



## IMPACT OF COMPONENTS OF REFERENCE GROUPS IN BUYING DECISIONS

**Dr. Anjali Gupta**

*Assistant Professor, A.R.S.D College, University of Delhi, Delhi-110021, India*

**Dr. Purushottam Kumar Arya**

*Assistant Professor, A.R.S.D College, University of Delhi, Delhi--110021, India*

### ABSTRACT

*The study of reference groups shows that awareness and reference group is interconnected. The terms of susceptibility change in relation to different types of products. The reference group concept has established its relevance among professional marketers as a means to have the edge over the competitors. Marketers have used different reference group to attract different targeted consumers. Also, marketers have communicated their messages not directly but through people who have influences over the targeted customers. The discussion below focuses on the concept of Reference group. Also we discuss in detail the power and types of reference groups. Marketers have used different reference group to attract different targeted consumers. Also, marketers have communicated their messages not directly but through people who have influences over the targeted customers. The discussion below focuses on the concept of Reference group. Also we discuss in detail the components and forces of reference groups.*

**KEY WORDS:** *Consumer behaviour, Brands, Interpersonal Influence, Reference Group, Purchasing Decision*

### INTRODUCTION

A reference group is defined as an actual or imaginary individual or group conceived of having significant relevance upon an individual's evaluations, aspirations, or behavior. (Park & Less, 1977). Consumer behavior is highly influenced by reference groups mainly for branded products like fragrances (Chow, Celsi & Abel, 1990), snack foods (Ratneshwar & Shocker, 1991), mineral water and sodas (Van Trijp, 1994), clothing (Batra, Homer & Kale, 2001) and candy (Ratner & Kahn, 2002).

Reference groups deviate an individual to new behaviors and lifestyle, they also influence attitudes and self-concept; they create pressures for conformity that may affect actual product and brand choices. The basic understanding of reference groups for marketing strategists lies in mainly understanding of what behavior develops by influence rather than the generic behavior of consumers.

The reference group concept was, in fact, originally developed in connection with small groups. These include the family, close friends, neighbors, religious groups, work groups and also, athletic groups.

The reference group, according to Merton (1949), is a group referred to by people to evaluate their qualities, attitudes, values, behaviors, roles, performances, aspirations and ambitions. It acts as a psychological frame of reference for the individuals to shape their behaviors, conduct self-

appraisals and form their attitudes. The adept, who belongs to a reference group, and to whom the individual refers, is called a "reference individual" similar to a "role model."

Reference groups are of two types: membership group and non-membership group. The membership group is the one with which individuals share their primary membership, such as family, neighborhood and peer group. It acts as the normative group to which individuals hold their attitudes in conformity with what they perceive to be the group consensus. Non-membership group is the group with which an individual share either secondary or tertiary relationships, or to which the individual is an outsider. These can be social organizations, administrative offices, and political parties. It acts as a comparative group that the individual makes comparisons with, and against which they conduct self-evaluations, thus socializing themselves to what they perceive to be the group's norms.

The reference group concept has established its relevance among professional marketers as a means to have the edge over the competitors. Marketers have used different celebrities (reference group) to attract different targeted consumers. Also, marketers have communicated their messages not directly but through people who have influences over the focused customers. (Yang et al., 2007). It can be inferred that to have more efficient marketing strategy the marketers must know about reference group knowledge. There are many studies

which focus on the relationship between the reference group and consumer behavior.

By the studies of Herr et al., 1991, researchers have suggested that these communications have more influence on product judgments than printed information. Consumer susceptibility to interpersonal control or group influence is assumed to be a general trait that varies across individuals and is related to other individual traits and characteristics. The construct is defined as the need to identify with or enhance one's image in the opinion of significant others. This can be done through the acquisition and use of products or brands. It can also be done through the willingness to conform the expectations of others regarding purchase decisions, and the tendency to learn about products and services by observing others or seeking information from others (Bearden et al., 1989).

Majority of the reference group studies in past relate to impact of reference group in the process of consumers' decision making (Bourne, 1957; Witt, 1969; Bearden & Etzel, 1982; Brinberg & Plimpton, 1986; Childers & Rao, 1992; Mascarenhas & Higby, 1993; Martin & Bush, 2000; Yang et al., 2007).

Some studies want to investigate susceptibility to reference group influence to establish that these consumers' awareness is different due to their diverse demographic factors. Nationality and age are the two most important demographic factors that have been studied. (Yang et al., 2007; Khan & Khan, 2008).

Some have attempted to find the differences in influences due to the difference in different kinds of reference groups (Deutsch & Gerard, 1955; Burnkrant & Cousineau, 1975; Childers & Rao, 1992; Mascarenhas & Higby, 1993; Yang et al., 2007). The researchers like Park & Lessig, 1977; Bearden & Etzel, 1982; Makgosa & Mohube, 2007, have stressed that different types of products lead to the distinct influence of reference group). Many studies focus on the effect of reference group towards consumers' purchase decision-making process. However, they do not relate to identifying the possible factors from the perspective of reference groups.

The study of reference groups shows that awareness and reference group is interconnected. The terms of susceptibility change about different types of products. The same was emphasized by Bearden and Etzel (1982). According to them; the consumers tend to have different susceptibility from reference group influence according to a separate product that they intend to buy.

## TYPES OF REFERENCE GROUPS

Kotler and Keller (2006) defined reference groups as primary and secondary reference groups. Primary group comprises of the family, neighbors and workmates. There are personal, continuous and informal interactions with members of the group. The secondary group is more formalized and there is less continuous interactions and consists of religion, professional and trade unions.

As per Schiffman & Kanuk, 2000 reference group can be classified as:

1. Contractual Group: It refers to the group in which a person has regular face to face contact or holds membership, and whose beliefs, attitudes and standards he approves.
2. Aspirational Groups: It is a group in which an individual do not have face to face contact but aspires to be a member of that group.

3. Disclaimer Group: It is a group in which an individual is a regular member but disapproves group's values and attitudes.
4. Avoidance Group: It is one in which an individual is not a regular member and dislikes their values, beliefs, and behaviors.

According to Blackwell, Miniard and Enquel (2005) reference group consists of:

1. Primary and secondary groups
2. Formal and informal groups
3. Aspirational and dissociative groups
4. Virtual groups

The primary groups are the most influential. They share same values, beliefs, and behavior. The family is the main example and close friends. Secondary groups have less interaction. Examples are relatives, professionals, etc.

Reference Groups can further be divided into two categories, Normative and Comparative. Normative Reference Groups include individuals with norms and values, who provide information through direct interaction. These include parents, teachers, co-workers, peers, etc. Comparative Reference Groups provide with the level of achievement, setting it as the standard and one aspires to achieve that. A major example is celebrities.

For young consumers reference groups can be grouped as:

- (1) **Friendship Peer Group:** The friends are an informal group, an unstructured organization which fulfills aspects like companionship, security and given an opportunity to an individual to discuss problems which they are reluctant to discuss with family members. Peer group influence is defined the as the extent to which peers exert influence on attitudes, thoughts of an individual. (Brestol and Mangleburg, 2005). Peers are most important reference group influencing the buying decision other than his/her family.

The reference group's impact on the buying decisions of a consumer is described as in two ways:

- (i) Reference group set levels of aspiration,
- (ii) Reference group identifies the actual items considered acceptable at different levels of acceptance.
- (2) **Formal Social Groups:** joined by a person to fulfill a specific goal like school is joined by students to enhance their learning. Students of the same school are required to buy the same uniform.
- (3) **Shopping Groups:** People of the same personality or who they feel have more experience or knowledge about the desired product shop together.
- (4) **Working Group:** The groups can be formal or informal. The formal working group effect product decision while working together. While informal groups may effect a person while an individual is having coffee, at lunch time or after hours meetings.
- (5) **Group Norms and Conformity:** A norm in a group is established to meet social expectations. All members of a group are forced to confirm to those norms. School uniform is an example of conformity with group norms.

According to H.Hymen some particular individuals in society standards or values become the ideal for the other people and are imitated by them. In general, a reference group is one which an individual perceives as holding interests, attitudes and values in common. He takes that group as a basis for self-evaluation.

**Components of Reference Group** are as follows:

- Psychological attachment
- Certain norms, rules & regulations – we follow these of our group and also that of the reference group. This gives emotional satisfaction. Sanskritisation is an example (the lower castes follow the rules and regulations of higher casters).
- Ideal Person – Example of Mahatma Gandhi – when you read about the Mahatma you want to be like him. He is the perfect person in your view.
- Every person or group may have different reference group. One may like or dislike a particular group.
- Reference group changes with time, situation, etc. For a particular time you may have one reference group, and at another time you may not like that group and do n't make it your reference group. When he is not satisfied with the group to which he belongs he wants to join another group.
- Mahatma Gandhi and reference group may vary from time to time therefore sometimes the reference group could become your Mahatma Gandhi.
- Social adjustment – when we follow the norms etc. of the reference group we are adjusting to that group and this leads to us adjust more easily to our society.

### **FUNCTIONS OF REFERENCE GROUPS**

- 1) To inform or make individuals aware of specific product or brand.
- 2) They provide individuals with an opportunity to compare his or her thinking with the attitude of the group.
- 3) They influence the individual to adopt attitudes and behavior that are consistent with the norms of the group.
- 4) They legitimise the individual to use the same product.

### **THE IMPACT OF REFERENCE GROUPS ON CONSUMER BEHAVIOR**

- 1) They influence attitudes and self-concept.
- 2) They create pressure for conformity and product choice.
- 3) They help to identify permanent characteristics and facts.
- 4) They become role models that influence consumer actions.
- 5) They have both positive and negative influence on buying decision.
- 6) They act as a point of comparison.
- 7) They work as a basis for forming values, attitudes and consumption behaviors.
- 8) Reference groups provide an understanding of interrelations between consumers.
- 9) Marketers can use reference groups to influence positive attitudes towards a brand.
- 10) Symbolic reference groups are used when advertising a brand.

### **POWER OF REFERENCE GROUPS**

The influences of social class as well as of reference groups on consumer behavior can be identified through the impact of social power. The nature of the social power of these groups on consumer behavior can analyze by examining the various bases of power. There are five bases of social power which are as follows:

- Reward Power: This is the ability to give rewards. Rewards may take several forms: money, gifts, psychological rewards such as recognition and praise. The magnitude of the compensation also increased the amount of power. In some situations, the use of products offers the rewards of group acceptance, for example, clothing.
- Coercive Power: This is the ability to give threats, or withhold rewards. An individual can thus be threatened or coerced to behave in a particular manner, for example in purchasing accepted clothing. Deodorants, mouthwash, life insurance, are also sold frequently by using coercive power.
- Legitimate Power: It is closely related to cultural or group values. It involves the sanction of what ought or should be done since the group has a legal right to influence persons because they belong to it.
- Referent Power: The basis of referent power is the identification and feeling of oneness of the person with the group. It arose since a person admires or would like to be associated with the group. This power is often working on a purchase of status-oriented products. Consumers strive to obtain a similar status by purchasing the item recommended.
- Expert Power: Consumers accept information from members of a group they consider being experts.

From these various bases of power, it appears that a person may be attracted to conform to group norms either, to gain praise or recognition or in response to coercive power.

There exists different views as to the forces which govern the impact of reference group on the buying behavior of the consumers. According to Blackwell, Miniard, and Enquel (2005), the influences can be grouped as:

- Utilitarian influence: this influence types occur when individual works according to the expectations of others. They try to avoid punishments or try to obtain rewards. Factors may be cultural pressure, the fear of deviation, commitments, etc.
- Value-expressive influence: under value expressive, individual accepts the influence of others with whom they tend to keep relation with. This relation is one-way; therefore acceptance doesn't depend on an imposition of the group. Value-expressive influence comprises of informational influence and normative influence. Reflective and comparative appraisals are the two types of normative influence. By reflective appraisal, people will evaluate other's values and by comparative appraisal people evaluate other attitude, beliefs, ability or emotions. Conceptually utilitarian and value-expressive can be separated but their measures cannot be separated.
- Informational influence. informational and individual accepts the critique, recommendation or experience from others, about products, services, and brands. The individual believes that person has got some knowledge about the product, service or brand.

Research shows that there is a need to study culture and social influences which vary according to the culture. It comprises of Informational, Value-expressive and utilitarian influence. Informational influence deals with enhancing one's ability to cope with the environment. It observes the behavior of others and gains information from them. Utilitarian influence is applied when one works according to the expectations and requirement of others to avoid punishments and to gain the award.

### FACTORS AFFECTING POWER OF REFERENCE GROUPS

#### 1) Knowledge and experience

Those without knowledge and experience will need influence from RGs and those with full information do not need influence. Those enlightened make independent decisions.

#### 2) Credibility

Those with accurate information have greater influence. Acceptability of information is circumstantial. Those with appealing lifestyles have greater influence and power. Permanent attitudes are difficult to change.

#### 3) Communication skills

The acceptance of advice depends on the verbal or pictorial presentation of the product. Good communication has greater influence. The same reference group may give different advice depending on the context. The communicator must understand the message recipient.

#### 4) Product conspicuousness (easily seen or described)

The impression a product gives in relation to the reference. The buyer purchases a product with the reference in mind.

According to Schiffman and Kunuk (2000), there are four ways of influencing buying decisions.

- a) Making prospective buyers aware of the existence and quality of the brand
- b) Giving individuals the opportunity to compare their thoughts with those of the group.
- c) Influencing the individual to adapt attitudes and behaviour consistent with the group.
- d) Legitimising the buying and use of the same product as the group.

### REFERENCE GROUPS IMPACT ON CONSUMER BEHAVIOR

Past studies have shown that the product choices of the consumer's changes with variation in factors like:

- (1) Age- for children the decision of product choice is taken by parents whose primary concern is a comfort, practicality, and safety. For teenagers, the product choice is affected by peers, celebrities, and brand conscious. For adults, product choice depended on factors like spouse choice, economic factors, present of their look, brand name, lifestyle and changed body shaped. For adults, the product choice is greatly influenced by functionality.
- (2) Gender differentiation has a great impact on the product choice of the consumers. The product choice is affected by different social expectations on men and women.

- (3) Education young consumers and more educated now and have more information on trends. They are more demanding and particular about quality products.
- (4) Occupation decides the product choice.
- (5) Income amount of money spent by consumers on different products depends on their income.
- (6) Quality and durability are an essential consideration for many consumers.
- (7) Family members is a reference group which has an impact on product choice of consumers. They have effects like- joint decision making, consumer socialization with family classmates friends and neighbors and family life cycle.
- (8) Social factors- factors like cultural pressure, fear of device, group ungainly size, etc. have a significant impact on product choice.
- (9) Susceptibility to Interpersonal Influence- it refers to an individual's need to identify or enhance his/her image in an opinion of his/her significant others. For his consumers buy products often believed will impress his/her and me.
- (10) Word of mouth- it is persuasive means where information about a product is transmitted from a person to other.
- (11) Impact on opinion leaders- opinion leaders are the persons who are frequently able to influence other's attitudes and behavior. They may be influential celebrities or fashion leaders or leading fashion imagines. They are competent, credits and socially culture.
- (12) Mass media and advertising- they are essential sources of information that influence the foundation of consumer attitudes.
- (13) Cultural factors- have an impact on product choice. It consists of elements like socio-economic needs, modestly expected, marital status, political beliefs, religious habits.

### CONCLUSION

A reference group has been introduced and considered as a factor which also has influences on target consumers' purchasing decision making. It is called "reference group influences." Due to its importance established in studies, it might be accepted by most consumer behavior models. However, a reference group is important as it informs and makes individuals aware of products and brands. They influence selection choice behavior of an individual.

According to the different researches being made in the past, the reference group is always considered as an important element in the consumer buying decision. People's buying behavior is strongly influenced by the social class to which they belong, or, aspire to belong, rather than by income alone. Social class measures have also been linked to demographic and geographic data using the principle that people of similar social classes live in geographic clusters. Thus we can conclude there is a mixed opinion of the researchers as to the extent to which the consumer behavior is affected by reference group.

Studies found that peer influence is strong for publically consumed luxuries than for privately consumed necessities. A strong peer influence was also found to impact the purchase of publically consumed necessities than personally consumed needs. It is also concluded that there is equal peer influence

between publically consumed luxuries and publically consumed necessities among children between 12 to 14 years old. Subramanian and Subramanian (1995), concluded that peers and parents have a stronger influence in young adults in adopting fashion. The previous research focused on how peer influence varies around the types of product attracting attention. It is based on two dimensions. The first dimension is concerned with the level to which product is a luxury or necessity. The second dimension refers to the level to which a product is used in public or in private where publically used products are more noticeable.

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