

Effect of Peer Group on Consumer Behavior towards sales promotions- a Conceptual model

¹Dr. Shashi Kala & ²Manpreet Kaur

¹Assistant Professor, University School of Business Studies, Punjabi University Regional Campus, TalwandiSabo (India)

²Research Scholar, School of Management Studies, Punjabi University, Patiala (India)

ARTICLE DETAILS

Article History

Published Online: 07 August 2018

Keywords

peer group influence, sales promotions, freebies, group cohesiveness, group conformity.

ABSTRACT

Peer group can be defined as a social group and a primary group of people who have similar interests, preferences, shared beliefs, background, or social status. The person's beliefs and behavior are likely to be affected by the members of his group. Three types of influence have been identified in previous studies - informational, utilitarian and value-expressive. While formulating a marketing strategy for the market, the managers focus on the sales promotions for attracting the customers. Sales promotions provide multiple consumer benefits in the form of monetary and non- monetary incentives which have a direct impact on consumer behavior. Freebies provide hedonic or utilitarian benefits to the consumers. The hedonic freebies can be used as a promotional tool when the company is planning for expansion and utilitarian freebies provide utility value which increases the recognized value of the product. The objective of the paper is to develop and propose a conceptual model that studied the influence of peer group environment on the choice of sales promotions in the form of freebies. This will help the marketers to formulate sales promotions strategies by focusing on the peer groups of prospective customers.

1. Introduction

In recent years, marketing expenditures allocated to promotion such as premiums, coupons, rebates, samples represent a major portion of an organization promotional campaigns. The sales promotion expenditures are greater than advertising expenditures in many European countries (d'Astous & Jacob, 2002). Critics claim that sales promotions result in market share losses in the long-run as they make consumers more promotion prone. So, they are less-effective (Kwok & Uncles, 2005). But some researchers explained that when sales promotions provide benefits that are congruent with the promoted product, they are effective. Consumer purchase behavior is influenced to a large extent by the sales promotions that accompany a product. These promotions provide quantifiable benefits in the form of monetary savings, convenience and quality as well as benefits of value-expression, entertainment and exploration (Chandon et al., 2000). Monetary promotions (e.g. shelf-price discounts, coupons, rebates and price packs) mainly provide immediate returns to the consumer; whereas non-monetary promotions (e.g. free gifts, sweepstakes, loyalty programs) provide delayed returns. Monetary promotions are transactional in nature while non-monetary promotions are relationship based (Kwok & Uncles, 2005).

The main objective of the study is to develop and propose a conceptual model which highlights the influence of peer group environment on the choice of sales promotions in the form of freebies. To persuade consumers to purchase products and brands, peer group concepts are used by the marketers. People are exposed to lifestyles and behavior through peer groups. These groups influence self- concept development, contribute to the formation of values and attitudes and generate pressure amongst members for group conformity (Bearden &

Etzel, 1982). Behavioral learning is influenced by sales promotions. Peer groups influence cognitive processes such as attribution, price perception, perceived risk and consumer perception that are reflected in attitude and purchase decision. Higher interaction and educational orientation of the group members influence the customer's promotional preference (Banerjee, 2016).

2. Theoretical Framework

• Peer Group Influence

Reference groups are all the formal and informal groups that effect the buying behavior of an individual. The consumers grasp from observing how members of their reference groups consume, and they use the same criteria to make their decisions (Lamb, Hair, Jr., Sharma, & McDaniel, 2012). A peer group is both a social group and a primary group of people who have similar interests, age, background, or social status. These are primary membership groups. The person's beliefs and behavior are likely to be affected by the members of this group. Some features of a peer group include shared beliefs, interests and preferences for specific activities (Wikipedia).

In prior studies, three types of influence have been identified- informational, utilitarian and value-expressive. Informational influence is based on the belief to derive informed decisions. An individual will seek information as he is faced with uncertainty. Persons with presumed expertise and high credibility will be taken as referents in this type of influence. To advance rewards or sidestep punishments, attempts are obligated to accord with the wishes of others. This is reflected in utilitarian group influence. Value-expressive influence is based on the desire for psychological association with a group or a person. This association is explained in two forms. First type is an attempt to resemble or be like the reference group.

Second type can be seen from a liking for the group or an attachment with the group (Bearden & Etzel, 1982).

• **Sales Promotions**

Sales Promotions are used for various purposes i.e. communicate the firm's products to the consumers, stimulate purchases, increase the overall customer value through discounts. These promotions play an informational role and influence the purchase decision of consumer. They not only influence the individual consumer but also the peer group to which the consumer belongs and depends upon for information (Banerjee, 2016). Multiple consumer benefits are provided by sales promotions in the form of monetary and non-monetary incentives which have a direct impact on consumer behavior. But some critics have the view that sales promotions damage the brand equity in the long run as they increase price sensitivity (Chandon et al., 2000).

• **Freebies**

A product or a service offered for free or at a low price along with the purchase of one or more products or services is called freebie or premium. This product acts as a promotional stimulus. Various authors have categorized promotions on the basis of economic criteria of profits and losses, behavioral aspects such as "deal-proneness" and the motive for which they are used i.e. hedonic or utilitarian. Benefits in terms of value-expression, entertainment and exploration are provided by hedonic promotions whereas monetary benefits or benefits useful in enhancing quality or convenience are provided by utilitarian promotions. Showpieces, games, toys, jewelry, superhero cards etc. are examples of hedonic freebies and utility items like pen, toothpaste, containers etc. are examples of utilitarian freebies. The hedonic freebies can be used as a promotional tool when the company is planning for expansion and utilitarian freebies provide utility value which increases the recognized value of the product (Banerjee, 2016).

3. Conceptual Model

The Proposed Conceptual Model has been developed on the basis of previous studies.

• **Effect of Peer/ Reference groups**

Several studies have been conducted to show the effect of reference groups on consumer's brand preference and product choice. When the consumers are faced with a single decision type (product vs. brands), the decision factor is only important for informational group influence (Bearden & Etzel, 1982). The interpersonal brand concurrence is not certainly due to influence. The joint consumption settings are an important arrangement of influence (Reigen et al., 1984). There is a large influence of peers for public products & luxuries and greater influence of family for necessities (Childers & Rao, 1992).

The reference groups are a source of brand associations, which can be associated to one's mental representation of self to meet self-verification or self-enhancement goals and consumer's perceptions that they belong to a member group moderate the effect of that group's brand usage on self-brand connections (Escalas & Bettman, 2003). Group cohesiveness is the most important function in providing a cooperative

environment in which informal leaders could effectively operate and greater the degree of leader brand loyalty, the higher is the percentage of his group also becoming brand loyal (Stafford, 1966).

a) *Peer Group Environment*

The peer group environment includes the age, time that members spent together, number of group members, education, and topics of intergroup discussion. In many research studies, the role of peer group in purchase behavior among young consumers has been stated to be an important influence (Banerjee, 2016). Demographics (i.e. income, education, and gender) have influence on promotion proneness (i.e. coupons and rebates) and some demographic groups are more promotion prone. A consistent positive role of human capital on promotion prone behavior across gender exists by the insignificant gender and human capital interaction. Gender difference is powerful in deal proneness. There is an interaction between shopping enjoyment and gender. The impact of shopping enjoyment is more conspicuous for men as their emotional involvement in shopping is more (Kwon & Kwon, 2007).

b) *Characteristics of Members of Peer Group*

Various personal characteristics like cognitive clarity, task orientation, intelligence, originality and adaptability, submissiveness, docility and compliance, self-confidence and self-esteem, attention-to-social-comparison information, self-monitoring, assertiveness and status etc., group characteristics like size of group, interdependence and interaction, composition, goal clarity, attractiveness, power and credibility, leadership, peer support for brand etc., brand characteristics like visibility, differentiation and luxury and task characteristics like clear and correct outcome, task importance, subjective, prior conformity, punishment and reward, crisis situation etc. predispose individuals to conform to other's influence (Lascu and Zinkhan, 1999). The members are likely to leave the group if they are more distant from each other in terms of age (Harrison et al., 1998). So, the characteristics of the group members i.e. age, income, education level, gender etc. has an effect on group cohesiveness.

• **Group Cohesiveness**

The attraction and interdependence are two sub-dimensions of group cohesiveness. The group members conform disregarding whether conformity is lesser or promotes group welfare when group cohesiveness was biased in terms of interpersonal attraction (Sakurai, 1975). In case within-group cohesiveness is given priority, discussion between two groups which support different sides of an issue will result in bi-directional attitude polarization and the group members will show low levels of knowledge about the discussion issue and vice-versa (Whitney and Smith, 1983). Group cohesiveness and self-efficacy has direct effect on commitment and perceptions of unit performance (Pillai and Williams, 2004). Group cohesiveness and similarity of brand choice are positively related. The relationship of group cohesiveness and group knowledge of similarity of brand choice varies significantly across products (Witt, 1969). The groups are appealing even without having devoted interpersonal ties

amongst members. Group effectiveness is a strong determinant of attractiveness in strongly task oriented groups but high degree of sociometric cohesion could hinder the effectiveness (Hagstrom and Selvin, 1965). The influence of peer group on individual's promotional preference is affected by the proximity that the group members share and the degree to which other members are acknowledged as role models (Banerjee, 2016).

• Group Conformity

Conformity behavior is negatively related to the degree to which individuals value or place significance upon the pertinent behavior area and conformity behavior is also negatively related to the amount of information individuals have about the pertinent behavior area. More the information about the pertinent area lesser the possibility that the individual will conform to social influence (Synder et al.,1960). Group pressure is compelling and the individuals likely to conform to the group norm in the absence of objective standards. Group pressure is useless for compliant behavior. The consumer accepts the information provided by their peer group in the conformity condition but it is difficult to analyze it impartially (Venkatesan,1966). As the size of group increases, conformity to normative group pressures increases and it also increases

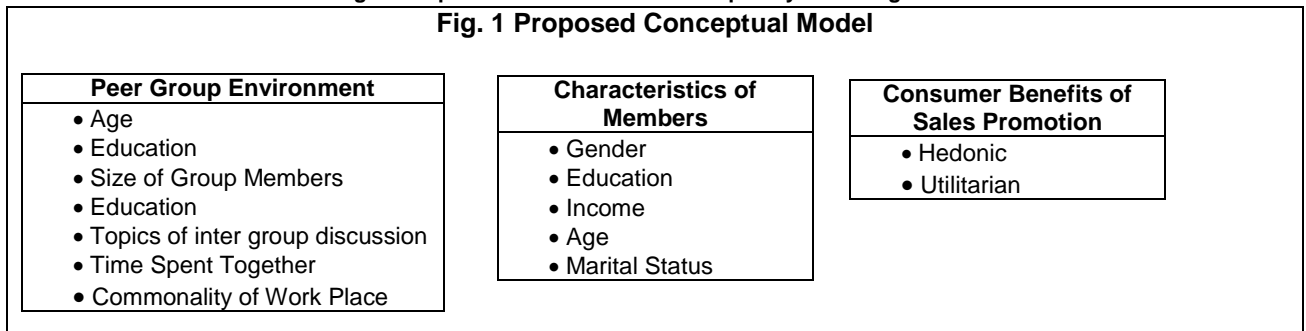
the likelihood of emergence of the leader. In large groups the actions of the members are visible to more people, the members tend to show socially desirable behavior and adhere to knowledgeable individuals and to conform to accepted norms (Kohli, 1989).

• Consumer Benefits of Sales Promotions

The sales promotions provide consumers with a range of hedonic and utilitarian benefits beyond monetary savings. Hedonic benefits include value-expression, entertainment, and exploration. Along with simple monetary savings, utilitarian benefits also include product quality and shopping convenience. For high-equity brands, sales promotions are more effective when they provide benefits congruent with those provided by the product being promoted (Chandon et al., 2000).The argument that consumer sales promotions are more effective when they provide benefits that are congruent with those of the promoted product does not hold true (Kwok & Uncles, 2005).When a cost-effective transposable offer is framed as a joint bundle, compared with when it is framed as a "buy one, get one" offer, consumers are ready to pay less for the product offered "free. When a product is given away "free", then consumers are ready to pay less for it as a stand-alone product (Raghubir, 2005).

The Following Conceptual Model has been developed by reviewing the literature.

Fig. 1 Proposed Conceptual Model



4. Conclusion

In this study, high relevance has been placed on the role of peer groups in the choice of freebies. This study provides an insight into the significance of peer groups for the consumers and this can lead to higher interaction between group members which will in turn influence the degree of group cohesiveness and group conformity. From this study, the consumers may find that the discussions with peer groups improve shopping

convenience thereby reducing search and decision costs. Marketing managers will be able to form more effective strategies by understanding various components of the peer group environment deeply and bundling their products with freebies which will lead to high sales turnover of the organization. Peer groups can be targeted by the managers for selling new products thereby reducing the risk associated with the launch of new products.

References

1. Banerjee, S. (2016). Moderating Effect of Peer group Environment On Consumer Predisposition towards Premium Promotions:A Study of Young Urban Consumers. IIMB Management Review,28, 225-234.
2. Bearden, W. O., & Etzel, M. J. (1982). Reference Group Influence on Product and Brand Purchase Decisions. Journal of Consumer Research, 9(September), 183-194.
3. Chandon, P., Wansink, B., & Laurent, G. (2000). A Benefit Congruency Framework of Sales Promotion Effectiveness. Journal of Marketing, 64, October, 65-81.
4. Childers, T. L., & Rao, A. R. (1992). The Influence of Familial and Peer-based Reference Groups On Consumer Decisions. Journal of Consumer Research,19, 198-211.
5. d'Astous, A., & Jacob, I. (2002). Understanding Consumer Reactions to Premiun-Based Promotional Offers. European Journal of Marketing, 36(11), 1270-1286.
6. Escalas, J. E., & Bettman, J. R. (2003). You Are What They Eat: The Influence of Reference Groups on Consumers'Connections to Brands. Journal of Consumer Psychology, 13(3), 339-348.
7. Hagstrom, W. O., & Selvin, H. C. (1965). Two Dimensions of Cohesiveness in Small Groups. Sociometry,28(1), 30-43.

8. Harrison, D. A., Price, K. H., & Bell, M. P. (1998). Beyond Relational Demography: Time and the Effects of Surface- and Deep-Level Diversity on Work Group Cohesion. *Academy of Management Journal*,41(1), 96-107.
9. Kohli, A. (1989). Determinants of Influence in Organizational Buying: A Contingency Approach. *Journal of Marketing*,53(3), 50-65.
10. Kwok, S., & Uncles, M. (2005). Sales Promotion Effectiveness: The Impact of Consumer Differences at an Ethnic-Group Level. *Journal of Product and Brand Management*, 14(3), 170-186.
11. Kwon, K. N., & Kwon, Y. J. (2007). Demographics in Sales Promotions: A Socio-Cultural Approach. *Advances in Consumer Research*,34, 288-294.
12. Lamb, C. W., Hair, Jr., J. F., Sharma, D., & McDaniel, C. (2012). *MKTG:A South -Asian Perspective*. New Delhi: Cengage Learning India Pvt. Ltd.
13. Lascu, D. N., & Zinkhan, G. (1999). Consumer Conformity: Review and Applications for Marketing Theory and Practice. *Journal of Marketing Theory and Practice*,, 1-12.
14. Pillai, R., & Williams, E. A. (2004). Transformational Leadership, Self-Efficacy, Group Cohesiveness, Commitment, and Performance. *Journal of Organisational Change and Management*, 17(2), 144-159.
15. Raghurir, P. (2005). Framing a Price Bundle: The Case of "Buy/Get" Offers. *Journal of Product and Brand Management*,14(2), 123-128.
16. Reingen, P. H., Foster, B. L., Brown, J. J., & Seidman, S. B. (1984). Brand Congruence in Interpersonal Relations: A Social Network Analysis. *Journal of Consumer Research*,11, 771-783.
17. Sakurai, M. M. (1975). Small Group Cohesiveness and Detrimental Conformity. *Sociometry*,38(2), 340-357.
18. Snyder, A. F., Mischel, W., & Lott, B. E. (1960). Value, Information, and Conformity Behavior. *Journal of Personality*, 28(3), 333-341.
19. Stafford, J. E. (1966). Effect of Group Influences on Consumer Brand Preferences. *Journal of Marketing Research*,3(1), 68-75.
20. Venkatesan, M. (1966). Experimental Study of Consumer Behavior Conformity and Independence. *Journal of Marketing Research*, III, 384-387.
21. Whitney, J. C., & Smith, R. A. (1983). Effects of Group Cohesiveness on Attitude Polarisation and the Acquisition of Knowledge in a Strategic Planning Context. *Journal of Marketing Research*, 20(2), 167-176.
22. Witt, R. E. (1969). Informal Social Group Influence on Consumer Brand Choice. *Journal of Marketing Research*, VI, 473-476.