INTRODUCTION

Group pressure to conform is referred to in the consumer and social psychology literature interchangeably as “social influence” or “interpersonal influence” (Bearden, Netemeyer & Teel 1989; Burnkrant & Cousineau, 1975; Cialdini, 2001; Cialdini & Trost, 1998). Market researchers have long endeavored to understand the effects of social influence on consumer attitudes and behaviors. That is, how, why, and when do consumers conform to social norms? Social influence plays an important role in seminal models of consumer behavior (Howard & Sheth, 1969; Fishbein & Ajzen, 1975; Ajzen, 1988; Engel, Blackwell & Miniard, 1995). Social influence has an impact on brand preferences (Stafford, 1966), on evaluations of product quality (Pincus & Waters, 1977) and on buying decisions (Argo, Dahl & Manchanda, 2005; Bearden & Etzel, 1982; Burnkrant & Cousineau, 1975; Dholakia & Talukdar, 2004; Mourali, Laroche & Pons, 2005; Spangenberg & Sprott, 2006). Equally important is to know about consumer socialization, the process by which young people develop consumer related skills, knowledge and attitudes (Moschis & Churchill, 1978). Students of marketing and marketers are particularly interested in the efficacy of consumer socialization theories in predicting the development of patterns of thinking and behaving that constitute consumer behavior (Ward, 1974).

Consumer behavior, by blending elements from psychology, sociology, social-psychology, anthropology, economics, etc., attempts to understand the buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics, psychographics, and behavioral variables in an attempt to understand what consumers actually want. It also tries to assess influences on the consumer from groups such as family, friends, other reference groups, and society in general. In the field of consumer behavior, marketers and researchers have tried to unfold and understand the intricacies of consumer buying
decision process, the information search process and subsequent influences of the environment on these processes. All of them have unanimously realized that diversity is one of the most primary characteristics in all human beings and to predict one’s behavior on a reliable basis is nearly impossible. Each individual is different from others in more ways than one. This diversity ranges from an everyday situation like buying bread and butter from the nearby grocery shop to choosing a vacation destination abroad. Researchers around the world have studied how people behave in a particular situation and why do they behave like that? The results however have not been commensurate with the efforts made due to the diversity which people exhibit in their behavior. Thus, it is imperative for marketers to keep track of their customers by undertaking researches on the various facets of consumer behavior, in different contexts on a regular basis.

1.1 Why Study Consumer Behavior?

To design, and implement marketing strategies on a more predictable and reliable basis, the firm needs to know who all buy their products. How do they buy? When and where do they buy? Why do they buy? How do they respond to marketing stimuli? How, why, where and when consumers make purchase decisions? What are the influences on their consumption related decisions (Schiffman & Kanuk, 2000)? Having answers to the above basic questions would enable the marketers to offer products and services which delight the consumers, offer a price which the customer pays willingly, come up with compelling marketing communications and deliver customer value through efficient distribution of products and services. Thus, knowing their consumers well would enable the firm to satisfy their customers’ needs and wants in far superior ways than their competitors can do.

1.2 Major Factors Influencing Consumer Behavior

Consumers do not make their decisions in a void. Their purchases are influenced by cultural social, personal and psychological factors (Majumdar, 2010). For the most part, they are beyond the control of the marketers but must be taken into account for making suitable marketing strategies. Broadly, they can be classified into internal and external influences on consumer behavior.
1.21 Internal Influences on Consumer Behavior: These influences shape the consumer behavior directly through the psychological processes taking place within an individual. These are generally difficult to understand and therefore remain beyond the control of marketers. Some of them are briefly discussed below:

**Personality:** It is a person's distinguishing psychological characteristics that lead to relatively consistent and lasting responses to stimuli in the environment (Majumdar, 2010). In the recent past attempts have been made to explore the relationship between personality variables and consumers’ willingness to conform to environment. Measures of consumers’ interpersonal orientation and their susceptibility to interpersonal influence have been developed to study these phenomena. In one of the categorizations of individuals’ personality, Horney (1945) has proposed three personality groups: *compliant individuals* who move toward others or those who desire to be loved, wanted and appreciated, *aggressive individuals* who move against others or those who desire to compete to win admiration and *detached individuals* who move away from others or those who desire to be independent, self-sufficient and free from obligations.

**Lifestyle and Psychographics:** It is a pattern of living expressed through a person's activities, interests, and opinions (Majumdar, 2010). Psychographics is a technique for measuring personality and lifestyles to developing lifestyle classifications. Now-a-days reality shows on the television are more focussed on the life style of the youth. For example Splitsvilla on MTV India, *Dare to date* on Channel [V], etc. Researches like VALS (Anandan, *et al.*, 2006) have been successfully conducted on a regular basis by SRI Consulting to look into the psychographics of the consumers which have served as the basis for effective market segmentation by the marketers.

**Motivation:** It is the driving force within individuals that impels them to action (Schiffman & Kanuk, 2000). Consumers usually have multiple motives for particular behaviours. These can be a combination of manifests known to the person and freely

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1 An Indian television reality show that airs on MTV India.
2 An Indian version of MTV (Music Television), a channel specializing in music and youth culture.
3 An Indian television dating reality show that airs on Channel V (India).
4 Channel [V] is the brand name for multiple international music television networks owned by STAR TV India.
5 Values and lifestyle segmentation system developed by SRI Consulting, U.S.A. to study consumer psychographics which is updated every year.
admitted or unknown to the person or the person is very reluctant to admit them (Kotler, 2003). Different motives can lead to the same behaviour. For example getting into the coveted Harvard Business School can be a matter of getting recognition (esteem needs) for some of the aspirants, where as for some it may serve as a means for self actualisation. Some consumers would buy a car to fulfil their safety needs, while many would buy a car to flaunt it.

Involvement: It has to do with an individual’s intensity of interest in a product and the importance of the product for that person (Loudon & Della Bitta, 1993). The purchase of a car is much more risky than the purchase of a one liter pack of orange juice and therefore represents a higher involvement situation. As involvement with the product increases, consumers have greater motivation to comprehend and elaborate on information salient to the purchase and vice versa. For decision regarding purchasing a residential flat, a consumer would undertake extensive information search regarding prices, location, reputation of the builder and architect, etc. He/she may even visit the site of construction; discuss the matter with family, friends, experts, etc. However, if the same person wants to buy monthly grocery items, he/she may not exhibit the heightened information search as in the case above.

Thus, it may be inferred that most of the diversity consumers display in their behaviour is mainly due to the internal factors.

1.22 External Influences on Consumer Behavior: These influences are external environmental factors which shape consumer behavior indirectly. Unlike internal influences, these are not so difficult to understand however they also remain beyond the control of marketers. Some of them are briefly discussed below:

Culture: Culture is the most fundamental determinant of a person’s wants and behavior (Kotler et al., 2007). The child growing up in a society learns a basic set of values, perceptions, preferences and behaviors through a process of socialization involving the family and other influences. A child growing up in USA is exposed to values like, achievement, success, progress, material comfort, individualism, freedom, youthfulness, etc. (Schiffman & Kanuk, 1997). Whereas growing up in India would expose the
individual to values like, honesty, truthfulness, collectivism, respect for elders, etc. Thus, culture is a set of basic values, beliefs, norms, and associated behaviors that are learnt by a member of society while growing up in a given social setup. Culture is something that is acquired over a long period of time and thus it has a relatively long lasting effect on the behavior of an individual or groups.

**Social-Class:** Social class refers to a group consisting of a number of people who have approximately equal positions in a society (Loudon & Della Bitta, 1993). Thus, one’s social standing is a result of characteristics one possesses such as family background, education, occupation, ownership of property, income, etc. This leads to the division of society into a hierarchy of social classes ranging from high status to low status so that, members within each of the social classes have relatively the same status as each other. This hierarchical aspect of social classes is important to marketing because consumers in a particular social class develop preferences and consumption patterns that are unique to them. As a result, they tend to purchase certain products which are favored by the members of their own social class or a higher social class. They might also be found avoiding some products which are perceived to have associations as lower class products (Kotler *et al.*, 2007).

**Reference Groups:** According to Olson & Peter (1996), a reference group is defined as “one or more people that someone uses as a basis for comparison or point of reference in forming affective and cognitive responses and performing behaviors”. Reference groups are usually conformed by the social network of an individual: family members, friends and colleagues, and inspirational figures (Bachmann, John & Rao, 1993) and can be a source of brand associations that mould the mental representations a consumer has of himself (Escalas & Bettman, 2003). Reference groups can be broadly classified into two categories. One of them is the primary groups with which there is fairly continuous interaction, such as family, friends, neighbors, and co-workers. Primary groups tend to be informal. The other one is secondary groups, which tend to be more formal and where there is less continuous interaction: they include religious organizations, professional associations, trade unions, etc. (Kotler, *et al.*, 2007). Reference groups are usually small groups, and are not as broad as an entire social class.
Like the family, there are several other social groups who regulate our lives through establishing standards and norms of conduct.

Thus, it may be inferred that consumers are also influenced to a large extent by the external factors.

1.3 Relevance of Reference Groups in Marketing

Reference groups expose an individual to new behaviors and lifestyles, and influence attitudes and self-concept; they create pressures for conformity that may affect actual product and brand choices (Kotler et al., 2007). The importance of the concept of reference groups for marketing strategists lies in the understanding of why behavior develops as it does rather than in the ability to influence behavior. Using the theory of social comparison (Festinger, 1954) an attempt was made to explain why consumers use informal groups as a source of information about products and as a frame of reference in product evaluations and why informal groups influence purchasing behavior.

It is argued that the individual has a need to compare himself on various attributes with other individuals in order to judge the consequences of his behavior when physical evidence is unavailable. Social comparison increases the stability of one’s evaluation and offers an occasion for expressing affection and other interpersonal rewards (Clarke, 1971). Social comparison consists of two basic and different processes: reflected appraisal and comparative appraisal. Reflected appraisal is “any evaluation of the self that is inferred from the behavior of other persons during interaction with them”, whereas, comparative appraisal is the “evaluation of one’s own relative standing with respect to an attitude, belief, ability, or emotion by observing the behavior of appropriate reference persons” (Jones & Gerard, 1967). It is a commonly believed that most of the buying decisions are influenced by someone’s direct recommendations. It has also been observed that although commercial sources of information may be important in developing awareness, actual adoption of innovations usually has been influenced strongly by word-of-mouth sources (Katz et al., 1955; Coleman et al., 1966). Researches in consumer psychology have established that personal sources play a particularly influential role in affecting product choice (Katona et al., 1954; Price et al., 1984), selection of service providers (Keaveney,
1995) and in the diffusion of information regarding new products (Feldman et al., 1965; Engel et al., 1969).

The interpersonal source is generally seen as more important and accessed more frequently by consumers because of its assumed objectivity (Thorelli, 1971; Price et al., 1984). Researchers in the past have suggested that these communications have more influence on product judgments than less vivid printed information (Herr et al., 1991). Consumer susceptibility to interpersonal influence 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 through the acquisition and use of products or brands, the willingness to conform to the expectations of others regarding purchase decisions, and/or the tendency to learn about products and services by observing others or seeking information from others (Bearden et al., 1989).

1.4 Types of Reference groups

Reference groups assume several different forms. The aspirational reference group refers to those others against whom one would like to compare oneself. For example, many firms use sportspersons as spokespeople for their products and brands and these represent what many people would ideally like to be. Associative reference groups include people who more realistically represent the individuals’ current equals or near-equals—e.g., co-workers, neighbors, or members of churches, clubs, etc. Finally, the dissociative reference group includes people that the individual would not like to be like. Another typology divides reference groups into the informational kind (influence is based almost entirely on members’ knowledge), normative kind (members influence what is perceived to be ‘right’, ‘proper’, ‘responsible’, or ‘cool’) and identification kind. The difference between the latter two categories involves the individual’s motivation for compliance. In case of the normative reference group, the individual tends to comply largely for utilitarian reasons. In contrast, people comply with identification groups’ standards for the sake of belonging. A summary of types of reference groups and their characteristics is given in Table 1.1.
### Table 1.1: Types of Reference Groups

<table>
<thead>
<tr>
<th>Type of Reference Group</th>
<th>Key Distinction and Characteristics</th>
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<tbody>
<tr>
<td>Formal/Informal</td>
<td>Formal reference groups have a clearly specified structure; informal groups do not.</td>
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<tr>
<td>Primary/secondary</td>
<td>Primary reference groups involve direct, face-to-face interactions; secondary groups do not.</td>
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<tr>
<td>Membership</td>
<td>People become formal members of membership reference groups.</td>
</tr>
<tr>
<td>Aspirational</td>
<td>People aspire to join or emulate aspirational reference groups.</td>
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<tr>
<td>Dissociative</td>
<td>People seek to avoid or reject dissociative reference groups.</td>
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</tbody>
</table>

(Source: Peter & Olson, 2005)

### 1.5 How Reference Groups Influence Consumer Behavior

Groups have power to influence their members’ behavior. Various sources of social power may be operative in different social group situations. The influence of reference groups on consumer behavior is felt through the social powers mentioned as under (Loudon & Della Bitta, 1993):

1) **Reward Power:** It is the ability of group to give rewards like money, gifts, psychological rewards such as recognition and praise. In some situations, the use of products offers the rewards of group acceptance, for example wearing jeans and T-shirt would create better acceptance among college students.

2) **Coercive Power:** It is the ability of group to give threats or withhold rewards. An individual can thus be threatened or coerced to behave in a particular manner, for example deodorants, mouthwash, contact lens, etc. are often sold by using the fear of rejection by the group.

3) **Legitimate Power:** This is closely linked to group values and involves the sanction of what ought or should be done, because the group has a legitimate right to influence persons just because they belong to it, for example professional associations or groups of physicians, lawyers, managers, architects, teachers, etc.

4) **Referent Power:** The basis of referent power is the identification and feeling of oneness of the person with the group. It arises because a person admires or would like to be associated with the group. Referent power is often used to buy status-oriented products.
Consumers are urged to obtain a similar status by purchasing the items recommended by the group.

5) **Expert Power:** Consumers accept information from members within a group, whom they perceive to be experts, for example while purchasing motorcycle people might consult their mechanic whom they consider to be an expert or before committing money to a mutual fund people might consult their neighbor who teaches financial management to MBA students.

### 1.6 Factors Affecting the Influence of Reference Groups

Reference group influence is accepted and sought by individuals because of the perceived benefits that it provides. Thus, the interaction may result in rewards of belongingness, information and satisfaction. However, the degree of influence that a reference group exerts on an individual's behavior depends on the following factors (Majumdar, 2010):

1) **Experience and Information Held by the Consumer:** A person, who has little or no first-hand experience with a product or service, and also little or no information, will be more susceptible to reference group influence. Where there is sufficient experience or information, a consumer is more confident to take independent decisions.

2) **Reference Group Credibility:** The higher a reference group is rated on credibility, the more powerful it will be perceived to be and the more it will tend to influence the beliefs, attitudes and behavior of consumers.

3) **Consumer Conformity:** The reference group influence is likely to be more on conforming consumers than those who do not conform to group norms.

4) **Product/Brand Visibility:** Consumers are more likely to get influenced by their reference group for products/brands which are visible to others than those which are not visible to others.

5) **Exclusiveness of the Product/Brand:** Reference group influence is likely to be felt more on products/brands which are exclusive in nature than those which are common.
1.7 Reference Group Applications in Marketing

The reference group concept is used by advertisers to persuade consumers to purchase products and brands by portraying products being consumed in socially pleasant situations, using prominent and attractive people to endorse products and brands and by using stereotype group members as spokespersons in advertising. These reference group appeals have two benefits to advertising. They provide frames of reference for the consumers and increase brand awareness because they draw attention to the product through their own popularity. There are three broad applications of reference group influence on buyer behavior, as expressed through the medium of advertising (Majumdar, 2010):

1) **Use of Celebrities for Product Endorsements:** Advertisers spend enormous amounts of money on celebrities in the expectation that their audiences will react positively to a celebrity's association with their product. Celebrities represent, to some extent, the ideals of life for the consumer. For example, Sachin Tendulkar\(^6\) endorses JP cement\(^7\). One can associate Sachin’s consistent performance in cricket with the performance of the cement brand being endorsed by him.

2) **Use of Experts for Product Endorsements:** A second type of reference group appeal used in advertising is to use persons who are experts in their respective fields. Experts help prospective consumers to evaluate an advertised product. For example, Hafiz Contractor\(^8\) a famous architect placing his trust in Finolex wires and cables\(^9\) which are fire resistant.

3) **Use of Common man for Product Endorsements:** A third type of reference group appeal is that of a non celebrity (common man) spokesperson. It demonstrates to the consumer that someone just like him or her uses the product and, is satisfied with the product. The common man appeal is especially effective in public health announcements, social messages, etc. because, most people seem to identify with people like themselves,

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\(^6\) An Indian cricketer widely regarded as one of the greatest batsmen in the history of cricket.

\(^7\) A brand of cement manufactured by Jay Pee Group (India) which has a strong presence in infrastructure sector.

\(^8\) An Indian architect with some of the prestigious projects in India to his credit.

\(^9\) A brand of wires and cables manufactured by Finolex Group (India) a leading manufacturer of wires & cables.
when it comes to such messages. For example, common people testifying for the effectiveness of the weight reduction program at a VLCC\textsuperscript{10} slimming centre.

Thus, advertisers are increasingly relying on reference group influence when they use celebrity spokespersons (Stanton, Etzel & Walker, 1994). Celebrities can influence people who would like to be associated with them in some way, for example Shahrukh Khan\textsuperscript{11} in Airtel Mobile Services\textsuperscript{12}, Amitabh Bachchan\textsuperscript{13} in Cadburys’ Dairy Milk\textsuperscript{14} chocolate, Mahinder Singh Dhoni\textsuperscript{15} in Reebok\textsuperscript{16}, etc. Reference group appeals are effective promotional strategies as they increase brand awareness and reduce perceived risk among consumers (Khan & Rehman, 2005).

1.8 Present Study

India with a population of more than a billion consumers offers a great marketing opportunity to the marketers of products and services. The consumers provide opportunity in the form of rising incomes, higher personal disposable incomes and an increased tendency to consume. Coupled with exposure to international lifestyles and media, easier finance options and a growing economy, the Indian consumer is fast evolving. However the challenge is to understand the value conscious Indian consumer who has a traditional mindset, value system and even seeks an explanation for the high priced luxuries. Further the diversity of the Indian market based on rural-urban consumers, plethora of languages and dialects, religious affiliations, castes, sub-cultures, etc. makes the task of the marketers even difficult (Majumdar, 2010). This study seeks to examine the consumer perceptions of reference group influence on product and brand choice decisions. The market place is being flooded with an overwhelming number of innovative products and several brands in each product category competing for the market share. Promoting the products and brands through the non-personal channels of communication gets severely hampered as it is very difficult to cut through the clutter created by the advertising messages of almost every brand vying to catch consumer’s share of mind. Reference group influence on

\textsuperscript{10} It is India’s largest and most preferred slimming, beauty & health brand.
\textsuperscript{11} A popular Indian film actor as well as a film producer and television host.
\textsuperscript{12} It is an Indian telecommunications company that operates in 19 countries across South Asia, Africa and the Channel Islands.
\textsuperscript{13} An Indian film actor and producer, who has become an iconic figure.
\textsuperscript{14} It is a brand of chocolate bar produced by Cadbury, sold in several countries around the world.
\textsuperscript{15} An Indian cricketer and the current captain of the Indian national cricket team.
\textsuperscript{16} A subsidiary of the German sportswear company Adidas is a producer of athletic footwear, apparel, and accessories.
product and brand choice decisions assumes focal position for the marketers who are keen on reaching out to their target market in an effective and efficient way.

Thus, it is imperative for the marketers not only to know who all constitute the reference group for their target market but also to understand which reference group has a relatively stronger and long lasting influence on the consumers’ choice. Reference group influence on consumers’ purchase decisions has been researched upon time and again (Park & Lessig, 1977; Bearden & Etzel, 1982; Childers & Rao, 1992). These studies were conducted over long intervals of time and in different cultural contexts. Even the products used in each of these studies were different.

With the passage of time, consumers, market place, products and brands, marketing environment, marketing strategies, etc. everything undergoes a change. Over the years several new products and brands have moved into the shelf space of the retail outlets. Products like cellular phones, laptops, etc. which were considered to be of exclusive ownership and usage are no longer exclusively owned or used. The luxury items of yester years are fast becoming the necessities of today. With the increase in consumers’ affluence, one is spending more on the items of conspicuous consumption to project one’s image in public. Even the products ordinarily not used in public are being purchase with the intention of enhancing one’s image in the eyes of relevant others. There are consumers who seek guidance from their reference group in choosing products and brands, while some consumers just follow their heart in such matters without bothering much about their reference group.

The changed marketing scenario calls for revisiting the concept of reference group influence on consumer behaviour. It is equally important to ascertain the current relevance of the reference group influence construct developed by Park & Lessig (1977) and refined by Bearden et al. (1989). Equally important it is to examine whether the distinction between luxuries and necessities, and between public and private product is getting blurred. It is imperative to see its effect on consumer perceptions related to product and brand choice decisions. Further it would not be out of place to probe the differences in consumers’ susceptibility to reference group influence based on consumer demographics.