Friends with Benefits: Strengthening Peer Effects through Aligning Salient Reference Group Characteristics With Subjects' Traits

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ABSTRACT

A social norm intervention, that is, descriptive information of peer behavior, is often used to nudge individuals to behave according to their peers. However, such interventions have not always, and not for everyone, been effective. **Why?**

We propose that the alignment of reference group characteristics (social identification and source credibility) to specific consumer traits (consumers' varying susceptibilities to normative and informational influence) underlies the effectiveness of such interventions. We test this theory in the retirement savings context through 3 phases.

Phase 1 identifies reference group attributes' (e.g., age, gender) implicit impact on the reference group characteristics social identification (SI) and source credibility (SC), as perceived by pension fund participants **(N=1,466)**.

Phase 2 translates these results into social norm interventions in the lab **(N=220)** and online **(N=1,161)**, testing reference group SI/SC effect conditional on consumers' susceptibilities to normative and informational influence, to drive retirement planning engagement. Higher SI results in social norm convergence only if subjects' susceptibility to normative influence is high.

Phase 3 is a field test **(N=85,635)**, confirming higher SI and SC, through tailored interventions, increases retirement engagement (click-rate) by 31 to 55% compared to control and generic peer (industry standard) conditions.
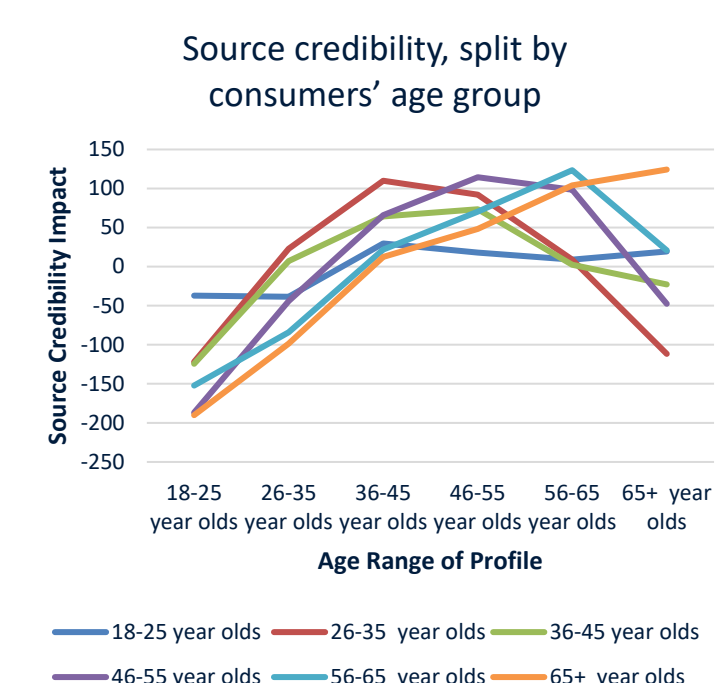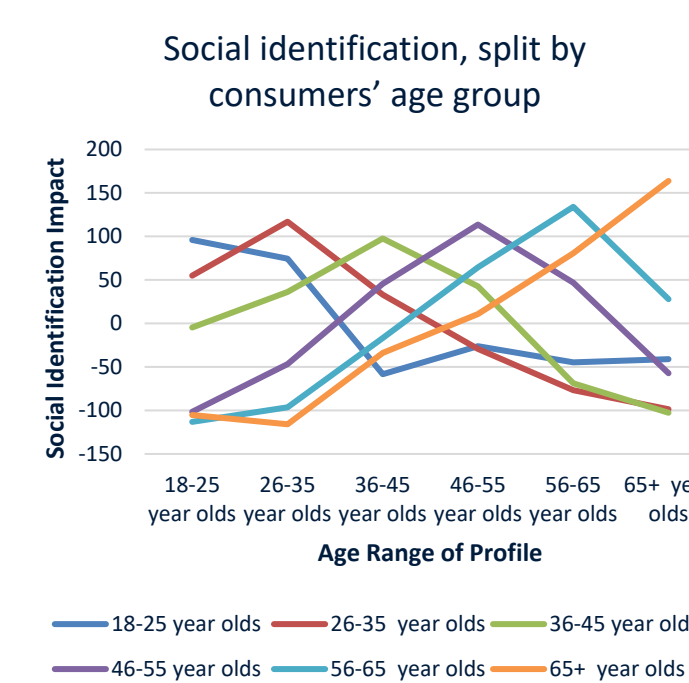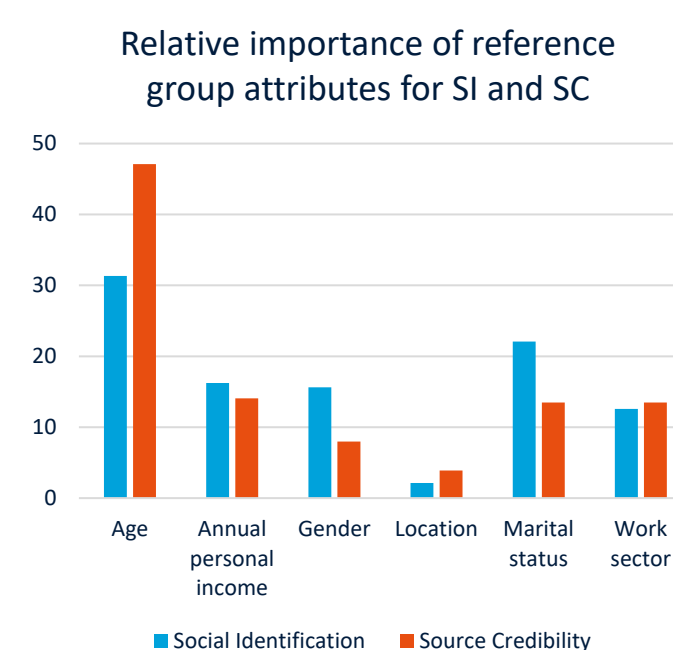
MOTIVATION

- Identify which reference (peer) group(s) optimal for consumers more susceptible to normative influence or informational influence.

- Reference groups used in social norm interventions are often selected based on objective, not subjective similarity.

- Create and validate method for identifying implicit reference group SI and SC for broad sample.

- Addressing heterogeneity; moving from generic, universal to tailored social norm interventions.

DISCUSSION

- Delineate informational and normative channels to address part of the puzzle why and when peer effects do not work (well).

- Same age important for reference group social identification (SI), older age (46-65) important for reference group source credibility (SC).

- High SI and high SC strongest peer effect (31 to 55% higher click-rate than control or generic peer group).

- Effect of reference group SI conditional on consumer susceptibility to normative influence; indicative for SC on susceptibility to informational influence.

PHASE 1 MAIN FINDINGS

VIGNETTE STUDY (N=1,466)

Relative importance of reference group attributes for SI and SC

Social identification, split by consumers' age group

Source credibility, split by consumers' age group

PHASE 2 MAIN FINDINGS

LAB EXPERIMENT (N=220)

Hours (retirement prep intention) per condition (control vs. social norm interventions with reference groups varying on SI/SC), segmented by consumers' susceptibility to normative influence
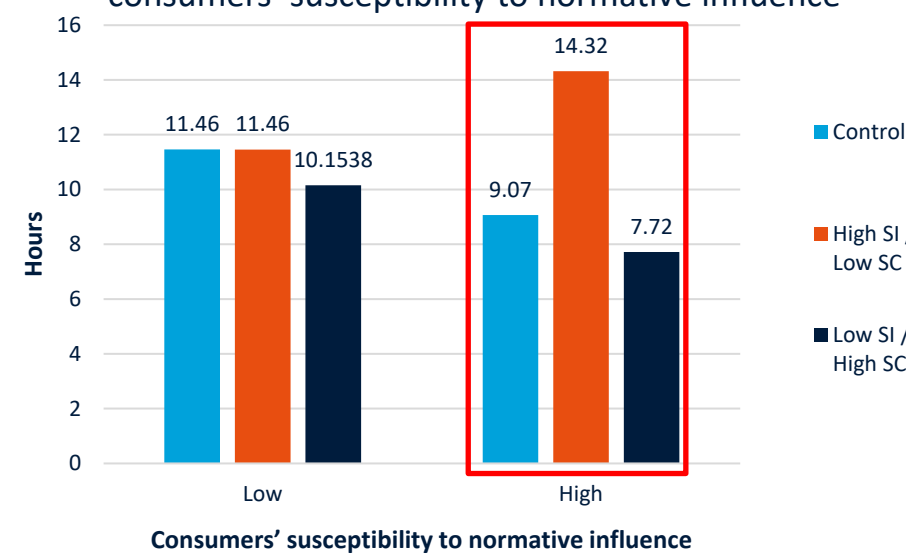
ONLINE PANEL EXPERIMENT (N=1,161):

Same results: effect of reference group SI on social norm convergence conditional on consumers' SNI, but not SII. Some evidence that reference group SC on norm convergence conditional on consumers' SII, but not SNI.

PHASE 3 MAIN FINDINGS

FIELD EXPERIMENT (N=85,635)

- Generic peer effect condition insignificant from non-peer effect control condition.

- Tailored peer effect condition high on SI & SC significantly higher (31-55%) click-rate.

- Low SI yields lower click-rate (oppositional reaction).

- Attributes (age, work sector) have similar impact on strength of tailored peer effect.

Table 4
Study 4 overview click-rate across conditions and subjects' age segments.

Subjects' age	Condition	N	CTR	ΔC	ΔP
26 to 35 years old	Control	4,150	2.4	--	0.0
	Generic peer	3,553	2.4	0.0	--
	Higher SI, lower SC (26- to 35-year-old RG)	3,485	3.1	29.2	29.2
	Lower SI, higher SC (46- to 55-year-old RG)	3,648	2.0	-16.7	-16.7
	Higher SI, higher SC (matched work RG)	3,967	3.4	41.7**	41.7*
36 to 45 years old	Control	4,999	4.5	--	11.1
	Generic peer	4,262	4.0	-11.1	--
	Lower SI, higher SC (56- to 65-year-old RG)	4,122	3.4	-24.4**	-15.0
	Higher SI, higher SC (matched work RG)	4,316	6.2	37.8***	55.0***
46 to 55 years old	Control	5,964	7.7	--	7.8
	Generic peer	5,341	7.1	-7.8	--
	Higher SI, higher SC (46- to 55-year-old RG)	5,277	10.1	31.2***	42.3***
	Higher SI, higher SC (matched work RG)	5,303	10.7	39.0***	50.7***
56 to 65 years old	Control	7,074	15.2	--	-4.6
	Generic peer	6,696	15.9	4.6	--
	Higher SI, higher SC (56- to 65-year-old RG)	6,743	21.6	42.1***	35.8***
	Higher SI, higher SC (matched work RG)	6,735	21.1	38.8***	32.7***

Notes: This table shows the click-rate, that is, the fraction of subjects that clicked on the link of the news article contained within the intervention e-mail, across conditions and subjects' age segments. N = number of subjects that opened the e-mail and were presented with the listed condition. CTR = click-rate of news article link inside e-mail, in fraction of subjects. ΔC = percent difference in click-rate fraction compared to control group. ΔP = percent difference in click-rate fraction compared to generic peer group. SI = Social Identification. SC = Source Credibility. RG = reference group. * = $p < .1$. ** = $p < .05$. *** = $p < .001$.

ZOOM QR:

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SI =	(Reference group) Social identification
SC =	(Reference group) Source credibility
SNI =	Susceptibility to normative influence
SII =	Susceptibility to informational influence
RG =	Reference group

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ZOOM LINK: https://maastrichtuniversity.zoom.us/j/4655133632?pwd=ZndxSkhwelRmSmV2aVVWelhJMkhQQT09