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# Moderating effect of peer group environment on consumer predisposition towards premium promotions: A study on young urban consumers in India

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## KEYWORDS

Sales promotion;  
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Peer-group environment

**Abstract** The role of peer-group environment as an influencing factor in purchase decisions is well established. This paper broadens the above premise and studies the influence of peer-group environment on an individual's promotional choice in the context of premium promotions or freebies. Two sets of college students with distinctive peer-group settings in terms of their academic pursuit and residential details have been considered for the study. Discriminant analysis shows that higher interaction and educational orientation of group members influence the customer's promotional preference. Students pursuing professionally oriented courses had a distinctively higher preference for premium-promotions that were hedonic.

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## Introduction

Marketers have long tried to understand the influence that social groups have on the purchase decision of individuals. With the growth in young consumers (between the ages of 12 and 34), the relevance of peer group influence on purchase behaviour is felt all the more strongly. The role of peer group on purchase decision amongst youngsters has been stated to be an important influence in many research studies (Fan & Li, 2010; Hawkins & Coney, 1974; Williams & Burns, 2001).

However, the mechanism of this influence is still an under-researched area.

Sales promotions that accompany a product also have an influential role on consumer purchase. Sales promotions, besides providing quantifiable benefits such as monetary savings, convenience and quality, also provide benefits of value expression, exploration and entertainment (Chandon, Wansink, & Laurent, 2000). This benefit that the consumer gets over and above the benefit of the product attains greater value because of bundling the product and the freebie. This increase in value is as per the principle of segregation which states that the overall value of segregated gains will be higher than the value of integrated gains (Thaler, 1985). Therefore, consumers purchase (and evaluate) product bundles of which sales promotion is a part. Further, as the

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non-quantifiable benefits of sales promotion, namely, value expression, exploration, and entertainment are behavioural, we submit that there exists an interaction between peer-group and sales-promotion.

Prior research has shown that preference for a particular type of promotion is affected by income, education, human capital, psychological factors, product-category, and demographics (Banerjee, 2009; Blattberg & Neslin, 1990; Chandon et al., 2000; d'Astous & Jacob, 2002; Kwon & Kwon, 2007; Ratchford, 2001). This paper is an attempt to seek evidence on the moderating effect of peer-group on the preference of premium sales-promotion provided as a freebie. In the context of this paper, freebies are the products that are given free along with the purchase of a product. An example of a freebie can be a magazine that is offered free by a new publisher on purchase of a particular book, or a small toy that comes with the purchase of a packet of snacks. Freebies are preferred by marketing strategists because of their ability to form unique combinations when bundled with different products.

The main objective of the paper is to investigate if different peer-group environments influence the choice of premium promotion, and if a particular set of peer-group tilts the consumers' choice of premium promotion towards a hedonic freebie.

### Promotions as part of the product offering

Advertising expenditures globally are around \$500 billion, one third of which is expected to be the share of emerging markets such as India, China, Brazil, and Russia (Johnson, 2013). Reports also suggest that the trend in advertising and promotion is shifting more towards promotion (Pande & Bhushan, 2012). With major companies such as PepsiCo and LG allotting 60 to 70% of their advertising budget to sales promotion in India, sales promotions have become a key element in the overall marketing strategy (Pande & Bhushan, 2012). With sales-promotion expenditures forming a major chunk of overall advertising and promotion expenses, the contribution of sales promotion towards successful marketing strategy is strongly felt (Yeshin, 2006).

Promotions are used for many purposes, viz, to stimulate purchase directly by increasing the overall customer value through discounts, and through subtle influence like appealing to the customer's lifestyle. But whatever the purpose of a promotion, one fundamental role of promotion is to communicate the firm's product offerings to the customers (Rowley, 1998). Considering the informational role that a peer group has in a purchase decision, promotional campaigns do not just influence the consumer, but also the peer group on which the consumer relies for information.

Promotions have been categorised by various authors based on economic criteria of gains and losses (Kahneman and Tversky, 1984; Puto, 1987; Thaler, 1985): behavioural aspects such as "deal-proneness" (Bawa & Shoemaker, 1987; Blattberg & Neslin, 1990; Narasimhan, 1984) and the purpose for which they are used i.e. hedonic or utilitarian (Banerjee, 2009; Chandon et al., 2000). Hedonic promotions provide benefits in terms of value-expression, entertainment, and exploration while utilitarian promotions provide benefits that are monetary or useful in enhancing quality and convenience (Chandon et al., 2000). Although promotions encompass a large variety

of activities ranging from point-of-purchase display materials to cash discounts, of late there has been a spurt in promotional offerings in the form of freebies or premiums.

The premium provided by a company as a promotional stimulus is a product or a service offered for free or at a relatively low price in return for the purchase of one or many products or services (d'Astous & Jacob, 2002). Freebies have been used to draw the attention of new customers as well as to enter new customer segments.

Freebies bundled with products can be classified as hedonic or utilitarian based upon the usefulness of the freebie (Banerjee, 2009). The paper tries to bring forth the effect of peer-group influence on consumers with regard to their preference for promotions that are bundled with products as freebies. The paper also is an attempt to verify the relationship between peer-group characteristics defined by the commonality of career-objectives (pursuing professional courses vs conventional courses) and time spent together in pursuit of career objectives (day scholars vs boarders), with group cohesiveness and conformity which, in turn, influences the individual's disposition towards a particular type of promotion.

### Review of literature

Previous studies indicate that peer groups influence the impact of promotions (Childers & Rao, 1992; Harris & Rae, 2009; Hawkins & Coney, 1974; Palmer & Koenig-Lewis, 2009; Park & Lessig, 2007). One of the reasons for this is the influence that peer group and family have on the learning of an individual (Aribarg, Arora, & Bodur, 2002; Bush, Smith, & Martin, 1999; Rose, 1999). While sales promotion influences behavioural learning, cognitive processes such as attribution, price perception, perceived risk, and consumer perception that are reflected in attitude and purchase decision are affected by the peer group (Blattberg & Neslin, 1990). Therefore, the question that arises is, is there a mutual interaction of peer-group influence and sales-promotion since peer group influences an individual's learning and sales promotion also has a similar effect?

Research shows that various types of sales promotions differ in the role they play in consumers' buying decisions (Banerjee, 2009; Wakefield & Barnes, 1997). A number of studies have shown that promotions tend to give informational cues about the price of the product, its quality and brand image (Blattberg & Neslin, 1990; Diamond, 1992; Folkes & Wheat, 1995; Kalwani & Yim, 1992; Thaler, 1985). Further, the manner in which the informational cue given by a promotion is processed in the consumer's mind eventually leads to a favourable or an unfavourable purchase decision.

Peer group learning and influence has been established as a factor for an individual's cognitive behaviour. An individual's personality, attitude, and perception are all shaped by the peer-group. The study conducted by Matzler, Bidmon, and Grabner-Krauter (2006) observes the existence of a relationship between personality traits, hedonic value, brand affect, and loyalty. Hence, it can be drawn that the processing of informational cues given by any promotion would also be affected by peer group. However, the effect of a customer's personal characteristics and peer group environment on promotional choice is an unexplored area (Alford & Biswas, 2002).

The importance of peer group in the marketing context is not only confined to the propagation of information, experience, and know-how about a product through word of mouth (WOM), but also is associated to individuals' feelings of belongingness, self-image, and esteem. Customers who have acquired information through WOM add more long-term value to the firm than do customers acquired through traditional marketing channels (Villanueva, Yoo, & Hanssens, 2008). Promotions provide informational inputs about a product, and the information, when propagated through WOM, is bound to be influenced by the characteristics of the peer group (Graham & Havelena, 2007).

The influence of peer-group on purchase decision of products has been attributed to the "consumer socialization theory" (Ward, 1974), which defines the processes by which young people acquire skills, knowledge, and attitudes relevant to their functioning as consumers in the marketplace. The inclination of individuals to associate with other individuals who are similar on various attributes is termed as homophily. Homophily in peer groups has also been found for academic characteristics such as college aspirations (Altermatt & Pomerantz, 2003; Hallinan & Williams, 1990; Kandel, 1978). Therefore, we submit that if peer-groups have an influence on promotional choice, then two groups that are different from each other on the basis of college aspirations would exhibit different and distinctive choice towards varied promotions. Working on this assumption, we found that the test-groups chosen for the present study differed in the commonality of college aspirations exhibited by students pursuing professional courses and conventional courses; they also differed on the time spent together, which was exhibited by their residential status.

### Sales promotion stimuli

Sales promotion adds to the overall value of the product by enhancing the customer experience through exposure or by usage (Keller, 1993). The savings, quality, and convenience benefits of sales promotions can be tentatively classified as utilitarian since they help consumers increase the acquisition utility of their purchase and enhance the efficiency of the shopping experience. On the other hand, the entertainment and exploration benefits of sales promotions can be tentatively classified as hedonic since they are intrinsically rewarding and related to experiential emotions, pleasure, and self-esteem (Chandon et al., 2000). A widely used form of sales promotion is a freebie, where a product of relatively smaller value is provided free along with the purchase of a product. In many countries like Japan, the value of a premium is restricted to being no more than 10% of the value of the product that is purchased in order to obtain it (Onkvisit & Shaw, 2008).

Freebies take different forms, from bundled products to coupons or gift vouchers to free services. Utilitarian freebies would be those which have some utility such as a pen, toothbrush, or torch. On the other hand, hedonic freebies would be those which have no utility as such, except that pertaining to pleasurable emotions or feelings. Examples of hedonic freebies would be showpieces, toys, games, limited-offer accessories, jewellery, superhero cards, and so on. Marketers have been using both kinds of freebies to fulfil different marketing objectives. The advantage of utilitarian freebies

lies in the fact that the utility value it gives directly enhances the perceived value of the product. On the other hand, hedonic freebies can be of advantage when companies are trying to expand or reposition a product in a different market (Banerjee, 2009). While considering a benefit congruency framework for sales promotion, a freebie giving hedonic benefits would be preferred over a utilitarian one if the product with which it is bundled is of a hedonic nature. Therefore, in a given homogeneous market segment, the choice of promotion would remain consistent. But in the case of freebies, the value of bundled items is assessed as a whole rather than as individual items and the value of the whole is different from value of the individual items (Thaler, 1985). According to Raghurir (2005) free gift promotions were viewed as a source of information about the underlying value of the product offered as a free gift. From these arguments it can be deduced that in the case of freebies a consumer evaluation is not only monetary, but other intrinsic aspects such as the product it is bundled with, and informational as well as behavioural aspects, play an important role in the choice of freebie. In order to understand these aspects, it is pertinent to design the study so as to consider the choice of freebie in a hedonic versus utilitarian trade-off.

### Conceptual framework and hypothesis

While the influence of peer group on individuals has long been an area of research for psychologists, the influence of peer group on purchase behaviour is a relatively new area of research. Originally defined by Hyman (1942) as a group that influences the attitudes of those individuals who use it as a reference point for evaluating their own situation, the reference group construct has since been significantly clarified and expanded upon as it came to be embraced by marketing scholars (Tudor & Carley, 1998). Although Sociologists call any group that individuals use as a standard for evaluating themselves and their own behaviour a reference group (William & Hickey, 2005), in context of consumer behaviour, peer group and reference group have been used interchangeably by Bachmann, John, and Rao (1993) and Childers and Rao (1992). This study considers the peer group and reference groups to be the same. Studies conducted by Park and Lessig (2007), and Deutsch and Gerald (1955) have tried to describe the influence that reference groups have on purchase decision. Within the context of marketing, reference groups have been explored as important determinants of buyer behaviour, especially with regard to product selection (Bearden & Etzel, 1982), brand evaluation and choice (Burnkrant & Cousineau, 1975; Witt, 1969; Witt & Bruce, 1970, 1972), brand loyalty (Stafford, 1966), and perceptions of product quality (Pincus and Waters, 1977).

Studies have been conducted on the influence of promotion on product choice. Studies conducted by Simonson, Carmon, and O'Curry (1994) reported that the consumer avoids buying the promoted brands so as not to have to justify his behaviour to his peer group. A study conducted by Kwok and Uncles (2005) has shown the impact that consumer differences based on ethnicity have on sales promotion effectiveness. They have hypothesised that cultural dimensions inherent to a consumer affect sales promotion and benefits which in turn is exhibited in a consumer's choice of a hedonic or a utilitarian product.

Childers and Rao (1992) have tried to differentiate between familial groups and peer groups, as well as their influence on purchase decisions. They have argued that cultural factors are more prominent in case of the familial group when compared to the peer group. Thus it can be concluded that the cultural dimension is one of the aspects of the reference group environment. Further, absence of literature confirming consumer's predisposition towards promotions has led to the formulation of the preliminary hypothesis. The study is aimed at testing the following hypothesis:

**H<sub>1</sub>.** The peer group environment will have significant influence in the choice of freebie promotion when bundled with commonly purchased articles.

The consumption of products does not merely satisfy the functional need of a consumer but also creates a symbolic utility which fulfils the consumer's need for self-representation (Levy, 1959). The latter reflects the social approval that the owner of the product feels, as well as the feeling of inferiority that other consumers suffer due to the social norm that favours the possession of the given product (Krahmer, 2005).

Peer groups serve the purpose of individuals sharing cognition or sharing beliefs about other aspects of group life. This sharing is not only limited to knowledge shared amongst members of a group, but also having ideas in common. According to a review by Hinsz, Tindale, and Vollrath (1997), task characteristics, group operating procedures, individual member background characteristics, member roles, and group norms all influence the information processing within a group and as a consequence, the degree of sharing of information within a group. Therefore, we submit that promotions, which are a source of informational inputs, when collectively analysed in a group, are bound to be influenced by the group's conformity and cohesiveness.

There are different factors and situations that can have an effect on people's willingness to conform. Age plays a big role in whether or not people conform; moreover people's personalities and perceptions of themselves can play a big part in whether or not an individual is likely to be influenced and will then conform. Other aspects that affect conformity are assertiveness, anxiety level, self-confidence, and even general setup of the group (Lasclu & Zinkhan, 1999). Peer group environment is usually characterised by people who are equal in such respects as age, education, or social class. Peer groups can be easily identified by the bonding and sharing that group members exhibit amongst themselves. Another identifiable behaviour that group members exhibit is the time they spend together. The colloquial term "hanging out together" expresses the time spent in common activities and also the leisure time spent together. Group conformity behaviour refers to recognition and compliance with group expectations, and engagement in the same consumer behaviour (Mon-Yu & Song-Zan, 2000). The characteristics of the group environment manifest themselves as group cohesiveness, conformity, peer pressure, popularity, and so on. For the study group, environment was defined by age, education, time that group members spent together, number of group members, and topics of intergroup discussions.

**H<sub>2</sub>(a).** Characteristics of a peer group influence the peer group cohesiveness regarding promotional choice.

**H<sub>2</sub>(b).** Characteristics of a peer group influence the group conformity of individuals regarding promotional choice.

Scholars, using different constructs to measure the inherent characteristics of a peer group agree that member's characteristics influence group traits like cohesiveness and conformity. Belonging to a group requires conformity to group interests and desires, which may not be strictly a matter of individual preference. Similarly group cohesiveness, which represents the degree to which members of a group bond together and share a feeling of solidarity, harmony, and/or commitment on the part of group members, is an outcome of the group characteristics. Therefore these traits would also be reflected in the purchase behaviour of individual group members.

Schouten and McAlexander (1995) in their work on the Harley-Davidson bikers community have argued that promotional efforts, reinforced by substantial role modelling and peer pressure from more experienced bikers, initiate members into accepting official Harley-Davidson clothing and accessories that are part of a larger promotional campaign. This study and studies conducted by Muniz and Guinn (2001), in which they elucidate the concept of brand communities that are built by consumers around a brand, have led to the next set of hypotheses. These hypotheses submit that the group's influence on an individual's promotional preference will be affected by the closeness that group members share and the degree to which other members are accepted as role models (Fig. 1).

**H<sub>3</sub>(a).** Group cohesiveness will influence the choice of promotions of an individual in a purchase situation.

**H<sub>3</sub>(b).** Group conformity will influence the choice of promotions of an individual in a purchase situation.

## Methodology

The study is based on the findings of a  $2 \times 2 \times 2$  mixed-model (Hedonic vs. Utilitarian Promotion  $\times$  Group A vs. Group B  $\times$  Purchase Decision as Individuals vs. Group) quasi-experimental design, where the peer-group influence was measured between two distinctive groups on the preference between a hedonic and a utilitarian freebie when bundled with a consumer durable or non-durable. This model was chosen as it best fits the previously defined set of variables and clearly brings out the differences in the two groups. The students were grouped into two on the basis of (a) their residential status i.e. whether the students were boarders or day-scholars and (b) whether they were pursuing a professional course or a conventional course. The first group consisted of students who were pursuing a professional course and were boarders, while the second group consisted of students who were pursuing a conventional course and were day scholars. These considerations provide a basis for the peer-group difference as commonality of career-objective is depicted by the course pursued and residential status is a representative of time-spent together. The choices of promotion by individuals were compared with the choice they made in a group. Consideration of individual versus group decision scenarios provides the opportunity to find both group conformity and group cohesiveness. The outcome of the decisions

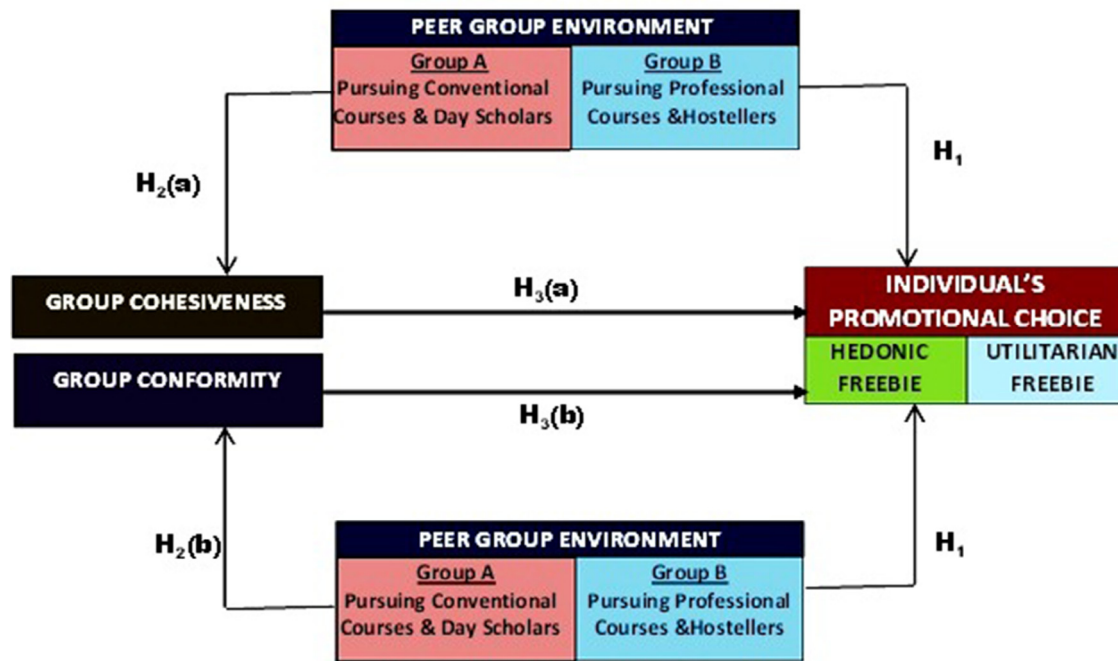


Figure 1 Conceptual framework for peer-group environment and promotional choice.

Table 1 Descriptive statistics of respondents and their group environment.

Group	Frequency	Mean age	Mean no. of group members	Mean time spent together	Mean purchase info on Internet	Mean group discussion career	Mean group discussion leisure	Academic Pursuit	Residential detail
A	45	23.956	4.711	5.667	3.844	3.267	3.400	Prof. course	Hostellers
B	41	23.488	3.902	4.024	3.220	3.024	3.390	Conv. course	Day-Scholars

Prof course = Professional course; Conv course = Conventional course.

of individuals as a single entity and that under the influence of the group indicate predisposition towards freebies by the method of contrasting. The design considers both hedonic as well as utilitarian freebies to facilitate contrast and to find more absolute predisposition towards hedonic freebies.

### Scales and measures

To test the hypotheses it is essential to measure the variables so as to establish relationship between peer group environment as defined by residential detail and academic pursuits and the consumers' promotional choice. For this purpose a scale measuring the overall peer conformity of the group and the group cohesiveness with regard to a purchase situation was built. The scale to measure overall peer conformity consisted of five statements that were drawn from the general conformity measure proposed by Santor, Messervy, and Kusukumar (2000). The scale developed by Buchanan (1998), that primarily focussed on "a sense of belongingness", was used to measure group cohesion. The scale items along with the reliability measure Cronbach's alpha are given in Table 6.

### Subjects

The paper is based on a study conducted on two sets of college students having distinctive peer group settings. The first set of students were from professional courses (Engineering or Business Management) at graduation or post-graduation level as full time hostel residents, while the second set of students were from traditional courses such as Bachelor of Arts or Master of Arts as day scholars. As described in the earlier part of the paper, such considerations are required to bring heterogeneity in the measurement of peer group environment and related measures (group cohesiveness and group conformity) as day scholars and residential students tend to interact differently with peer group members.

The set of students who were hostellers had 45 students while the set of non-hostellers contained 41 students (refer to Table 1). Both sets of students also had certain commonalities in terms of average age (Mean 23.5 years, SD = 1.28) and all of them were full-time students primarily supported either by their parents or by a full scholarship. Each set of students belonged to a government aided institution of higher learning situated in the northern part of India. The first group (hostellers) had 22 female students, while the other group

(non-hostellers) contained 11 female students. The two sets of students formed mutually exclusive classes, in that the members of one group were not familiar with the members of the other group. It is assumed that intra-class peer group formations can provide a better idea of group environment in a reliable manner. Further, we believe that the size of a social formation is determined by group behaviour, thus no attempt was made to set the sample size for the study. The research considers the available number of members in a group in a natural setting. The descriptive statistics of the two groups are shown in [Table 1](#).

Each set of students contained a number of groups of friends who spent most of their leisure together and formed a close social group. It would be pertinent to mention here that many groups overlapped as some members were common to one or more group; a student who is a hosteller, for example, could be a partner of a day-scholar in a lab-course. Although this factor was neither considered in the study and nor was it measured in the survey, it was assumed that though an individual can be a member of more than one social group, the individual would be more influenced by a single group.

### Stimuli and procedure

Six products were chosen as initial stimuli for measuring consumer predisposition for freebies. The products chosen contained three consumers' durables and three consumables. High resolution photographs of each of the products were taken and on the product-photograph frame, photographs of two freebies—one hedonic and the other utilitarian—were also pasted. Six such cut-outs were made and presented as a slideshow to the respondents. The freebies that were bundled along with the products were drawn from the list of freebies that had been standardised in an earlier study ([Banerjee, 2009](#)).

Respondents were individually shown each of the six products and the paired freebies and asked to choose the type of freebie they would prefer to have along with the product, considering that they were purchasing the product. The assumption that they were purchasing the products was well understood by the participants. Next, they were asked to come together as a group and were asked to make the same decision for the choice of freebie bundled with the product. The variance in the choice would also exhibit the influence of group on hedonic choice. Group and individual characteristics were also collected in the session through a structured questionnaire. The information regarding group conformity and group cohesion collected through the questionnaire is shown in [Table 6](#).

### Analysis of data and discussions

The data collected were analysed on the choice of freebie using multiple discriminant models and two-way analysis of variance (ANOVA). Discriminant analysis for this study evaluates one discriminant function as the number of discriminant functions represents the number of groups minus one, which in this case is  $2 - 1 = 1$ . The sample size is also important, especially the number of observations per group. In the analysis each group has more than 20 observations, and because the groups are approximately equal, there is no situation which involves disproportionate chances of classification.

**Table 2** Box's test (Chi-square asymptotic approximation).

Chi-square (observed value)	Chi-square (critical value)	DF	One-tailed p-value	Alpha
34.95	32.671	21	0.029	0.05

DF, Degrees of freedom.

### Assumptions of the discriminant model

To ascertain the conditions for discriminant analysis Mahalanobis distance (D2) is used. Between-groups squared Mahalanobis distance is 2.2222 showing that there is no non-standard operation in the data-set. The value of Fisher's F statistic associated with the squared Mahalanobis distance (between groups) is 7.473 which is significant at the level  $\alpha = 0.050$  (one-tailed test). Further the Box's test (Chi-square asymptotic approximation) for the data ([Table 2](#)) shows that at the level of significance  $\alpha = 0.050$ , the decision is to reject the null hypothesis of equality of the within-groups covariance matrices. This implies that the difference between the within-groups covariance matrices is significant.

This shows that there exists measurable difference between the two groups of students chosen for the study, and that the difference between the groups is not by chance but due to the inherent characteristics of the group. Further as time spent together leads to larger group cohesiveness, the hypothesis relating group cohesiveness and promotional choice ( $H_3$ ) is also substantiated by the statistical measure. This is in conjunction with the earlier studies of [Witt \(1969\)](#) which show that the two determinants of group influence, cohesiveness and group knowledge of member behaviour, were found to be significantly related to similarity of brand choice within groups. However the study conducted by [Stafford \(1966\)](#) showed no relationship between group cohesiveness and similarity amongst group member brand preference.

### Model fit

The eigen values table ([Table 3](#)) provides information about the relative efficacy of each discriminant function. The canonical correlation which is equivalent to Pearson's correlation between the discriminant scores and the groups (.602) strongly indicates that the reference group environment will have significant influence in the choice of freebie promotion when bundled with commonly purchased articles, thus establishing  $H_1$ . Reference group environment considers mean age, number of members, time spent, and how information is collected in a purchase situation ([Table 1](#)).

The test of functions column tests the hypothesis that the means of the functions listed are equal across groups ([Table 3](#)). At the level of significance  $\alpha = 0.050$  the decision is to reject the null hypothesis of equality of mean vectors of the two groups. In other words, the difference between the groups' centroids is significant. The small significance value indicates that the discriminant function does better than chance at separating the groups, as in the analysis ([Table 3](#)).

**Table 3** Eigen values and Wilks Lambda test.

Function	Wilks Lambda	F (observed value)	F (critical value)	DF 1	DF 2	One-tailed p-value	Alpha	Eigen value	Canonical correlations
1	0.638	7.473	2.233	6	79	<0.0001	0.05	0.568	.602

**Table 4** Standardised canonical discriminant function coefficients, factor loadings, and canonical scores.

Variable		Age (x <sub>1</sub> )	No of gp members(x <sub>2</sub> )	Time spent together(x <sub>3</sub> )	Purchase info on Internet(x <sub>4</sub> )	Group discussion career(x <sub>5</sub> )	Group discussion leisure(x <sub>6</sub> )
F1	Standardised canonical discriminant function coefficient	0.263	0.363	0.802	0.051	0.246	-0.28
	Factor loading	0.306	0.586	0.892	0.635	0.256	0.011
	Canonical scores (y) (Intercept = -9.298)	0.208	0.335	0.614	0.067	0.313	-0.385

This further corroborates the assumption made in choosing the groups based on career-orientation and residential status.

The standardised canonical discriminant function coefficients given in Table 4 show that time spent together is a variable with the greatest significant discriminating ability. Thus the residential status of peer-members is the factor that contributes most for the difference in choice of promotion. This can lead to further research on the same lines if the peer-group of students who are pursuing conventional courses is studied under boarding conditions.

The factor loadings exhibited in Table 4 show that the variables chosen well account for the dependent variable, thus justifying the reliability of the predictor variables. Further the factor loadings also speak of the discriminant matrix structure, denoting the factors of time spent together, purchase information on the Internet, and number of group members as best discriminating between hedonic and utilitarian promotional preference. The coefficients of the canonical variable are used to compute a canonical variable score for each case. The coefficients displayed in Table 4 are the coefficients of the canonical variable. The discriminant equation can be written as:

$$\begin{aligned} \text{Canonical scores (y)} = & -9.298 + 0.208x_1 + 0.335 x_2 \\ & + 0.614 x_3 + 0.067 x_4 + 0.313 x_5 \\ & - 0.385x_6 \end{aligned}$$

The number and percentage of cases correctly classified and misclassified from the original sample are shown in Table 5. We can observe that 71 (36 + 35) or 82.52% of the cases were classified correctly, and only 15 cases or 17.44% from cases that belong to group h (hedonic) are classified in group u (utilitarian). As the percentage for correct classification is significantly high for the cross validated cases than for the original cases, it can be inferred that there are not too many predictors in the model. Further as the Box's M is not significant, or variances of the independents amongst categories of the categorical dependent are not homogenous,

**Table 5** Confusion matrix (learning-sample): number and percentage of cases correctly classified and misclassified from the original sample.

	To h	To u	Sum
From h	36 41.86%	9 10.47%	45 52.33%
From u	6 6.98%	35 40.70%	41 47.67%
Sum	42 48.84%	44 51.16%	86 100.00%

Note: h = hedonic; u = utilitarian.

running a second analysis to see whether using a separate-groups covariance matrix changes the classification is not required. Thus the relevance of the model considered, wherein the choice of promotion is attributed to group-cohesiveness and conformity, is established (H<sub>3</sub>).

Non-parametric regressions were used to prove Hypotheses 1 and 2. The mean conformity score and the mean cohesiveness score were taken as dependent variables while the factors of group environment were taken as the independent variable. The goodness of fit measure R<sup>2</sup> for cohesiveness and conformity measure are given in Table 6. It can be observed that the group environment variables well explain the conformity measure as well as the group cohesiveness, thus proving the first hypothesis that characteristics of a peer group influence peer group conformity and cohesiveness in the context of promotional choice.

The table also shows the relationship between group cohesion/conformity and promotional choice. At the level of significance alpha = 0.050 the decision is to reject the null hypothesis of absence of correlation. In other words, the correlation is significant. This corroborates the second hypothesis that group cohesiveness will influence the choice of promotions of an individual in a purchase situation.

**Table 6** Goodness of fit statistics and correlation.

Items (Y)	Goodness of fit for group environment as a predictor variable (H <sub>1</sub> )	Point biserial correlation coefficient with promotional choice (H <sub>2</sub> )
<b>Conformity items</b>	<b>(<math>\alpha = 0.77</math>, 6 items)</b>	
1. I would always like to purchase goods that my friends purchase.	R (coefficient of correlation)	0.988 Observed value 0.230
2. I feel that the opinion and information about different products that my friends have is mostly correct.	R <sup>2</sup> (coefficient of determination)	0.976 Two-tailed p-value 0.033
3. Most of the time new product-offers are told to me by my friends.	SSR	0.139 Alpha 0.05
4. I sometimes buy products that my friends suggest even if I do not really have the heart to buy them.	MSE	0.002
5. Even when I disagree with my friends' wishes, I usually do what I am told.	RMSE	0.046
6. I enjoy shopping more with my friends rather than with my family members.		
<b>Group cohesion items</b>	<b>(<math>\alpha = 0.75</math>, 7 items)</b>	
1. If given the chance, I would choose to leave my group and join another.	R (coefficient of correlation)	0.996 Observed value 0.323
2. The members of my group get along well together.	R <sup>2</sup> (coefficient of determination)	0.991 Two-tailed p-value 0.030
3. I feel that I am really a part of my group.	SSR	0.041 Alpha 0.03
4. I would look forward to being with members of my group for another shopping trip.	MSE	0.001
5. I find that I generally do not get along with the other members of my group.	RMSE	0.025
6. The group to which I belong is a close one.		
7. I enjoyed belonging to this group because I think I could be friends with many of its members.		

## Managerial implications

The study has profound implications for marketers targeting the "young market". Influence of peer group had been conventionally considered either in the context of product information or consumption image. Besides bringing to light the influence of peer-group beyond the product, this study also highlights an important influence in the case of young college students. This study has shown that residential parameters and career objectives of young consumers influence the peer-group environment which leads to an orientation that is favourable for a particular sales-promotion. This paper adds to the basic idea of peer group influence on product purchase in two major areas. First, it shows that sales promotion also exhibits similar patterns of consumption as any other product. Second, the influence of peer group is not just limited to the product. Peer group also influences the way consumers accept a sales promotion. In other words a college student who buys a particular brand of watch which is giving a free music CD, does so because his/her friends not only suggest the product to him/her but also the music that comes along with the product. The managerial implications of this research can be interpreted from the following two influences of peer-group.

## Influence of residential parameters

The study gives insight into the general role that peer-group has and also the outcomes associated, such as group cohesiveness and conformity. Although the study does not measure the degrees of cohesiveness and conformity, the study has shown a deeper sense of bonding and consequent cohesiveness amongst students living in a hostel. This is because of the time the students spend together. Day-scholars exhibited similar bonding as is with office-workers who spend most of their working time together. As the latter group spends less leisure time together, the predisposition towards utility oriented promotion is higher in comparison to the earlier one that spends substantial leisure time together. In other words, the college students who are together throughout the day are more involved in the leisure activities of their peers, and hence are more inclined to suggest sales promotions that go beyond their work life. On the other hand, the students who are interacting only during academic hours have a tendency to suggest sales promotions that are utilitarian.

## Influence of academic pursuit

The study has also pointed to a very important aspect which is still an unexplored area of research. If there is a difference between two groups in terms of their academic-pursuits,



then it implies that the information processing of any marketing communication is different for different groups based on the nature of the career they are pursuing. For example, processing of marketing communication by engineering students would be significantly different from those of liberal arts. A possible reason for this difference might be greater access to technology or better understanding of the medium. Informational cues given by sales promotions are also processed differently by different groups.

## Conclusion and scope of further research

The paper intended to study the effect that peer group interaction has on the promotional choice of a customer. The analysis of the data establishes that higher interaction and educational orientation of group members influence the customer's promotional preference. In case of young customers the predisposition towards hedonic promotion is consistent with the findings of Chitturi, Rajagopal, and Vijay (2007) wherein they state that there are fundamental differences in the type of goals hedonic and utilitarian benefits help attain. The study clearly indicates the effect that the time spent together has on an individual's behaviour and preference. Earlier studies had pointed to the effect of time spent together on immediate behaviour, but this study goes further to establish its impact not only on the choice of the product but also on the consumer's predisposition towards a particular type of promotion. The study also shows that the influence of higher interaction and common career aspirations goes beyond product-purchase behaviour.

It can be suggested that while deciding on hedonic freebies, marketers would benefit if they consider those peer groups where chances of interaction are higher. Hedonic freebies can result in added value to the consumers in case of conformity with peer group and their decision-making in the presence of peer members of groups that are highly interactive. It would be pertinent to explore the dominant values of prevailing peer groups. Further, it can be suggested that hedonic freebies that are socially visible or those that strengthen the quality of interaction with peer group members can result in favourable buying intention of group members towards the product being promoted, particularly in the context of young college students.

The study has several limitations that future research can address. First, the study did not take into consideration the effect of other groups like family, teachers, and so on, that might influence the choice of consumption and consequently the promotional choice. Secondly, the decision process regarding product purchase varies with the type, cost, information, use etc. that the consumer intends to derive out of the product. This study only focussed on products that were low-cost and involved routine purchase decision. It would be interesting to study the consumer preference of promotional choice in case of expensive goods such as cars and real-estate. In case of products such as cars the involvement level of the customers is higher and the information content through peer-groups can be seen in line with the effect that cohesiveness and conformity measures have on source credibility.

Lastly, further research cross-validating the result of the study can be done by observing if the sales of a product di-

rected towards college students in professional courses can be stimulated through hedonic promotions.

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