The Role of Reference Group Influence in Consumer Behaviour

Theses of Doctoral Dissertation

Consultant: Dr. habil. Józsa László CSc.

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Tárkányi Eszter

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Introduction

Simonson and his co-authors carried out a detailed analysis of articles that have been published in the leading consumer research journals over the past 30 years (Simonson et al. 2001). According to their findings, the proportion of social topics has notably decreased, while the proportion of cognitive topics has increased at the same time. The former area includes the examination of family and social influences, reference groups, attribution and self-perception. On the other hand, research fields that have attracted more attention in the recent years include behavioural decision making, memory and knowledge, language, variety seeking and preconscious processing. Nevertheless, some social topics are subject to increasing interest: e.g. cross-cultural and ethnic influences on consumer behaviour, the development of children as consumers and gender differences.

Despite the above tendency, however, I have chosen the examination of the role of reference group influence in consumer behaviour as the topic of my dissertation. The main reason of my decision is that this area has attracted little attention in Hungarian literature until now, with the notable exceptions of Benedek (BKÁE, 2000) and Barcza (SZE, 2007). Apart from that, certainly, personal interest had been driving me when choosing this topic: because of its interdisciplinary character, it provides an excellent opportunity to link social psychology and consumer behaviour. Both fields confirm that personal traits and the impact of the social environment equally form one’s way of life – including consumption as well (Pikó 2003).

In my dissertation, I disregarded the influencing role of celebrities as potential reference groups, since I think this issue would mean a specific research area in itself, too. That is why I focused on two accentuated reference groups – parents and peers – concerning the consumer behaviour of 14-25 year-old young people.

I formulated my hypotheses on the basis of literature background and my preparatory empirical research on the judgment of 100 products. In order to provide a clear and easy understanding of the relationships between the hypotheses, I integrated them into a logical system.
To test the research hypotheses I conducted an empirical study in 2007, trying to give an answer to the following questions: What is the relative importance of the influencing role of parents and peers in young people’s buying decisions? To what extent do some decision-making and psychographic variables contribute to the degree of susceptibility to reference group influence? What relationship can be discovered between the attitude towards shopping in groups and the level of reference group influence? Is there a correlation between the ‘influencing’ and the ‘influenced’ roles in case of certain product categories? Are there any demographic differences in the above tendencies? To what extent do perceived risk, product knowledge and involvement determine the degree of reference group influence in case of the three selected products?

In the final chapter of my dissertation, I highlighted the potential ways of implication of my results, the limitations of the research and drew up a perspective for its future extension.

**Theoretical Background, Review of International Literature**

In his theory on symbolic consumption, Levy (1959) described consumption goods as meaningful symbols that are appropriate to fulfil the individual’s need for self-presentation. Thus, people buy certain products not only because of their functional attributes, but also because of the message they mediate. Branding and advertising apparently play a central role in the process of associating a symbolical meaning to products. This way, product utility consists of two factors: we can talk about actual (functional) utility and image utility. The latter reflects the social approval that belongs to the owner of the product, as well as the feeling of inferiority that other consumers suffer due to the social norm that favours the possession of the given product (Krähmer 2005). As Englis and Solomon (1997) emphasize, it is important that the consumer is able to correctly decode the spirit of a given culture (that is he/she recognizes which product group expresses which identity) and to code the ‘appropriate’ identity in order to play the desired role.

The brand use of reference group provides image associations, while the identification with it mediates the feeling of psychological utility to the consumer. In order to achieve their goals related to self-identity, people often use products and brands to create and demonstrate their self-image. The ‘potential self’ – that is the individual’s imagination about who he/she may
become – also motivates the behaviour. People intend to create a favourable and consistent image about themselves. Mowen highlights the operation of the close relationship between symbolical consumption and self-image in three steps (Mowen 1993). First of all, the individual purchases the product that symbolises his/her self-image. Secondly, the reference group associates the chosen product to the individual. Finally, as a consequence, the reference group considers the symbolic features of the product as the individual’s own characteristics.

In the first part of my dissertation, I summarised both Hungarian and international literature concerning my research area.

▪ I reviewed the major stages of the development of reference group theory, with a special regard to its appearing in the economical thinking and consumption research.

▪ I examined how reference groups are integrated into the various theoretical models trying to capture consumer behaviour.

▪ I pointed out how various researchers captured the operating mechanism of reference group influence; I presented the two- and three-factor models found in the literature.

▪ I analyzed several aspects of classifying reference groups: beside the classical approach, I drew up alternative options as well; then I described the role of these groups in consumer behaviour.

▪ I presented the international scales developed to measure reference group influence, evaluated their advantages and disadvantages, as well as compared the optimal areas of their implication.

▪ I examined the specific features of shopping in groups, and presented how reference group influence takes place in such cases.

▪ I explored the factors lying behind the manifestation of reference group influence and classified them into three categories: situational, product and personal characteristics. I analyzed the latter two categories in detail and drew up the relationship between personal characteristics and SUSCEP scale (Bearden-Netemeyer-Teel 1989, 1990).
Preparatory Empirical Study

In the next section of my dissertation, I presented a pilot study that I conducted in 2006 on the judgment of 100 products in terms of two determining factors of reference group influence: conspicuousness and necessity. I tried to clarify some problematic points that had occurred during literature review. The aim was dual: on one hand, to make it possible to predict the degree and the direction (brand or product choice) of reference group influence in case of all the 100 products; while on the other hand, on the basis of this pilot study I selected the three products that I examined later in detail.

When evaluating the findings of the research, it was obvious that in the light of the cluster analysis, there are no product groups at all – apart from one exception – that would clearly fit in the typical product categories defined by Bearden and Etzel (1982). The above mentioned exception is the category of ‘visible necessities’. The other four clusters basically differ along the necessity/non-necessity dimension, while as for the visible/hidden dimension, they mainly represent medium values. I concluded that the classical model of Bearden and Etzel focuses only on extreme cases, while excludes a wide scale of other possible options.

Research Hypotheses

On the basis of the literature review and the above pilot study, I formulated my research hypotheses to be tested in a further empirical research. One part of them focuses on the individual differences regarding reference group influence, while another bunch explores the relationship between susceptibility to reference group influence and other shopping attitudes. I distinguished the major types of reference group influence (informational vs. normative) and tried to explore the relative importance of two specific reference groups (parents and friends).

**H1** In case of the examined age range (14-25 year-old young people), friends’ influence on consumer behaviour is more significant than that of parents, regarding both normative and informational influence.

**H2** The power of normative influence is more significant than the power of informational influence in consumer behaviour, regarding both parents and friends as reference groups.
**H3** Women’s consumer behaviour is influenced to a greater degree by reference groups than that of men.

**H4** As the individual’s age increases, the significance of reference group influence declines in his/her consumer behaviour.

**H5** Among the clusters created on the basis of psychographic variables, there are significant differences in the measure of susceptibility to parents’ and friends’ influence as reference groups.

**H6** The more susceptible the individual is to reference group influence in case of a certain product category, the more probable is that he/she appears as an opinion leader for other people.

**H7a** The higher is the level of involvement concerning a certain product, the stronger is the power of reference group influence in that consumption situation.

**H7b** The higher is the level of perceived risk concerning a certain product, the stronger is the power of reference group influence in that consumption situation.

**H7c** The higher is the level of knowledge concerning a certain product, the stronger is the power of reference group influence in that consumption situation.

*Figure 1* represents the relationships between the hypotheses to be tested in the empirical research.
Empirical Research to Test the Research Hypotheses: the Influence of Reference Groups on Hungarian Young People’s Consumer Behaviour

To test the above hypotheses, I conducted an empirical research in 2007. This time, I focused on the personal traits of consumers instead of product characteristics. The study had been designed to provide an answer to the following questions:

- Who represent a role model for nowadays’ young people?
- Who stand for ‘rejected group’ in the eye of young people?
- To what extent do two specific reference groups (family and peers) influence young people’s consumer behaviour and what is the relative weight of these two groups in influencing the behaviour?
- How significant are the two types of influence (informational vs. normative) in case of the above mentioned two reference groups?
- What kind of relationship is there between the psychographic characteristics of the individual and his/her susceptibility to reference group influence?
- In case of which products is reference group influence the most powerful?
What kind of relationship exists between product knowledge, perceived risk, level of involvement and susceptibility to reference group influence?

The survey took place in February-March 2007, by self-fulfilling questionnaires. The questionnaire was tested previously on a sample of 41 respondents. It took about 30-40 minutes to answer all the questions. The final versions of the questionnaire were on one hand distributed in high schools and colleges, while on the other hand, I applied snowball method to send questionnaires into each county of Hungary (these items were filled in individually by the respondents). On the basis of my research conducted in 2006, I selected three specific products: perfume, clothes, iPod to examine in detail this time. As a result of rotation, three versions of questionnaire were created and copied. Finally, a sample of 605 young people was gained. When constructing the questionnaire, I made an effort to use international scales that had been tested and validated previously by several authors. (Nevertheless, I verified the reliability of the applied scales myself, too, by calculating the Cronbach’s Alpha values.) However, scales adopted from international literature were adjusted and modified in several cases, in order to meet the specific requirements of my research aims. Beside the above, certainly own scales were also developed and used in the questionnaire. Data processing was done by SPSS 13.0 software package.

I created consumer clusters based on the examined psychographic and decision making variables. The description of clusters was carried out by discriminant analysis. Further on, I put an emphasis on the examination of cluster differences, too.

I explored who represent a role model for 14-25 year-old young people nowadays. According to my findings, celebrities (aspiration group) play a more significant role in the life of men than women – although family and friends (membership groups) are primary as role models for each gender. As a consequence, it is reasonable to pay a special attention to family members and friends as reference groups. As for rejected groups, the first five places were taken by plaza girls, politicians, show-off/arrogant people, celebrities and the homeless.

By evaluating the SUSCEP scale, I measured the power of informational and normative influences in consumption situations and examined the relative importance of parents and friends as reference groups. To illustrate the results, I prepared several maps. As for the
total sample, informational influence proved to be more powerful than normative influence. The dominance of informational influence is confirmed in case of both parents and friends separately, too. At the same time, among the two potential reference groups, parents play a less important role than friends regarding both normative and informational influence. An analysis was carried out to decide whether gender differences are statistically significant. According to my findings, women are more susceptible to parents’ influence than men. Susceptibility to friends’ influence does not vary significantly in case of men and women – statistically, mean values may be considered equal. To examine age differences, regression analysis was applied. My results confirm that the youngest (14-16 year-old) respondents are influenced to the highest degree by reference groups.

I examined the influence of positive reference groups as well as the role of respondents as opinion leaders concerning certain product categories and explored the relationship between the two phenomena. Measuring the power of reference group influence and the influencing role of the respondent both by a three-point scale (weak-medium-strong), the following typical cases can be distinguished:

Power of reference group influence/Influential power of respondent…

- **weak/weak**: gardening, buying a flat/building a house, tools, household appliances, financial services/insurance, interior decoration, cars/motorcycles;
- **weak/medium**: school/education, travelling, jewellery;
- **medium/medium**: sports equipment, entertaining electronics, restaurants, hairdresser, computers, books, provision, cosmetics;
- **medium/strong**: music, clothing;
- **strong/strong**: movie.

Distinguishing the various types of reference group influence and the two potential reference groups in question, I set up five regression models altogether to predict the degree of susceptibility to reference group influence. To illustrate my results, I prepared several figures that represent the relationships between reference group influence and other purchasing attitudes (see Figure 2 and Figure 3).

On the basis of the results gained from the preparatory empirical research, I examined the impact of perceived risk, product knowledge and involvement on the measure of reference group influence in case of three specific products (perfume, clothes, iPod).
In my dissertation, I provide a detailed description of the methodology and the results of my research.

Figure 2. Relationships between Buying Attitudes and the Influence of Parents as Reference Groups

Source: Own edition

Figure 3. Relationships between Buying Attitudes and the Influence of Friends as Reference Groups

Source: Own edition
Theses of the Dissertation

In the light of the research results, the following theses are set up by deciding on the acceptance/rejection of the previously suggested hypotheses:

T1 In case of the examined age range (14-25 year-old young people), friends’ influence on consumer behaviour is more significant than that of parents, regarding both normative and informational influence. *(Original hypothesis accepted.)*

T2 The power of informational influence is more significant than the power of normative influence in consumer behaviour, regarding both parents and friends as reference groups. *(Original hypothesis rejected.)*

T3 In case of women, only the influence of parents as reference group is stronger. As for the influence of friends, there are no significant gender differences. *(Original hypothesis partly accepted.)*

T4 As the individual’s age increases, the significance of reference group influence declines in his/her consumer behaviour. *(Original hypothesis accepted.)*

T5 Between the clusters based on psychographic variables there are significant differences in their susceptibility to parents’ and friends’ influence on consumer behaviour. *(Original hypothesis accepted.)*

T6 In case of 16 among the 21 examined products (76 %) it is confirmed that the more susceptible the individual is to reference group influence regarding a certain product category, the more probable is that he/she appears as an opinion leader for other people. *(Original hypothesis partly accepted.)*

T7a As for the examined products,

- in case of clothes (visible necessity), involvement does absolutely not explain reference group influence;

- in case of perfume (necessity of medium visibility), involvement explains value-expressive influence and in case of women, informational influence;

- in case of iPod (non-necessity of medium visibility), involvement explains value-expressive, informational and in case of men, utilitarian influence. *(Original hypothesis partly accepted.)*
**T7b** The higher is the level of perceived risk concerning a certain product, the stronger is the power of reference group influence in that consumption situation. (*Original hypothesis accepted.*)

**T7c** As for the examined products,

- in case of perfume (necessity of medium visibility), product knowledge explains value-expressive, and in case of men, utilitarian and informational influence;

- in case of clothes (visible necessity), product knowledge explains value-expressive, informational and in case of women, utilitarian influence;

- in case of iPod (non-necessity of medium visibility), product knowledge explains only utilitarian influence on women. (*Original hypothesis partly accepted.*)

*Figure 4* visually represents the findings of my research. *Figure 1* was reedited according to the decision on accepting/rejecting the examined hypothesis.
The Significance of the Research Results and the Possibilities of Implication

Besides the theses presented in the previous chapter, my research results have a methodological significance, too. On one hand, the two-factor structure of the SUSCEP scale was confirmed among Hungarian circumstances. On the other hand, however, it proved to be reasonable to divide the SUSCEP scale developed by Bearden, Netemeyer and Teel (1989, 1990) into two subcomponents – this is the only way to examine the relative influencing power of parents and peers.

In my study, I explored the relationship of the SUSCEP scale with such decision making/psychographic variables that other researchers previously had not examined. I clarified several questions that were ambiguous according to literature review: my research supported the degressive nature of the relationship between age and susceptibility to reference group influence. As for gender differences, I stated that women’s greater susceptibility to group influence is only true concerning their parents’ influence.

Research results on reference group influence may be implied basically in the field of advertising and personal selling. The meaning and value of a brand do not only origin from its ability to express the personality of its owner, but play an important role in helping its user to create his/her self-identity (McCracken 1988). A critical source of the interpretation of a brand’s meaning is the reference group. A brand may satisfy the need for self-expression as well as can be the means of social integration. It may appear as the symbol of personal completion, may provide self-esteem and makes distinction from others possible.

Cluster analysis applied in my study highlighted that behavioural patterns among young people are varied, it is misleading to treat them as a homogeneous group, considering only their age.

I also pointed out in my dissertation that advertisers should adjust the representation of specific lifestyle-groups not simply to market data, but they must take into account that the perception of the target audience may be far different. Examining the variety of knowledge regarding the given group, niches might be explored that can open new perspectives before product positioning.
There is an excellent opportunity to imply reference group theory in product promotion, too. Research focusing on adult consumers show that when people shop with accompanying fellows, they buy more and spend more, as well (Mangleburg-Doney-Bristol 2004). In my empirical study it was also confirmed that the love of shopping with friends leads to expending more money. „Bring a friend with you” promotion and other special events may contribute to teen group shopping, thus, can lead to gains in profitability, too.

**Limitations of the Research, Potential Directions of Future Extension**

During my empirical research, I certainly had to make some limitations. One of the most important issues is the specific circle of respondents. It would be worth to conduct a survey in the future that focuses not only on the 14-25 year-old young people, but the sample contains respondents from all age ranges.

The second limitation comes from the selection of types of reference groups. As already mentioned above, this time I disregarded the model-providing effect of celebrities. Nevertheless, they form the third most important reference group beside family members and peers. Another opportunity to extend the research lies in including the comparative role of these groups in the range of fields to study.

The selected types of products also represent only a narrow choice of the numerous possible product categories. It may be of special interest to examine the potential ways of spending spare time in this respect: as it is proven from the present study, movies are one of the hottest areas when talking about reference group influence. Again, it requires further research to explore, which type of reference groups (e.g. aspiration vs. rejected) are certain brands associated to, according to the judgment of respondents.

In the present study I did not carry out an international comparison, since the referred research (cf. Park-Lessig 1977, Bearden-Etzel 1982, Brinberg-Plimpton 1986, Bearden-Netemeyer-Teel 1989, 1990, Childers-Rao 1992) contain different kinds of products and focus on different set of respondents. Time also plays an important role: products considered non-necessities 20-25 years ago, may be accepted as necessities today etc.
The models presented in my dissertation may be refined by involving further variables. They might include – apart from various other decision making/psychographic variables – situational factors, too. Behaviour may be modified if purchase is visible but consumption is not; or in case of gift giving and so on. A next step could explore the more hidden mechanisms of reference group influence by applying qualitative methods.
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