds exciting, admirable and praiseworthy (and something which may be very different from his own). In terms of consumer behavior, the normative reference group may exert influence on the kinds of products that should be bought e.g. hygienic food, clean clothes, fresh fruits and vegetables etc. The comparative reference group may exert influence in terms of the things like junk food versus traditional food, fashion and fad as also the latest styles etc. Both normative and comparative reference groups have relevance for a

marketer. While the former set the basic norms of behavior in terms of products to purchase, the latter is more specific in terms of brands to buy; in fact the latter depends on the former; i.e. the specific acts of behavior are governed by the general.

Based on i) membership and level of involvement; as well as ii) the kind of influence (positive or negative) they have on values, attitudes, and behavior, reference groups may be classified into four categories (See Table 2), viz., contactual groups, aspirational groups, disclaimant groups, and avoidance groups.

**Table 2: Types of Reference Groups based on Cross-Classification**

	<b>Membership</b>	<b>Non-membership</b>
<b>Positive Influence</b>	Contactual group	Aspirational group
<b>Negative Influence</b>	Disclaimant group	Avoidance group

a) *Contactual Group*: A contactual group is defined as a group where people hold membership, meet face-to-face and have interaction, and where people abide by the values, norms, opinions and judgments that the group entails. This kind of a primary group has the maximum influence on a person, and his behavior. This has implications for a marketer in the sense that such groups impact purchase patterns and consumption behavior.

b) *Aspirational Group*: An aspirational group is one in which a person does not have a membership, and does not interact face-to-face, but he aspires to become a member. The group values and norms have a positive impact on the person, who desires membership to such a group. In terms of consumer behavior, these are secondary groups and impact a consumer's ideal self or desired self-concept.

c) *Disclaimant Group*: Here, a person holds membership with the group, but does not believe in the values, norms, attitudes and behavior of the group and its members. So the person acts as a deviant and behaves in a manner that is in opposition to how others in the group behave. In terms of consumer behavior, such people are referred to as inner-directed (also detached), who want to set their own norms and patterns of behavior. These people could also act as innovators.

d) *Avoidance Group*: As the term denotes, this group is one where a person does not have membership, and he also disapproves of the values, norms, attitudes and behavior. He adopts such values and behavior that are in opposition to those that the group believes in.



### 7.2.3 FACTORS AFFECTING IMPACT OF REFERENCE GROUPS:

The impact of reference groups on the behavior of a person is subjective in nature; it varies across a) people; b) product and service offerings; as also c) situational factors. Nevertheless there are certain factors that affect the impact that a reference group generates on people. The factors that impact reference group influence on consumption behavior are explained as follows:

*i) Information and Experience:* The amount of knowledge and experience an individual possesses or has the capacity to possess determines the impact that the reference group can generate. A person who has information about a product and service offering, the brand, and the 4 Ps, and also possess some experience, would not look for advice from his reference groups, and it is unlikely that he would be carried away by advice from others. On the other hand, a person who is little or no knowledge and also lacks experience, would look towards primary and secondary reference groups for help and advice.

*ii) Power, credibility, and trustworthiness:* The impact that a reference group can generate also depends upon how powerful, credible and trustworthy the reference group is. When a reference group is powerful, and regarded as credible and trustworthy, there is greater probability of it being able to influence people. A person who looks towards reference groups for information and advice about product and service offerings as also brands, always examines the credibility and trustworthiness of the group. He may also be fearful of the power of the reference group and would go by group-say out of fear or to avoid any undesirable consequences. He may also be looking for social approval and acceptance of others in his reference group. The probability of he being persuaded by such reference groups is high.

*iii) Conformance with group and social approval:* When a consumer is other- directed or socially-directed, and looks towards others for social approval, he generally conforms to the advice given by members of his reference groups. This is because he wants to be identified with people whom he likes or whom he wants to be associated with. Thus he would conform to the product and service and/or brand suggested by members of their reference group.

*iv) Visibility and Conspicuousness of the Product:* The impact of reference groups also depends on the visibility and conspicuousness of a product. When a product offering is visible and conspicuous, such that it relates to esteem and is status revealing (fashion apparel, carpets and upholstery, jewellery and other luxurious items), the consumer tends to be conscious while purchasing it especially because of reaction of others (fear of social disapproval, social embarrassment). Thus he would buy such keeping in mind the advice, likes and dislikes of

reference group. When the product is low on public visibility and conspicuousness, one is less likely to be influenced by the reference group.

#### 7.2.4 REFERENCE GROUP APPEALS:

While designing the messages, marketers may use various kinds of appeals so that the consumer can identify himself with the spokesperson (from the reference group) in the advertisement. The commonly used reference group appeals are: i) celebrity appeals; ii) expert appeals; iii) common man appeals; iv) executive appeals, trade or spokes-character appeals.

i) *Celebrity appeals*: Celebrity appeals are the most commonly used kind of appeal. The public admires film stars, TV personalities and sportspersons. They represent a lifestyle that people aspire to be in. People idolize them and aspire to become like them. Thus, marketer's use of celebrities particularly for FMCG products.

Celebrities in advertisements could be used in a variety of forms; they could be used as a spokesperson (educating the consumers about the company, and the brand); or as a celebrity giving a testimonial and endorsement (statement in support of claim or a fact about the brand); or as an actor/model. Whatever form it may be in, commercials with celebrity appeals have major impact on the consumers' minds. Nevertheless the marketer must be careful about the credibility of the celebrity, in terms of expertise (regarding the product or service and/or the brand) as well as trustworthiness (honesty about what he/she says).

Research has indicated that the credibility of the celebrity also depends upon the number of brands he/she advertises for; where a celebrity advertises for only one or few brands, he/she is looked up with credibility as against another who advertises for many, where he/she is looked up with less credibility primarily because of the monetary benefit associated with the advertisement.

Marketers make regular use of celebrities for their advertisements; they presume that the image that is associated with the celebrity passes on to the product or service offering that they are advertising for. This phenomenon is known as prototypical bonding where a spokesperson's traits, personality, image etc. gets associated with a particular service or product. For example, Aishwarya Rai advertising for Lux or Sachin Tendulkar for Boost.

ii) *Expert appeals*: Another reference group appeal that is used by marketers is the expert appeal. People who are experts in a particular field are used in the advertisement. Because of the

knowledge, expertise and experience that they possess in a particular field, they are in a position to give advice that would help potential consumers to evaluate the various product alternatives, and finally make a choice. For example, a health nutritionist or a dietician advertising for Complan.

iii) *Common man appeals*: As a common man appeal, the advertisement relates to individuals, who find parity in such advertisements with real life situation; thus they are able to identify better with the situation portrayed in the advertisement. As they relate to realities of life and real-life problems, they are also known as slice-of-the life commercials.

A common man appeal may also include testimonials from a satisfied customer, so as to portray to potential consumers, that another commoner like them uses the product and/or brand and is satisfied with it. Advertisements depict how day to day problems are solved through purchase of products and service offerings and/or brands. Examples where such appeals are used are agony and pain (Amrutanjan Balm), Bad breath (Close-Up), Insurance (LIC) etc.

iv) *Executive appeals, trade or spokes-character appeals*: Companies may also use their spokespersons or their top executives in their advertisements. Such people are often used at product launch and also relates to a publicity exercise. The spokespersons address the consumers and provide information about the product or service offering. Due to the popularity that they hold, people and their consumption behaviors are impacted by them. For example, Ratan Tata for Nano, Nita Ambani for Reliance Fresh stores etc.

v) *Other appeals*: Other appeals that impact consumption behavior include print media and editorial content, promotional strategies from dealers and retailers and seals of approval from recognized and reputed agencies and organizations.

### 7.2.5 USEFULNESS OF REFERENCE GROUP APPEALS:

Reference group appeals are useful for a marketer in two ways; firstly they provide information and increase consumer awareness and knowledge; two, they reduce perceived risk amongst consumers, with respect to market offerings.

i) *Increase consumer awareness*: Reference group appeals help in providing information about product and service offerings, as also brands. This helps increase consumer awareness and knowledge about the various offerings and alternative brands. The most effective appeal is a celebrity appeal that attracts customer attention, and aids retention and retrieval during time of

purchase. Celebrities are particularly useful as they are familiar and popular with customers and thus draw the latter's attention. Other appeals (experts, spokesperson's etc.) are useful too and because of the conviction with which they endorse the various brands, they create a huge impact in favor of the product and service and/or brand being advertised.

ii) *Reduce Perceived Risk*: Reference group appeals help in reducing the fear and apprehensions consumers have when buying a product and service and/or brand. This is particularly true for new product offerings. The manner in which reference groups endorse a product or provide testimonials, help in reducing the uncertainty and consumer's perceived risk in purchasing product offerings. Mention may particularly be made of expert appeals or trade or spokes-character appeals, where the manner in which an endorsement is made, helps provide confidence to the consumer that his intention to buy is a correct one.

### 7.2.6 INFLUENCE OF REFERENCE GROUPS VARIES BY PRODUCT:

The influence of Reference Groups varies according to the nature of the product and/or service. Bearden and Etzel have examined the issue from two perspectives, viz., a) the decision to purchase the type of product; and b) the choice of the brand. They conclude that reference group influence varied by 1) the type of product; whether it is a luxury or a necessity; and 2) its visibility; whether it is used in public or private settings or environment (See Figure 1).

Reference groups have varied influence on consumers depending upon the type of the product, whether a luxury or a necessity, and whether it used in public and viewed by others or whether it is used in private. According to Bearden and Etzel, reference group influence is strong both for the purchase decision as well as for the brand in case of *public luxuries*, like expensive carpets, paintings, antiques etc. The consumer does not possess a need for such products, but requires them for social approval and acceptance, and finds these purchases as crucial for avoidance of social embarrassment, and ridicule. Because of the lifestyle and the social class that a consumer belongs to, he is conscious towards the purchase of such products as well as the brands that he buys. Thus, reference groups influence both the consumer's need for the product in general as well as the choice of brand. On the other hand, when in case of products which are *public necessities*, like a car or a cell phone, reference group influence is weak with respect to the purchase decision, but strong with respect to the choice of the brand. The reference group does not affect the decision to make a purchase as the product is already regarded as one of necessity

and will be purchase regardless of what the members of the reference group have to say; the only impact that a reference group can make is with respect to the brand.

Further Bearden and Etzel also conclude that reference group influence is weak both for the purchase decision as well as for the brand in case of *private necessities*, like towels, soaps and detergents etc. The consumer is aware of such necessities, and will purchase them irrespective of what the reference group has to say. Further, he would not be conscious of social approval and/or embarrassment as these products are not viewed publicly, and so the influence of reference groups with respect to the brand will also be low. Finally, in case of products which are private luxuries, like sauna baths, body massagers etc., reference groups influence is strong with respect to the purchase decision, but weak with respect to the choice of the brand. This is because the product is not used publicly and the brand purchased would not cause any social embarrassment.

BRAND	PRODUCT	
	Weak reference group influence (-) on product	Strong reference group influence (+) on product
Strong reference group influence (+) on brand	<b>PUBLIC NECESSITIES</b> Influence: Weak for product and strong for brand Eg. Cars, Cell phones	<b>PUBLIC LUXURIES</b> Influence: Strong for product and strong for brand Eg. Carpets, Paintings, Antiques
Weak reference group influence (-) on brand	<b>PRIVATE NECESSITIES</b> Influence: Weak for product and weak for brand Eg. Towels, Soaps and Detergents	<b>PRIVATE LUXURIES</b> Influence: Strong for product and weak for brand Eg. Body massagers, Sauna bath

**Figure1: Effects of Reference Groups on product purchases and Brand Choices**  
 Adapted from Wells W.D. and Prensky, D., Consumer Behavior, 1996, John Wiley & sons, Inc.

## 7.2.7 REFERENCE GROUP AND IMPLICATIONS FOR MARKETERS:

Reference groups have relevance for the marketer in the sense that reference groups help impact consumer values, attitudes and behavior; reference groups inform and educate the consumers (potential) about a product/service offering. By acting as a standard and as a frame of reference, they also influence potential consumers towards adoption and usage of such product and service offerings. Marketers often use them in advertisements to communicate with the masses, for example, celebrities, sportsperson and leaders are often used in advertisements to influence the masses. They are admired by the consumers who desire to identify with them and even aspire to become or behave like members of such secondary reference groups. Further they not only provide information and increase consumer awareness but they also reduce perceived risk amongst consumers with respect to a product and service and/or brand.

### REFERENCES FOR FURTHER READING:

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3. Schiffman, L.G. and Kanuk, L.L., Consumer Behavior, Eight Edition, 2004, Prentice Hall, India.
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### FAQS (FREQUENTLY ASKED QUESTIONS):

**Ques 1** What do you mean by a consumer group? Discuss the various types of consumer groups?

**Ans 1** The term “group”, may be defined as two or more people who interact with each in order to achieve mutually agreed upon goals; such goals may relate to an individual or to the many who get together for the achievement of such goals. “Consumer groups”, refer to individuals or group of individuals or the family who have a need and desire purchasing a good or service so as to fulfill the need and derive satisfaction.

Groups may be classified on various bases like i) number and size; ii) regularity of contact; and iii) structure and hierarchy. The various types of consumer groups are as follows:

i) **Primary and Secondary Groups:** The distinction between *primary and secondary groups* is based on the significance/relevance of the group to an individual, and the frequency of interaction between group members.

Based on the regularity of contact and the importance given to subsequent interaction, groups may be classified as primary and secondary. When people interact with each other on a regular basis, and regard each others' opinions as valuable and significant, they are said to constitute a primary group; an individual who interacts with others regularly, is said to be a member of that primary group. For example, family, neighbours, work peers, co-workers and colleagues. Secondary groups, on the other hand, are those, where the level of interaction is infrequent, irregular and occasional, and not much of value is given to other's judgments and beliefs. When a person interacts with others on an occasional basis, he is said to be a constituent of a secondary group. So far as consumer behavior is concerned, the focus lies on primary groups.

ii) **Formal and Informal Groups:** Based on the group structure and membership, roles and norms, as well as purpose of formation, groups may be classified as *formal and informal groups*.

When the group structure and membership (membership roll list), roles (various positions, like president, secretary etc), group norms (do's and don't's) and the reason for existence (goals of the group) are clearly defined, the group is said to be a formal group. On the other hand, when the group structure, roles and norms as even the purpose of the group are ill defined, or not defined at all, they are said to constitute an informal group. So far as consumer behavior is concerned, informal groups are of greater relevance to a marketer because with ill defined structures, and lesser of rules and regulations, there is greater opportunity for interaction between the members, better exchange of information and greater influence of each other on consumption patterns and behavior.

c) **Membership and Symbolic Groups:** Groups can also be classified on the basis of membership as *membership groups and symbolic groups*. When a person belongs to a group by virtue of membership or even if he merely qualifies for a membership to that group, it is called a membership group. On the other hand, when a person does not form a part of a group and/or does not qualify to be a member of the group, but nonetheless adopts the values, norms and patterns of behavior similar to members of the group, he is said to be a member of a symbolic group. In consumer behavior, the focus lies on membership groups.

**Ques 2 What is a reference group? Why does a consumer look up towards a reference group?**

**Ans 2** It is a natural tendency on the part of an individual to look up to another as with comparison; each one of us looks towards another individual or a group as a point of comparison.

This group to which a person looks up as a point of comparison is known as a *reference group*. A reference group may be a person or a group to which an individual looks up as a frame of reference for his general and specific acts of behavior, values, opinions, attitudes etc. The reference person or the reference group exercises tremendous influence on an individual. This is true for consumer behavior as well.

A consumer always has with him in his conscious and sub-conscious state, a person or a group that he looks up to as a reference point. Consumer actually look up to reference groups because:

- a) He desires information before he actually decides to go in for the purchase of a product and service offering. As reference groups are regarded as impartial and have no hidden agenda like salespersons, consumers trust the former more than the latter.
- b) He wants social approval for the product/services purchased or the brands bought, and he feels that once he has this approval from the reference group, he would not face any kind of social embarrassment .
- c) He feels that he would be much at ease if he does something that others approve of.

The reference group exercises impact on the manner in which a consumer selects, purchases and uses a product or service offerings and/or brands. He influences the purchase decision making process as also the purchase decisions, consumption patterns and resultant behavior. It is noteworthy that consumers have different reference groups; he may look towards one for guidance and advice of one product, and he may look towards another for purchase of another product. Gradually, the consumer begins to adopt the standards and norms used by the reference group(s) and behaves like them. Thus, marketers make effective use of reference groups in bringing about changes in a consumer's thinking and purchasing pattern.

### **Ques 3 What are the factors that affect the influence of Reference Groups?**

**Ans 3** The impact of reference groups on the behavior of a person is subjective in nature; it varies across a) people; b) product and service offerings; as also c) situational factors. Nevertheless there are certain factors that affect the impact that a reference group generates on people. The factors that impact reference group influence on consumption behavior are explained as follows:

*i) Information and Experience:* The amount of knowledge and experience an individual possesses or has the capacity to possess determines the impact that the reference group can generate. A



person who has information about a product and service offering, the brand, and the 4 Ps, and also possess some experience, would not look for advice from his reference groups, and it is unlikely that he would be carried away by advice from others. On the other hand, a person who is little or no knowledge and also lacks experience, would look towards primary and secondary reference groups for help and advice.

*ii) Power, credibility, and trustworthiness:* The impact that a reference group can generate also depends upon how powerful, credible and trustworthy the reference group is. When a reference group is powerful, and regarded as credible and trustworthy, there is greater probability of it being able to influence people. A person who looks towards reference groups for information and advice about product and service offerings as also brands, always examines the credibility and trustworthiness of the group. He may also be fearful of the power of the reference group and would go by group-say out of fear or to avoid any undesirable consequences. He may also be looking for social approval and acceptance of others in his reference group. The probability of he being persuaded by such reference groups is high.

*iii) Conformance with group and social approval:* When a consumer is other- directed or socially-directed, and looks towards others for social approval, he generally conforms to the advice given by members of his reference groups. This is because he wants to be identified with people whom he likes or whom he wants to be associated with. Thus he would conform to the product and service and/or brand suggested by members of their reference group.

*iv) Visibility and Conspicuousness of the Product:* The impact of reference groups also depends on the visibility and conspicuousness of a product. When a product offering is visible and conspicuous, such that it relates to esteem and is status revealing (fashion apparel, carpets and upholstery, jewellery and other luxurious items), the consumer tends to be conscious while purchasing it especially because of reaction of others (fear of social disapproval, social embarrassment). Thus he would buy such keeping in mind the advice, likes and dislikes of reference group. When the product is low on public visibility and conspicuousness, one is less likely to be influenced by the reference group.

**Ques 4 Does Reference Group appeal vary by product? Discuss in reference to Bearden's and Etzel's model?**

**Ans 4** The influence of Reference Groups varies according to the nature of the product and/or service. Reference groups have varied influence on consumers depending upon the type of the product, whether a luxury or a necessity, and whether it used in public and viewed by others or whether it is used in private.

Bearden and Etzel have examined the issue from two perspectives, viz., a) the decision to purchase the type of product; and b) the choice of the brand. They conclude that reference group influence varied by 1) the type of product; whether it is a luxury or a necessity; and 2) its visibility; whether it is used in public or private settings or environment (See Figure). According to Bearden and Etzel, reference group influence is strong both for the purchase decision as well as for the brand in case of *public luxuries*, like expensive carpets, paintings, antiques etc. The consumer does not possess a need for such products, but requires them for social approval and acceptance, and finds these purchases as crucial for avoidance of social embarrassment, and ridicule. Because of the lifestyle and the social class that a consumer belongs to, he is conscious towards the purchase of such products as well as the brands that he buys. Thus, reference groups influence both the consumer's need for the product in general as well as the choice of brand. On the other hand, when in case of products which are *public necessities*, like a car or a cell phone, reference group influence is weak with respect to the purchase decision, but strong with respect to the choice of the brand. The reference group does not affect the decision to make a purchase as the product is already regarded as one of necessity and will be purchase regardless of what the members of the reference group have to say; the only impact that a reference group can make is with respect to the brand.

BRAND	PRODUCT	
	Weak reference group influence (-) on product	Strong reference group influence (+) on product
Strong reference group influence (+) on brand	<b>PUBLIC NECESSITIES</b> Influence: Weak for product and strong for brand Eg. Cars, Cell phones	<b>PUBLIC LUXURIES</b> Influence: Strong for product and strong for brand Eg. Carpets, Paintings, Antiques
Weak reference group influence (-) on brand	<b>PRIVATE NECESSITIES</b> Influence: Weak for product and weak for brand Eg. Towels, Soaps and Detergents	<b>PRIVATE LUXURIES</b> Influence: Strong for product and weak for brand Eg. Body massagers, Sauna bath

**Figure1: Effects of Reference Groups on product purchases and Brand Choices**

Adapted from Wells W.D. and Prensky, D., Consumer Behavior, 1996, John Wiley & sons, Inc.

Further Bearden and Etzel also conclude that reference group influence is weak both for the purchase decision as well as for the brand in case of *private necessities*, like towels, soaps and detergents etc. The consumer is aware of such necessities, and will purchase them irrespective of what the reference group has to say. Further, he would not be conscious of social approval and/or embarrassment as these products are not viewed publicly, and so the influence of reference groups with respect to the brand will also be low. Finally, in case of products which are private luxuries, like sauna baths, body massagers etc., reference groups influence is strong with respect to the purchase decision, but weak with respect to the choice of the brand. This is because the product is not used publicly and the brand purchased would not cause any social embarrassment.

### **SELF EVALUATION TESTS/QUIZZES:**

#### **Section A True/false:**

1. Based on the group structure and membership, roles and norms, as well as purpose of formation, groups may be classified as legitimate and illegitimate.

2. A group where people hold membership, meet face-to-face and have interaction, and where people abide by the values, norms, opinions and judgments that the group entails, is known as a compliant group.
3. The impact of reference groups depends on the visibility and conspicuousness of a product.
4. According to Bearden and Etzel, reference group influence is strong both for the purchase decision as well as for the brand in case of *public necessities*.

**Section B Fill up the blanks:**

1. Based on the regularity of contact and the importance given to subsequent interaction, groups may be classified as \_\_\_\_\_ and \_\_\_\_\_
2. As consumer behavior is concerned, the focus lies on small \_\_\_\_\_ groups.
3. When a person acts out instances of behavior which relate to consumption patterns and behavior, it is known as \_\_\_\_\_ socialization.
4. A \_\_\_\_\_ group may be a person or a group to which an individual looks up as a frame of reference for his general and specific acts of behavior, values, opinions, attitudes etc.
5. \_\_\_\_\_ appeals are the most commonly used kind of appeal.
6. \_\_\_\_\_ appeals are also known as slice-of-life commercials.

**Section C Multiple choice questions:**

1. This group to which a person looks up as a point of comparison is known as a
  - a) reference group
  - b) social group
  - c) formal group
  - d) None of the above.
2. Which of the following is true about Bearden and Etzel's Model:
  - a) Bearden and Etzel have examined the issue from two perspectives, viz., a) the decision to purchase the type of product; and b) the choice of the brand.
  - b) Reference group influence varied by the type of product; whether it is a luxury or a necessity;
  - c) ) It is also influenced by the visibility; whether it is used in public or private settings or environment.
  - d) All of the above.

**Section D Short answers:**

1. Define normative reference groups.
2. What do you mean by primary reference groups?
3. Mention commonly used reference group appeals.
4. Mention two basic advantages of using reference group appeals.

**KEY****Section A True/false:**

- |          |          |         |          |
|----------|----------|---------|----------|
| 1. False | 2. False | 3. True | 4. False |
|----------|----------|---------|----------|

**Section B Fill up the blanks:**

- |                          |              |               |
|--------------------------|--------------|---------------|
| 1. Primary and secondary | 2. Informal  | 3. Consumer   |
| 4. Reference             | 5. Celebrity | 6. Common-man |

**Section C Multiple choice questions:**

- |      |      |
|------|------|
| 1. a | 2. d |
|------|------|

**Section D Short Answers:**

1. Those groups that influence general or broadly defined values, attitudes and/or behavior are known as *normative reference groups*. For example, for a child the family acts as a normative reference group.
  2. Such group(s) with which a person has a direct (face-to-face) contact and where a direct influence occurs, is known as a primary reference group(s). For example, family, friends, neighbours, superiors, peers, colleagues etc.
  3. Celebrity appeals; expert appeals; common man appeals; executive appeals, trade or spokes-character appeals.
  4. Reference group appeals are useful for a marketer in two ways; firstly they provide information and increase consumer awareness and knowledge; two, they reduce perceived risk amongst consumers, with respect to market offerings.
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