Referral Types and Peer Activation: Who to ask?

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Abstract

This paper explores how consumers select different peers in their social network when obtaining positive verses negative referrals, and the role of social cues in this selection process. An inductive framework incorporating a mixed method process was employed. Thirty in-depth interviews were used to understand how consumers activate specific peers when seeking referrals. First, participants' mapped their peer networks and secondly, debriefs were undertaken to understand how their peer network were used across 10 product categories. Our research identifies that the choice of peer when seeking referral information is conditional on the type of referral sought. Also, that the cues used by consumers when selecting the most appropriate peer differ depending on the type of referral sought. The different peer activation for these two types of referrals indicates a need to adopt strategies specific to the different referral types.

Keywords

Referral, peer network, end state, regulatory fit, mixed method

Summary Statement of Contribution

This research contributes a new perspective in the consumer referral literature, specifically, the consumer's search among their peers for referral information. We demonstrate that consumers do have conditional peer search behaviour and provide insight into the criteria they use when choosing peers from whom to obtain a referral.

Introduction

Consumers' use of word of mouth in decision making is of great interest to researchers and marketers alike. Researchers have examined this phenomenon from many perspectives including social networking and social structure, word of mouth sending and receiving, electronic word of mouth (eWOM), and viral communication or 'information spread' literatures (Burton & Khammash, 2010; Gilly et al., 1998; Huang et al., 2011; Phelps et al., 2004; Sweeney et al. 2012). Within this large area of research this paper aims to extend our understanding of referral seeking behaviour within peer networks. Referrals are used by consumers to support their decision making (Sweeney et al. 2008). Through the acquisition of referrals consumers are able to harness the wisdom and experience of the friends, family and acquaintances around them to make more informed decisions. This type of peer communication about products has been identified as a major influence of consumers' attitudes and ultimate product choices (Herr et al., 1991; Mazzarol et al., 2007; Sweeney et al. 2012). Whilst the literature in this area provides considerable insight into the effect of referrals on consumers' decisions it provides limited insight into how consumers go about seeking referrals from their immediate peer network (Frenzen & Nakamoto, 1993; Mourali et al., 2005).

Most of what we know about how consumers seek out referral information comes from earlier sources in the literature (Mazzarol et al. 2007). Much of this earlier literature focuses on how consumers obtain assistance when seeking employment, with little exploration outside of this type of context (Corcoran et al., 1980; Granovetter, 1974). The conclusions of these studies typically highlight the nature of the social structure that facilitated finding a job, rather than the processes that the individuals seeking employment actually used to find a person to provide referral information (Buttle, 1998; Gilly et al., 1998; Mazzarol et al. 2007). Consequently this

article initially addresses this gap in the literature by exploring how a consumer actively selects a specific peer from their network from whom to obtain a referral.

Although a referral is sometimes described as a single phenomenon, two general types of referral emerge in the literature: positively valanced referrals and negatively valanced referrals (Anderson, 1998; Buttle, 1998; Goldenberg et al., 2001). Positively valanced referrals would be most often used to support decisions with a positive end state focus; that is, a focus to obtain a desired decision outcome (de Matos & Rossi, 2008; Schmidt & Spreng, 1996). Negatively valanced referrals in contrast are typically used to support decisions with a negative end state focus; that is, a focus to avoid an undesired decision outcome (Aaker & Lee, 2001; Buttle, 1998; Schmidt & Spreng, 1996). This divergence of referrals into two types is in line with the theory of regulatory fit that explains how 'end state focus' leads consumers to undertake differing behaviours, in this case the two types of referrals, to achieve an outcome that feels 'right' for them (Cesario et al., 2008). To illustrate the differences that regulatory fit's 'end state focus' would produce take a consumer looking to make a motor vehicle purchase. If a consumer has a positive end state focus, they will likely seek and process positive referrals about which is the 'best' car for them to buy. Should they have a negative end state focus, they would likely seek and process negative referrals to ensure they avoid the 'worst' car for them to buy (DeBono & Harnish, 1988).

The presence of these two types of referrals indicates a need to explore not just who a person seeks for referrals in general, but rather who in their peer network a consumer seeks for a specific *type* of referral (DeBono & Harnish, 1988). To facilitate this exploration 30 in-depth interviews were undertaken with participants sampled from both genders and a cross section of ages to ensure a theoretically relevant sample (Eisenhardt, 1989). Participants' peer networks

were mapped during the interviews using a visualisation instrument and they were then debriefed about whom in their peer networks they sourced for positive and negative referrals and the reasons behind their choices. These interviews provide evidence that who a consumer seeks for a referral is indeed conditional on the type of referral being sought. We subsequently build on the existing literature to demonstrate how the social cues used to help drive the choice of peer change depending on the type of referral sought.

The implications of this research for marketers are substantial. Referral campaigns where immediate peers of consumers are targeted are increasingly popular among companies, particularly those within FMCG and technology markets. The internet company Dropbox, which provides file hosting and sharing software, presents a classic example of this type of campaign. Dropbox rewards their current customers with increased file storage capacity when one of that consumer's peers signs up using the website's referral links. Even the new customer is provided extra storage when they sign up through a referral compared to the normal sign up procedure. For these types of campaigns to provide improvements in product awareness and sales they need to be designed to reflect how consumers naturally obtain referrals from their peers during information search. The marketer needs to understand how to drive positive referrals for their own product while countering any negative referrals; and perhaps even understand enough to be able to promote negative referrals for competitor products. As will be shown, the factors driving the search for positive and negative types of referrals are indeed different. Failure to reflect these natural differences will fundamentally undermine the effectiveness of any referral campaign.

This article is structured as follows: First, the theory underlying how peers are activated during referral seeking is reviewed. Second, we describe the mixed-method theory building approach that was adopted and examine both how and why the peer network is activated dependent on the

nature of referral being sought. Finally, the findings of this research are discussed with the implications of these for both theory and practice considered.

Theory

The role of regulatory fit's 'end state focus' and referral type in peer activation

When considering the search for referrals by a consumer it is necessary to examine the underlying *needs* driving this particular type of information search behaviour. End state focus, as described in the theory of regulatory fit, allows us to conceptualise the information need that referral seeking behaviour is satisfying (Aaker & Lee, 2001; Higgins, 1998). The consumer is motivated to seek information by the need to obtain an optimal decision outcome, as per a positive end state focus, or to avoid a sub-optimal outcome, as per a negative end state focus (Aaker & Lee, 2001; Schmidt & Spreng, 1996). Thus we can identify two types of information need that can manifest during the search for referrals; that needed to help obtain a positive end state, and that needed to help avoid a negative end state. As the information needs differ between positive and negative end states it is interesting to question if this difference will be reflected in consumers' referral seeking *behaviour*.

The difference in need is likely to manifest *behavioural* differences beyond simply seeking a specific type of referral. The peers within a consumer's peer network have diverse and unique experiences and knowledge (Brown & Reingen, 1987; Gilly et al., 1998). As consumers are known to be aware of such difference among their peers the choice of specific *peers* from whom to obtain the positive or negative referral is also likely to vary in line with the consumer's end state focus (Yale & Gilly, 1995).

The consequence of this need for specific information arising from end state focus is the expectation that a natural relationship will form between the type of referrals sought and the choice of peer from which to obtain those referrals (Schmidt & Spreng, 1996). It is well established in the literature that consumers activate different peers within their social networks depending on the *purpose* for which they are being employed (Brown & Reingen, 1987; Schmidt & Spreng, 1996). We argue that such findings should extend to consider the different types of referrals. Do consumers seek specific peers to obtain positive referrals, and others for negative referrals on the basis that some peers are likely to be better positioned to provide that information and hence better satisfy the underlying information need? This leads us to our first research question (1) Do consumers utilise *different members of their peer networks for positive versus negative referrals?*

To pre-empt our results we find support for the argument that different peers are sought for the two types of referral. This leads us to question how the consumer goes about selecting these peers as this difference in outcome suggests that there may be a difference in the peer selection process.

Mechanisms for peer selection

Remarkably little theory exists as to *how* a consumer will select a peer when seeking a referral (Bonaccio & Dala, 2006). Regulatory fit theory and its insight regarding end state focus does not provide us with a mechanism to understand *what* it is about a specific peer that will result in their activation for a positive or negative referral. The more general referral and word of mouth (WOM) literatures provide observations about various cues that consumers seem to use when evaluating peers for various purposes but provide little theoretical guidance within the context of peer activation for referral information (Bonaccio & Dala, 2006; Brown et al., 2005). This

necessitates the exploration of some of the more common cues identified in the most relevant literatures of referral and WOM communication with a view to exploring their applicability to this context.

Whilst the literature examines numerous characteristics of individuals when they are undertaking communication behaviour, and the effect of those characteristics on communication incidence, effectiveness or other relevant outcomes (Grewal, Gotlieb & Marmorstein, 1994; Dobele & Lindgreen, 2011; Yale & Gilly, 1995; White, 2010); none have been considered in relation to the choice of a peer when seeking a referral. To help ground the research and provide a basis for exploring the possible cues used by consumers we have opted to focus on three of these possible cues in particular. These are tie strength, homophily, and peer expertise (Bansal & Voyer, 2000; Brown & Reingen, 1987; Gilly et al., 1998; Granovetter, 1982; Mourali et al., 2005). The selection of these three is based on the strong evidence of their general role in moderating referral type behaviours (Sweeney et al., 2008). Tie strength is used to interpret the emotional closeness and frequency of contact in consumer dyads (Granovetter, 1982). Originally used as a mechanism to objectively assess relationships more recent research has used the concept more in the form of a perceived tie strength to understand how consumers themselves characterise the relationships they have with their peers (Granovetter, 1982; Kiecker and Hartman, 1994; Steffes and Burgee, 2009). It is this *perceptual* tie strength that is relevant to this study. Consumers are likely to use their own assessments of the various tie strengths with their peers to determine whom to ask for a referral. Stronger tie peers would have a greater knowledge of the consumer, their needs and their preferences, and thus may be better positioned to make some types of referrals. Although no specific theory guides how this cue may be employed by the consumer,

the observation that it is used by consumers in many social contexts demands its inclusion here (Bornstein et al,. 2000; Brown & Reingen, 1987; Southwell et al., 2010).

Homophily refers to the perceived similarity between the consumer and a specific peer (Wangenheim & Bayon, 2004). This similarity can be based on demographic or psychographic dimensions, and is likely a blend of both (Gilly et al., 1998). Much like tie strength homophily provides a cue to consumers when evaluating their peers to determine from whom to seek a referral. Peers who are homophiles tend to have a greater understanding of the consumer and a greater impact on their decisions (Brown & Reingen, 1987; Gilly et al,. 1998; Sweeney et al., 2008; Wangenheim & Bayon, 2004). A consumer aware of this type of similarity and who may have experienced its benefits is thus likely to use homophily in their selection of peers when seeking referrals.

The final cue of relevance to this study is peer expertise. In this context peer expertise concerns how much knowledge and experience a peer has with a particular product or market environment (Yale & Gilly, 1995). A rational consumer would naturally tend to use peer expertise when determining from which peer to seek referral information. A peer perceived as having greater expertise likely has a greater understanding of the products on offer and thus should provide the most important information to the consumer (Bansal & Voyer, 2000; Brown & Reingen, 1987)

For each of these three cues literature has demonstrated that consumers tend to communicate with peers that have stronger ties, who are more homophilous and who have greater expertise when seeking word of mouth and referral information (Bansal & Voyer, 2000; Brown & Reingen, 1987; Gilly et al., 1998). The difficulty with this literature regards how these cues are used for the two types of referrals. No literature has addressed how these cues may actually be used differently for positive versus negative referrals, and little theory is provided to guide

research in this area. The literature in this area even notes this limitation (Bonaccio & Dala, 2006). This leads us to our second research question: (2) *how are these cues used by consumers when determining which peer to ask for positive versus negative referrals*?

Method

As there is relatively little theory to guide the development of specific research propositions (Brown et al., 2005) our approach to the research was one of inductive theory building as described by Colquitt and Zapata-Phelan (2007). This need to build theory through induction led to the adoption of grounded theory as an analytic tool to complement a mixed method data collection (Eisenhardt & Graebner, 2007; Shah & Corley, 2006). Grounded theory allows the concepts and patterns that arise from the data to be integrated with explanations from existing literature (Belk et al., 1989; Goulding, 2005; Miles and Huberman, 1994) and can result in the 'creation of novel and illuminating theoretical concepts' (Shah & Corley, 2007, pp. 1826). Grounded theory analysis also 'provide[s] access to the meanings people attribute to their experiences and social worlds' (Miller & Glassner, 1997 pp. 100), which is particularly relevant given the focus of this research is on referrals, an inherently social process.

Within this grounded theory analysis framework a mixed qualitative and quantitative measurement process was employed (Kelle, 2006; Shah & Corley, 2006). This takes the grounded theory approach outside of its normal ethnographic applications where only a single measurement type, mostly qualitative in nature, is employed to provide the data inputs (Goulding, 2005). Measurement incorporated modified in-depth interviews to identify both how and why each consumer participant utilised their peers when seeking referrals. In-depth interviews were conducted because they allow a diverse range of perspectives to be accommodated from knowledge that is specific to each individual (Legard et al., 2003). The

depth interviews involved; first, participants mapping their peer network using a visualisation instrument (Young et al., 2008), and second, a debrief to identify whom in their peer networks were sourced for positive and negative referrals and the reasons behind their choice (Legard et al., 2003).

Interviews

Throughout all of the interviews only one moderator was used ensuring consistency of approach. The visualisation instrument, referred to as 'the placemat', was an A3 sheet of paper with a simple representation of a figure placed at the centre. The participant then personalised this figure by labelling it 'me' and drawing in any physical characteristics they liked. Each quadrant of the paper was headed with a prompt which read either 'friends', 'family', 'work/education' or 'other' under which participants were subsequently asked to document their peer connections (Young et al., 2008). This approach encourages the participants to visualise themselves as being at the centre of their peer network making it easier to comply with the need to recall their contacts (Young et al., 2011). Participants were talked through their various social groups to stimulate them to provide a full list of their peers. A fifteen minute period for reflection was also provided after this initial interview phase where the participant was invited to have a cup of coffee in a nearby cafe and review their placemat for completeness.

In the second part of the depth interview each participant was debriefed regarding who they would go to in their peer network for referrals when making decisions across multiple product and service categories (Beatty & Smith, 1987; East et al., 2005). Decisions were either phrased to generate a positive or negative end state focus, hence generating the search for positive or negative referrals. This desire for a positive or negative referral was confirmed by the moderator in each case by noting the language used to describe the information in the sought referral. Half

the participants were questioned about approach states before avoidance states; the other half were asked in the reverse order to minimise order effects. This was also blocked across the product categories. Throughout the debrief participants were asked to mark their placemat when they identified that a specific peer would be sought for a referral to support a particular decision, ensuring that this data was captured. The participants were then further interrogated as to the reasons for their particular choice of peers, allowing for the exploration of the cues used to make the choice.

The Sample

The rationale for sample selection lay in the need to refine and extend theory rather than to test findings for generalisability; in consequence a theoretical sampling approach was taken (Eisenhardt, 1989). Theoretical sampling directs 'data gathering efforts towards collecting information that will best support the development of the theoretical framework' (Locke, 2001). The sample consisted of thirty participants. These participants were blocked for age and gender such that 5 males and 5 females were interviewed within each of three age groups 18-24, 25-39, and 40 and over. This blocking ensured a diverse cross-section of society was interviewed providing a basis for reasonable extrapolation and to ensure suitable heterogeneity in the sample to capture theoretical elements regarding the possible role of homophily in participant behaviour (Patton, 2002). Participants also needed to be able to answer questions about their referral behaviour for the ten product/service categories used in the debrief. These categories drew on a mixture of services and moderate involvement products; categories where referrals are common (Cheng-Hsi et al., 2011). The ten categories used were: trips to cities, adventure trips, cultural trips, relaxing trips, tours, cars, computers, movies, cell phones, and clothing (Gretzel & Hyan Yoo, 2008). The sample criteria thus required all participants to have travelled for longer than a

day trip out of their home city for either holiday or leisure purposes in the past 12 months. The remaining product categories were considered generic enough to be understood by all potential participants (East et al., 2005). Participants received an incentive valued at $30 for their participation

Analysis

A preliminary qualitative analysis was conducted after the first six interviews to review the interviewing style and analyse the effectiveness of the instrument. Therefore one participant from each age and gender group was interviewed before the interviewing process was reviewed. The analysis of the data collected required a two stage approach integrating both quantitative and qualitative methods.

The data from the visualisation, or 'placemat', stimulus was recorded as counts of individuals who were sought for referrals for approach and avoid decisions in each of the products/services categories (Young et al. 2011). These counts were then collated so as to identify those who were sought only for approach decisions, those sought only for avoidance decisions, and those sought for both types of decisions. These frequencies were then transformed into proportions of each participants peer network size to accommodate any differences across participants. MANOVA was used to analyse these proportions by age and gender. Both were found to be non-significant and hence are not reported. Participants' use of their peer networks is thus examined using one samples tests to identify if consumers utilise a significant proportion of their network *exclusively* for positive and/or negative referrals. This thus tests whether consumers use *different members of their peer networks for positive versus negative referrals* as per the first research question.

The interview/debrief transcripts and added notations were then coded into overarching themes and connections between the themes through a reduction process as described in Miles and

Huberman (1994, pp. 55). Each recurring theme was designated a keyword(s) and colour to distinguish between the concepts and allow for a synthesis of the important issues that emerge from the interviews. By classifying the data from the transcripts into distinct categories of ideas, the themes extracted from this gave relevant insight into each participant's use of interpersonal ties in different decisions. Each participant's use was then compared to identify if any patterns of use across the participants emerged. Throughout the process the themes were compared to cues suggested in the literature. This allowed us to identify if any themes converged onto specific cues already established in other areas of the literature. This was done carefully to not preclude the emergence of non-conforming cues that may provide insight into the consumers' selection process. This ensured that the analysis remained grounded even though it was at least partially informed through literature. These themes were used to explore *how cues are used by consumers when determining which peer to ask for positive versus negative referrals*, as per the second research question.

Findings

Prior to examining the specific findings for the research objectives it is important to validate the relatively new method of data generation employed in this research. The placemat component of the depth interview instrument elicited an average of 26.3 peers from each participant. The smallest peer network was found to contain only 5 peers, and the largest 74 peers. The ability to detect such a diverse range of peer network sizes offers strong support for the method (Young et al., 2011). Further, the debrief phase of the depth interview provided approximately 1.5 hours of data per participant. In most cases the moderator had to terminate the interview as the participants wished to continue discussing how they use their peers for referrals. This willingness of the participants ensured a highly rich data set for analysis. The data reached saturation after 24

participants, however sampling continued for the full 30 participants planned to ensure the balance in the sample design was retained.

With the validation of the data collection the main research questions can be addressed. The first section here addresses the first question to understand whether different peers are sought for positive versus negative referrals, as suggested by the discussion of end state focus within regulatory focus theory. The second section addresses the second research question to explore the cues used by participant consumers to choose those peers.

The Peers Sought for Positive and Negative Referrals

The choices by participants regarding who they would seek for referrals are quantitatively analysed to address the first research question, regarding whether consumers utilise *different members of their peer networks for positive versus negative referrals*. The average number of peers sought for positive referrals only, negative referrals only, or for both types of referral were calculated as a proportion of the total network size for each participant. The significance of these proportional means is tested using one samples tests with the results shown in Table 1.

Table 1: Proportion of Peer Network Sought for Each Type of Referral

	Sought for Positive	Sought for Negative	Sought for Both
Mean Proportion	0.0587	0.0218	0.1211
St. Deviation	0.0726	0.0239	0.0712
t-statistic	4.4278	5.0085	9.3132
p-value	0.0001*	0.0000*	0.0000*

Note: deemed significant at 0.01 level

For positive referrals and indeed for negative referrals a small but significant proportion of the participants' peer networks were activated. On average 5.87% of a participant's peer network was activated for positive referrals alone, and 2.18% was activated for negative referrals alone. While a larger proportion of a participants' network was sought for both positive and negative referrals, 12.11%, the findings here suggest that some peers are uniquely sought out for only positive referrals or for only negative referrals. This finding answers the first research question.

The Cues Used for Peer Selection

Having identified that consumers do seek out specific peers in their networks for each type of referral, it is now necessary to understand how they choose whom to activate among those in their peer networks. The qualitative debrief element is used to uncover why participants chose specific individuals. This analysis is structured around each of the referral types to highlight how the cues used are used differently when determining which peer to ask for positive versus negative referrals. This analysis specifically addresses the second research question which is to explore *how these cues used by consumers when determining which peer to ask for positive versus negative referrals.*

For *positive referrals* the perceived homophily between consumers and their peers is the most important cue used during peer selection. Both perceived psychographic and demographic homophily are found to be important, but in slightly different ways. The importance of psychographic homophily is demonstrated in the preference for peers who have similar tastes and opinions. Matthew[1] (male, 18-24) explains the importance of psychographic homophily in that 'the people I'd ask for advice on which ones [trips] to go on are closer to my sort of

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[1] All participant names changed to ensure their privacy

personality.' Justine (female, 25-39) further notes that for positive referrals her chosen peers would 'generally ...be quite similar. They would also look at things that they would know that I like [sic]. And their opinion counts because it means that what they like would be something that I would go for as well.' The importance of psychographic homophily is further exemplified through consumers' disregarding some peers when seeking a positive referral because they are not homophiles. 'I wouldn't go to him for what to get because I don't like his phone' (Mark: male, 18-24), and also 'their tastes are different than mine, so I wouldn't go to them...' (Luke: male, 40 and over). Psychographic homophily plays a crucial role for consumers when selecting peers for positive referrals. 'For choosing the best ones [products] sometimes I find his opinions are a bit limited, also he sees it from his own point of view, not my point of view, because our applications are different...' (Emma: female, 40 plus).

Demographic homophily is also considered important by consumers when selecting peers for *positive referrals*. However, demographic homophily is important only in that it is an indicator of psychographic homophily. Michelle (female, 40 plus) explains how she would not seek her son-in-law for referrals on movies because as a male he does not have similar tastes. 'Sometimes when it comes to movies, or dramas, things like that, we women are quite emotional at times, like his wife – he says one day she likes action movies so I recommend action movies and then your daughter will look at me and say 'why did you choose this one, I don't like it'; so that's why I think he has difficulty in choosing the best ones …you know boys.' This re-enforces the role of perceived homophily, particularly psychographic homophily, in consumers' search for positive referrals.

The cues used to evaluate peers when seeking *negative referrals* do not involve homophily in almost all cases. The cue used by consumers in this case is the expertise of the peer. The

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consumer seeks peers with experience or knowledge of the products to ensure that they don't purchase an inferior product. As explained by Jill (female, 25-39) 'they'll know things that they've used in the past which don't really work, for example mobile phones or movies... [sic]', and from Luke (male, 40 and over) '...I think because they go to movies quite a bit they'll often say, that was a child movie, or that was a nothing movie, or something like that, so I think I'd appreciate their negative assessment more than their positive assessment on that one.'

Consumers also avoid choosing peers without the expertise to provide what they feel to be a suitable *negative referral*. As Ryan (male, 40 and over) explains he does not seek non-expert peers; 'the fact that they haven't used it, they cannot tell me what to avoid. So I want to understand why they like that phone, but because they haven't used it I wouldn't ask them what to avoid because they wouldn't know.' Consumers even acknowledge that homophily is not used as a cue when seeking peers for negative referrals, instead preferring to use expertise. 'So I put down my closer friends for saying what's positive…but for the negative side I put more [sic] anyone on Facebook because I wouldn't guarantee that my friends actually go on bad holidays; I need to go for a broader sort of information source to find that out' (Daniel: male, 18-24).

A particularly interesting finding arises for when a peer is selected for *both positive and negative referrals*, rather than uniquely for one or the other as per the previous findings. Intuitively it would be thought that if homophiles were chosen for a positive referral and experts were chosen for a negative referral then a peer chosen for both positive and negative referrals would be a 'homophile expert'. Our findings suggest that this is not the case. Peer expertise is used as a cue to a limited extent when selecting a peer for both positive and negative referrals, but homophily is used almost not at all. When asked to explain how he chose some of his peers for both positive and negative referrals Patrick (male, 25-39) noted 'I just [sic] suppose they have the knowledge,

they would know the good and the bad, they probably would have done the research previously, they would have had the experience previously, so that's why I'd talk to them about it more, about both sides, not just one side.' Likewise Daniel (male, 18-24) stated that 'I guess I tend to go [sic] people, for both ends, who have a lot of knowledge about the subject'; and from Ryan (male, 40 and over) 'chances are if I perceive the person to be more knowledgeable, say for example mobile phones, tell me about this phone, what do you like about it, then I'd ask them what don't you like about it, so it's just getting contrasting opinions from the same person because they have the knowledge or experience.'

Tie strength arose as the most dominant cue used by consumers when selecting a peer for *both positive and negative referrals* though. This contrasts to the earlier findings where tie strength played almost no role for *just* positive or *just* negative referrals. Often it is the personal nature of the relationship that leads to the dominance of this cue. 'I tend to rely a lot on my wife, so that's why... I'll talk to her first – we have a very full discussion on what is good and what is bad, how we're going to avoid, both. She's very close to me; that's why she is the most influential person' (Tim: male, 40 and over). Likewise from Laura (female, 40 and over) when speaking of her family, 'I think I appreciate their suggestions, so I'll sometimes consult them even if they haven't been there or whatever, they can give me some ideas.'

An interesting dimension to this use of stronger ties when selecting peers to obtain *both types of referral* is that the peer must also be deemed trustworthy. While trust appears throughout the social psychology literatures it has not been explored in relation to the assessment of peers by consumers *seeking* referrals (Bäckström, 2008; Bäckström & Nel, 2009; Denize & Young, 2007; Gurtman, 1992; Shapiro, 1987). Our findings indicate trust is of importance in this case. As noted by Caitlin (female, 18-24) when discussing her choices among her strong ties 'I think it's

when I trust them a lot, and trust their opinion on what it is.' And again from Luke (male, 40 and over), 'I guess if I trusted their opinion on what would be good I would also trust their opinion on what would be bad.' Patrick (male, 25-39) exemplifies the role of trust in moderating the selection of a particular strong tie when obtaining positive and negative referrals, 'I know they're friends ... but I wouldn't just ask anything out of the blue, like 'what car would you use' or 'what personal computer do you prefer'. I don't think I would do that…It's not like I'm not interested, I don't feel the need to. I feel well-resourced as it is to be able to get that kind of information off people that I know that are more trustworthy...' Having explored *how such cues are used by consumers when determining which peer to ask for positive versus negative referrals*, the second research question has been addressed.

Conclusion

Theoretical Implications

Theory regarding regulatory fit was used to understand how end-state focus generates the information needs that positive and negative referrals satisfy (Aaker & Lee, 2001; Higgins, 1998; Schmidt & Spreng, 1996). Drawing on this theoretical background we have been able to identify that the choice of peer a consumer makes when seeking referral information is conditional on the type of referral sought. That is, that there are some peers that are uniquely used by consumers to source positive referrals and some uniquely used for negative referrals. No previous literature has identified this type of selective peer search with regard to referrals. This offers strong support for the applicability of regulatory fit theory to referral seeking behaviour. It explains why positive and negative referrals are employed in interpersonal communication providing a strong basis for future research in this area.

This research has also identified that the cues used by consumers to select the most appropriate peer are also different depending on the type of referral sought. This part of the research used literature informed induction coupled with grounded theory analytic techniques to start to understand how a consumer selects specific peers when seeking a positive or negative referral. As our findings showed, for positive referrals consumers use homophily to select the most appropriate peers. Consumers consistently prefer homophiles when seeking positive referrals. In contrast, consumers switch to using the expertise of peers to evaluate them when seeking negative referrals, with consumers preferring experts over non-experts. The most interesting finding though is that when a peer is sourced for both positive *and* negative referrals the primary cue used by consumers is tie strength. Consumers prefer to activate their strong tie relationships when seeking a peer for *both* positive and negative referrals. This selection of a strong tie is also qualified on the peer being deemed trustworthy. This conditional relationship between tie strength and trust is supported by previous research which has found that trust is less important for strong ties, although never as clearly as in this case (Van Swol & Sniezek, 2005).

Implications for Further Research

This study has provided useful insight into the conditional use of peers when seeking different types of referrals, however there are some limitations that could be addressed in future research. The high demands of the qualitative interview process restricted the sample size available for quantitative analysis. Finding a mechanism to streamline the collection of data regarding a consumer's peer network while not diminishing the quality of responses presents an interesting opportunity for researchers. The expansion of the sample size for the quantitative phase of this study would provide more security in the generalisability of those findings.

Expanding the information collected using the qualitative measurement approach also presents an area for further research. The 'placemats' measurement approach used to map the participants' peer networks were adapted from work undertaken by Young et al. (2011). This method allowed us record participants' social connections. Such mapping of social and peer networks is similar in style to the network mapping undertaken in social network analysis (Hanneman & Riddle, 2011; Hogan et al., 2007). The advantage of the approach used here was that rather than just documenting the social connections we were able to use the placemats as a stimulus to probe participants about the *nature* of those social connections and their personal motivations and feeling when activating those connections. Further research can examine how such social and peer network stimuli can be developed during interviews to allow us to further explore the role of qualitative features of social network functioning such as personal feelings and motivations.

A challenge presented by the findings of this research is the lack of theory explaining why social cues are used in this conditional manner (Bonaccio & Dala, 2006). While the direction of a consumers' preference for a peer, be it for a homophile, expert or strong tie, are all in line with theories regarding information importance, it is unclear why some of these cues are used and others not depending on the type of referral (Bettman, 1979; Frenzen & Nakamoto, 1993). Future research needs to address this limitation of the literature by exploring the underlying motivations for the use of specific cues during the peer selection phase of referral seeking.

A further way to develop the literature in the referral area is to examine the simultaneous choices of both the giver and receiver of referrals, that is, the referral dyad. Literature has identified that those that give referrals do so depending on the characteristics of the receiver (Bansal & Voyer, 2000; Brown & Reingen, 1987; Gilly et al., 1998; Sweeney et al., 2008). Coupled with the

findings of this research this suggests that examining the simultaneuous decisions regarding who a giver of referrals chooses to communicate with, and who a receiver chooses to seek will present a more complete understanding of referral behaviour. The possible contrasts in perceptions of the exchange, and the use of potentially differing cues during the exchange may lead to communication behaviourthat the present literature would not expect.

Implications for Practice

For practice the findings of this research are of particular importance. To ensure the success of any referral campaign industry must accommodate the different search behaviours exhibited by consumers when they are seeking different types of referrals. Any campaign aimed at generating positive referrals for an own brand or product must understand that consumers seek advice from homophiles more so than other types of peers. Thus the campaign objectives must reflect the resulting homogeneity in dyads. Such referral campaigns will likely only reach consumers similar to ones already held. This indicates that using positive referral campaigns to attract new types of customers is likely to prove less fruitful than previously thought.

These findings also suggest a danger for industry. The fact that consumers seek negative referrals from experts, instead of specifically seeking them from homophiles, suggests that negative referrals may spread to a more diverse range of consumers than positive referrals. While further research is required to confirm this, the findings here suggest that any negative news regarding a product will likely reach a much more diverse audience than positive news. This highlights the importance of understanding referral behaviour and how it will spread information within your target markets.

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