Social Reference Groups

In Marketing Theory, researchers often refer to social reference groups in order to primarily and secondarily determine what social aspiration certain groups of people connect to specific products. Due to the abundant advertising that Beats by Dre does with international music and sports personalities, students mentally form a connection between the desired lifestyle that hey aspire to achieve and the product that is being advertised. Seeing a specific type of successful sports personality wear Beats repeatedly, will form a mental connection between the product and the lifestyle of those people, thus a social reference. Those social reference are also especially important when looking at Cluster 2, “The Owners”. While those people do already own a Bluetooth speaker, their opinion and brand recognition are more important for marketers than the average customer is. Cluster 2 is very attractive as an audience for advertisements even despite their lack of intent to buy a new speaker, as they already own one.

Advertising efficiency

Generally, in marketing it is very dependent upon how specific certain advertisements are to the target group, and how hard that specific target audience is to reach through the available advertising channels. Additionally, there is a second, demand driven layer that influences so called impression rates for advertisement spending, solely influenced by how much operational value is expected to be derived from an advertisement. The second part especially makes advertising to more affluent target audiences more expensive for the most part, due to the higher disposable income available, leading to more price flexible advertisement options.

CAGR/Advertisement Spending

There is a strong opportunity to secure future customer bases in the higher priced segments, by investing in ad space for students now. While they may not currently have the disposable income to afford the most expensive products, there is a case to be made, that the expected, very strongly positive Compound Annual Growth Rate (CAGR) over the next 15 years for the average student, makes them potential future customers. With how cheaply that audience can be reached now, vs. in 15 years, overall efficiency is greatly increased, even including those that potentially drop out or do not become as successful.