**MKT305: Week 6 Lecture: Consumer Behavior:** Group and Interpersonal Influence

|  |  |  |
| --- | --- | --- |
| **Slide #** | **Topics** | **Narration** |
| Slide 1 | Introduction | Welcome to Consumer Behavior.  In this lesson we will discuss group and interpersonal influence.  Next slide. |
| Slide 2 | Topics | The following topics will be covered in this lesson:  Reference groups;  Group influence;  Conformity;  Types of social power;  Reference group influence;  Informational influence;  Utilitarian influence;  Value-expressive influence;  Value and reference groups;  Reference group influence on product selection;  Social media and group influence;  Individual differences in susceptibility to group influence;  Word of mouth;  Positive and negative word of mouth;  Buzz marketing;  Stealth marketing;  Opinion leaders;  Diffusion processes;  Household decision making; and  Traditional family structure.  Next slide. |
| Slide 3 | Topics, continued |  |
| Slide 4 | Reference Groups | By nature, humans want to belong to a group since we are social creatures who like contact with others. Consumers belong to numerous *formal* and *informal* groups which exert great influence over their consumer behavior. One such group is a *reference group*. A **reference group** is a group of individuals who have an impact on consumer evaluations, aspirations, and behavior. As a result of this reference group membership, consumers are influenced to *receive value* from the *consumption process* and *group membership*.If you work, more than likely one of your reference groups is your work colleagues. Another reference group may be one’s family or church members. Or, perhaps it is a group that exists virtually online via a social networking site such as Facebook or Twitter. If you give it some thought, you can identify many reference groups that you belong to as a consumer.  Next slide. |
| Slide 5 | Group Influence | The influence that a group can have over a consumer cannot be understated. **Group influence** refers to the manner in which group members influence opinions, attitudes, and behaviors of other group members. Typically, group members do the following:  Share common goals and interests;  Communicate with each other;  Share a set of expectations, rules, and roles; and  View themselves as members of a common social unit.  However, some groups have more influence over their members than others do.  Next slide. |
| Slide 6 | Group Influence, continued | A **primary group** is one that includes members that have *direct* and *frequent* contact with each other such as family members. This group has the *most influence* on its members and the group also has very strong social ties to each other. For example, the consumer behaviors and habits of parents often have an influence on the behaviors and habits of their children.  **A secondary group** is one whereby the group members do not interact very often and their influence on members is *not as strong*. An example of a secondary group would be a professional organization such as the Society for Human Resource Management. An individual with an interest in human resources or who works in this capacity might be interested in belonging to a group such as this.  A group where the consumer formally becomes a member is a **formal group**. A formal group has *rules*, *values*, and *official codes of conduct*. A sorority or fraternity is an example of a formal group. As you can imagine, an informal group is one that requires no application and codes of conduct often do not exist. A group of women who meet twice weekly for a group fitness class at the gym is an example of an informal group.  Next slide. |
| Slide 7 | Conformity | One aspect of living in the United States is our expectation to conform to societal ways and expectations to a certain degree. Conformity is a topic in consumer behavior that relates to group influence. **Conformity** occurs when the consumer yields to or complies with the attitudes and behaviors of other consumers. A closely related concept is that of *peer pressure*. You are probably well aware of the influence that peer pressure can have on individuals, especially during the adolescent years. Peer pressure is realized when one feels pressured to behave in a way that conforms to group expectations. It is considered one of the strongest types of group influence that exists. Teens often experience peer pressure in regard to experimenting with alcohol and drugs.  Peer pressure can be either *positive* or *negative*. A teen who has recently decided that she will no longer text while she is driving because her friends have been encouraging her to no longer do this, has experienced *positive peer pressure*. *Negative peer pressure* is often used to encourage counterproductive and sometimes even illegal behaviors. For example, a group of men attend professional football home games in their city. One of the men in the group does not drink alcohol. During the games, the other men in the group routinely pressure this member to drink even though they are aware he is a non-drinker.  Next slide. |
| Slide 8 | Types of Social Power | We would be doing a disservice to the topic of reference groups if we did not discuss the influence of the different types of social power that have been identified. **Social power** is the ability of an individual or a group to alter the behaviors and actions of others. Due to this, social power can have a huge influence on the products we purchase, our attitudes, and our activities.  There are *five types* of social power that have been identified. The first is referent power. **Referent power** can be seen when a consumer imitates the behavior and attitudes of groups as a way to identify with the group. For example, a consumer has recently been training for her first five K race. She joins a local running group and imitates the actions and behaviors of the other group members as a way to identify herself as a runner. The second form of social power is known as **legitimate power** and it is dependent upon one’s position in a group and the type of power that is associated with the position. One’s supervisor at work has legitimate power over an employee.  Expert power is the third type of social power that has been identified. **Expert power** refers to the ability of a group or individual to influence a consumer due to the group’s or individual’s knowledge of, or experience with, a specific subject matter. For instance, if a consumer were interested in learning more about diabetes since they were recently diagnosed with the disease. They could easily tap into the expert power that is available online via the American Diabetes Association’s website that contains comprehensive information about the topic of diabetes.  Next slide. |
| Slide 9 | Types of Social Power, continued | The fourth type of social power is reward power and based upon its name, it is probably easy for you to figure out exactly what it refers to. **Reward power** is realized when a group has the capability to reward its members for compliance with group expectations. The receipt of a varsity letter for participation in a respective high school sport is an example of reward power.  **Coercive power** is the last type of social power that has been identified. This type of power occurs when a group exerts coercive power over its members. If the member does not give in to the expectation, sanctions can be imposed which can be harsh and result in a loss of group membership. Members of athletic groups may face severe penalties if they are discovered to be using illegal substances.  Next slide. |
| Slide 10 | Check Your Understanding |  |
| Slide 11 | Reference Group Influence | To better understand the overall influence of a reference group on a consumer’s behavior, we must first know about the *group influence process*. Further, we will benefit from knowing more specifically how consumers are *persuaded* via the three different categories of influence which include:  Informational influence;  Utilitarian influence; and  Value-expressive influence.  Next slide. |
| Slide 12 | Informational Influence | As consumers, we often find it helpful to be able to tap into information available from groups to aid in decision-making. This is known as **informational influence**. Informational influence is the way in which a reference group can influence a consumer since the consumer can use the attitudes, behaviors, and information available from the group to make a more informed decision. For instance, a consumer is seeking advice regarding the purchase of a new vehicle. The consumer will probably gather information from their reference groups which may include their extended family and work colleagues. Or, perhaps a consumer may opt to try a new food or beverage when they observe their son drinking it. *Internet blogs* and *discussion groups* are also sources of information which may influence consumer behaviors.  Next slide. |
| Slide 13 | Utilitarian Influence | The second type of reference group influence is utilitarian influence. **Utilitarian influence** occurs when a consumer will conform to the expectations of the group in order to receive a reward or to avoid punishment. For example, many teenagers are quite particular about the brand of clothing they will wear. Some teens have a preference for wearing the popular brands. When teens wear popular brands of clothing, they are being influenced in a utilitarian manner and they receive *acceptance* and *approval* from the reference group. However, when teens do not comply with the clothing expectations of the group, they may be *socially shunned*. This treatment serves as a punishment for not complying with the expectations of the group in terms of which brand of clothing is acceptable to wear.  Next slide. |
| Slide 14 | Value-Expressive Influence | The third type of influence that a reference group can yield is **value-expressive influence**. This type of influence occurs when a consumer wants to become a member of a group that holds similar values and beliefs. For instance, many military veterans belong to community-based clubs which require past active military duty as a prerequisite for membership. The group members share similar values regarding our national security and defending our freedoms as Americans. Membership in reference groups also allows members to portray a *self-image* that is consistent with the values held by the other group members. It is important to note that the individual’s self-image is influenced by the *group*.  Next slide. |
| Slide 15 | Value and Reference Groups | There are many *outside influences* that impact upon the value that a consumer receives from an activity. In this way, *reference groups* and *value* are related. A consumer may receive utilitarian value through membership in a group. For example, a consumer who works as a Director of Human Resources has been diligently studying to take the examination to become certified as a Professional in Human Resources. After they have successfully completed the exam, they are eligible to join the Society for Human Resource Management. They receive great value from the time, effort, and work that they put into receiving their professional certification.  A consumer may also realize *hedonistic value* simply from attending group meetings, events, and activities. The consumer receives value in the form of *fun* and *enjoyment* from participation in group activities.  Next slide. |
| Slide 16 | Reference Groups Influence on Product Selection | Exactly how do reference groups influence consumers regarding the types of products that they select to purchase? The first way is by *looking at the situation* in which the product is *used* or *consumed*. Products which can be easily seen by others are known as **public products**. Examples of public products are jewelry and clothing. Products that are not easily seen by others are considered private products. Examples of private products are bed linens and bar soap.  The second way that reference groups influence our product selection concerns whether or not the product is considered a *necessity or a luxury*. For instance, a stove is a necessity, but a Rolex brand watch is a luxury. The third way that reference groups influence product selection depends upon *whether a particular product or brand is selected*.  For products that are necessities, the influence that a reference group has is relatively *weak*in terms of product selection. However, for products that are public necessities, the reference group’s influence on brand selection is *strong*. For luxury products, reference group influence is *strong*. But, group influence on actual brand selection is only strong for *public luxury items* such as a motorboat for example.  Next slide. |
| Slide 17 | Social Media and Group Influence | The influence of the Internet on how we communicate with each other has drastically changed over the years. Now, it is routine for consumers to interact via various social media websites. However, what type of influence does social media have on our behaviors as consumers? Social media has the potential to have a huge impact upon our behavior as consumers, depending upon how much we use these sites.  Before we continue, let’s distinguish between some terms so that we have clarity regarding what each one means. **Social media** refers to the actual media through which communications happen. Examples of social media are the Internet, television, cell phones, and radio. *Social networks* are consumer networks formed which are based on *shared* and *common* interests or goals.*A social networking site* is a website that facilitates online social networking. Examples of social networking sites are Facebook, Twitter, LinkedIn, and MySpace. A great deal of social networking on these sites is conducted through mobile media such as laptops, cell phones, and iPads.  The value and group influence that can be seen via the increasing usage of social media websites validates the benefit of staying connected with friends, family, and other social groups. Consumers are able to join groups, make connections with others, purchase products, gather information, and spread information via word-of-mouth.  Next slide. |
| Slide 18 | Check Your Understanding |  |
| Slide 19 | Individual Differences in Susceptibility to Group Influence | Even though we have established the influence that reference groups have on us as consumers, this does not mean that all consumers will act the same way in the same situation or be equally influenced to conform to the expectations of the group. Three individual differences have been identified that determine how susceptible we are to group influence.  The first individual difference is **susceptibility to interpersonal influence**. This refers to the level of need an individual has to enhance their image by purchasing and using products, conforming to others expectations, and observing others to learn about products. Consumers who are particularly susceptible to interpersonal influence *value luxury items* and the benefit of *quality* and *image* that are tied to their possession. Individuals such as this seek approval from others through the types of products that they acquire. As a result they are more likely to avoid any negative perceptions or impressions from others in public settings.  The second individual difference in susceptibility is *attention to social comparison information*. Consumers are concerned about how others react to their behavior. If a consumer is out shopping with a friend, they may exhibit different shopping and purchase behaviors than when they are shopping alone based upon their concern with paying attention to what others think.  The last individual susceptibility difference is referred to as **separateness-connectedness**. This simply means that consumers are different as to their feelings of connectedness to other consumers. A consumer that perceives them self as distinct and separate from others is said to possess a *separated self-schema*. One who perceives them self as an integral member of the group is said to possess a *connected self-schema*.  Next slide. |
| Slide 20 | Word of Mouth | Each of us as consumers have used *word-of-mouth* to share our opinions, attitudes, and feelings regarding products with our friends, family members, and colleagues. **Word-of-mouth** refers to information about services, products, and experiences that is transmitted from consumer to consumer. Two types of word-of-mouth influences have been distinguished with the first type referred to as **organic**. Organic word-of-mouth happens when a consumer enjoys a product or service. The consumer wants to share his experience with the product. **Amplified word-of-mouth** occurs when marketers try to increase word-of-mouth in current circles. They may also opt to develop a new forum for word-of-mouth such as an online discussion board. Word-of-mouth is very influential and consumers are more apt to believe other consumers than they are advertisements and marketing messages from a company.  Next slide. |
| Slide 21 | Positive and Negative Word of Mouth | Consumers like to talk about their *experiences* with other people and they are more likely to provide positive comments about a product when they are *satisfied* with it. Additionally, when a product has *relevance* to a consumer’s *self-concept* and the consumer is highly involved, they are more apt to spread *positive word-of-mouth information to others*.  The spread of *negative word-of-mouth information* has the potential to be very damaging to a company and its reputation. The reason for this is because negative word-of-mouth information is *highly influential* and even more influential than positive word-of-mouth information! Further, when a consumer has a bad experience, they will tell more people about it than if they had a good experience.  *Social networking sites* are increasingly being used to spread word-of-mouth information, whether it be positive or negative. Consumers are becoming accustomed to searching the Internet for advice on hundreds of topics and issues. Some companies encourage the spread of information between consumers and there are many sites online that provide venues for this type of interaction. *Company websites* may provide discussion boards for consumers to participate in. However, it is important to note that the company must also be *conscientious* of monitoring the content of the discussion boards. *Text messaging* is another mode of communication that is used to spread word-of-mouth information.  Next slide. |
| Slide 22 | Buzz Marketing | A concept that is related to word-of-mouth marketing is buzz marketing. **Buzz marketing** is a marketing tactic that companies use to *create* and *generate* excitement that is spread among marketing segments. The introduction of the new Volkswagen Beetle car and the buzz that was created each time a new Harry Potter book was preparing to be released are examples of buzz marketing. Buzz marketing is a form of **guerrilla marketing** which is marketing a product using unconventional means. Viral marketing is becoming increasingly popular online through social networking sites. **Viral marketingtechniques** encourage consumers to spread marketing messages using online technologies.  Next slide. |
| Slide 23 | Stealth Marketing | Another form of marketing that is somewhat controversial is stealth marketing. **Stealth marketing** is a guerrilla tactic and it is similar to buzz marketing. However, the difference is that with stealth marketing, the consumer is not aware that they are being marketed to. For instance, Blackberry used stealth marketing techniques for an ad campaign where they paid attractive actresses to flirt with men in New York City bars with the goal of getting the men to give the actress their cell phone number. The actress would hand her Blackberry to the man and request that he input his cell phone number. The men were unaware that they were being targeted by the company to increase their interest in Smart phones.  The placement of products in *televisionshows* and within *movies* is another form of stealth marketing since the public is unaware that companies pay for these product placements. Women have been found to have more *positive attitudes* toward product placements than men do.  Next slide. |
| Slide 24 | Opinion Leaders | The use of opinion leaders for buzz marketing is especially effective. **Opinion leaders** are knowledgeable consumers who hold great influence on others behavior as it relates to the adoption of a *product* and its *purchase*. Typically, opinion leaders are *socially active* and *self-confident*. However, the specific characteristics for an opinion leader depend upon the type of *product* that is being considered.  *Two* other types of leaders are also used to influence consumers. The first is referred to as a market maven. A **market maven** is a consumer who shares information about a variety of products and services available. The main difference between an opinion leader and a market maven is that the market maven’s influence *is not specific to a category*. On the other hand, a **surrogate consumer** is one who is hired to provide input regarding a purchase decision. Examples of surrogate consumers are interior designers, travel consultants, and stockbrokers.  Next slide. |
| Slide 25 | Check Your Understanding |  |
| Slide 26 | Diffusion Processes | **Diffusion processes** refer to the manner in which new products are adopted and spread throughout the marketplace. Marketers know that different groups of consumers will adopt new products at different rates. Five adopter categories of consumers have been identified and include the following:  Innovators;  Early adopters;  Early majority;  Late majority; and  Laggards.  Consumers in the *innovator* and *early adopters category* are more influential when they talk about products with members of other groups. As a result of this, they can be considered an opinion leader for *specific product categories*. They are often risk takers and well off financially. Early adopters tend to be *young* and *well-educated*. Late majority consumers and laggards are more cautious about buying new products and wait longer to do so. They are also older with lower levels of education.  Next slide. |
| Slide 27 | Household Decision Making | Who makes the decisions regarding purchases in your household? Does it depend upon what is being considered for purchase as to who makes the decision? As you learned previously in this lesson, the *family* is often a reference group for consumers. Family members often have much influence over each other’s *attitudes*, *behaviors*, and *thoughts*. Household decision making is the process by which the household unit makes decisions about purchases.  Next slide. |
| Slide 28 | Traditional Family Structure | The definition of what constitutes a family has *changed* considerably over the years. Traditionally, a family consisted of *two* people related by blood or marriage who lived together. However, the definition has become quite broad with the increase in same sex unions and marriages, single-parent homes, multigenerational homes, and blended families.  The *household life cycle* is an important concept in terms of consumer behavior. **Household life cycle** refers to the acknowledgement that changes in a family’s *composition* and *income* will alter household demand for products and services. For instance, anyone who has sent their son or daughter off to college knows that their grocery bill and other expenses related to supporting this child in the home environment will *decrease* upon their departure for college.  *Middle-aged consumers* are facing situations that affect their consumption habits. One such situation is the trend for kids to return home to their parents’ house after graduating from college. This group is known as the **boomerang generation** and often the reason for returning home has to do with *debt* that is incurred during college and the lack of jobs for new college graduates due to the economic recession. Middle-aged consumers are also dealing with challenges related to raising a family and caring for their aging parents. Consumers in this situation are referred to as the **sandwich generation**.  Family members each play a role in product purchases and five roles have been identified that relate to the household purchase process. The first role is that of **influencer** who is the person in the household that realizes a need and provides information about a purchase to other family members. The second role is known as the **gatekeeper**. The gatekeeper is the family member who controls the flow of information into the household. The third role is that of **user**. The user is the actual user of the product being considered for purchase. Next is the **decision maker** who, as the name implies, is the person who makes the final decision about product purchase. The final role is that of **purchaser** who is the person who buys the product.  As you know, our society has expectations for *individual behavior* based upon our *gender* and this can be seen in the *family structure*. Typically, men worked outside the home and women were expected to meet the daily needs of the family and take care of the home. However, with the increase in educated women, women working outside the home, *and two income families*, the expectations for our behavior based upon our gender are *changing*. A **family’s sex role orientation** refers to the ways that the family makes household decisions. In families with a traditional sex role orientation, it is often the responsibility of the *man* to make large purchase decisions. Families with a more modern sex role orientation practice a more democratic approach to decision making.  The role that children have in household decision making is *evolving* with children playing a larger role in influencing many household purchases. Marketers are also aware that many teens have disposable income earned through an allowance or part-time work.  Next slide. |
| Slide 29 | Check Your Understanding |  |
| Slide 30 | Summary | We have reached the end of this lesson. Let’s take a look at what we’ve covered.  First, we discussed what a reference group is and how members receive value from membership. We saw that social networking sites are becoming increasingly popular venues for reference group activity. We went on to discuss how group members influence the opinions, attitudes, and behaviors of others who share common goals and interests. Some types of groups are more influential than others. Then, you learned about conformity and how some consumers yield to the attitudes and behaviors of others through such methods as positive or negative peer pressure.  Our lesson continued with a discussion of the different types of social power that exist including referent, legitimate, expert, reward, and coercive and how each works to influence consumer behavior. We learned that the group influence process includes three different categories of influence. The first is known as informational influence and it refers to the ways that a reference group can influence a consumer by providing information. We also noted that utilitarian influence occurs when a consumer conforms to group expectations to receive a reward or to avoid punishment.The third type of influence we looked at was value-expressive influence. It occurs when a consumer wants to become a member of a group that possesses similar values and beliefs.  You next learned about the influence that a reference group can have on product selection and that there are three issues that influence product selection. The first issue is the situation in which the product is used. Secondly, it depends upon if the product is a luxury item or a necessity item. Lastly, the particular product or brand selection is a factor as to whether or not a group will influence an individual’s choices.  Next slide. |
| Slide 31 | Summary, continued | Wethen discussed the role of social media on group influence and determined the differences between social media, a social network, and social networking sites. Our lesson continued with the three individual differences that have been identified that determine how susceptible individuals are to group influence. The first individual difference is susceptibility to interpersonal influence and it refers to the level of need an individual has to enhance his image by purchasing and using products, conforming to others expectations, and observing others to learn about products. The second individual difference in susceptibility is attention to social comparison information and it happens when a consumer is concerned about how others react to their behavior. The last individual susceptibility difference is referred to as separateness-connectedness. This simply means that consumers are different as to their feelings of connectedness to other consumers.  We later discussed word of mouth. We learned that word-of-mouth is information about products and our experiences that we share with other consumers. This type of information can be either organic or amplified. We saw that organic word-of-mouth happens when a consumer enjoys a product or service and wants to share his experience with the product. While amplified word-of-mouth occurs when marketers try to increase word-of-mouth in current networking circles.  You next learned about the impact of positive and negative word-of-mouth and how influential each can be. Consumers are more apt to spread negative information versus positive. We noted that buzz marketing is a marketing tactic used to generate excitement among consumers and stealth marketing is a guerrilla tactic used whereby consumers are unaware that they are being marketed to. Then, we talked about the role of an opinion leader and the definition and use of a market maven and surrogate consumer.  Our lesson continued with a discussion about diffusion processes which are the ways in which new products are adopted by consumers. We noted that consumers adopt products at different rates and five categories of adopters.  Finally to conclude the lesson we talked about household decision making which is the process by which the household unit makes decisions about purchases. Then, we talked about the trends that are being seen in regard to the makeup of the family and how the current definition of family is relative broad. You learned about the five household purchase roles which included the following:  Influencer;  Gatekeeper;  User;  Decision-maker; and  Purchaser.  We also discussed how children are playing a bigger role in household purchase decisions.  This completes the lesson. |