Examining the Role of Social Currency in Word-of-mouth Marketing

Siya Zhang[1]

[1]Graduate School of Journalism, Columbia University, New York, United States

*Corresponding author: sz3302@columbia.edu

Abstract:

This research review explores why social currency can be a driving force in word-of-mouth marketing, as proposed by Jonah Berger in his book Contagious: Why Things Catch On. He argues that despite the importance of traditional marketing factors like price and quality word-of-mouth is essential for driving the popularity of things [1]. Six principles, social currency, triggers, emotion, public visibility, practical value and stories are reasons why people share certain content [1]. Social currency is significant to achieve word-of-mouth marketing as it allows individuals to find their social identity and promote their social status by sharing content that reflects positively on them. Social Identity Theory explains how group affiliations serve as human nature to drive their behaviors and encourage consumers to favor brand that align with their identity. Companies can build brand loyalty, trust and advocacy through leveraging social currency. This research will highlight how SIT, a key component of social currency, demonstrates influence on consumer behavior and shape brand's success to achieve effective word-of-mouth marketing.

Keywords: Word-of-mouth marketing; Social currency; Social Identity Theory.

1. Introduction

In the book Contagious: Why things catch on, the author Jonah Berger argues that while factors such as quality, price, and advertising play an important role in a product's success they often may not be the decisive elements to decide whether a product can catch on or not [1]. Instead, the power of word-of-mouth comes into play and emerges as a powerful mechanism for spreading information. Regardless of a company's size or marketing budget word-of-mouth marketing is accessible to everyone from Fortunate 500 companies to a new start-up at without requiring millions of dollars spent on advertising because it is fundamentally about sharing content that resonates with people [1]. There are six principles of word-of-mouth marketing, in other words, what makes content contagious: social currency, triggers, emotion, public, and practical value [1]. Among these social currency, the idea that people look to talk about a product or a idea because they're seeking inner remarkability to make them look good, plays a important role in driving word-of-mouth marketing.

Social currency refers to the phenomenon that individuals gain values from sharing information that makes them look knowledgeable and become "insiders" of an exclusive group. Harvard neuroscientists Jason Mitchell and Diana Tamir found that disclosing information about the self is intrinsically rewarding by discovering in the experiment that sharing personal opinions activated the same brain circuits when responding to rewards like food and money [2]. Thus in essence people share things because they want to enhance their social standing and sense of belonging in a community.

2. The mechanism principles

2.1 The connection between social currency and social identity

Social currency is a comprehensive branch that can also be broken down into several factors. A key component of social currency lies in its connection to social identity. The tendency to disclose oneself to become the "insiders" of the group is closely tied to Social Identity Theory (SIT), developed by Henri Tajfel and John Turner in the 1970s. The theory explains how people are used to categorizing themselves and others into social groups to seek group affiliations and create a positive self-concept [3].

SIT posits that individuals gain their sense of belonging from membership in social groups, such as family, friends, or even any types of organizations. This self-concept is categorized into an in-group, the group to which one belongs, and an out-group (groups to which one does not belong. The theory also suggests that people manage to maintain a positive social identity, resulting in some in-group favoritism and out-group discrimination [3]. Therefore, by leveraging social identity, brands can tap into human natural tendency to seek social connections and validations from others. Consumers are also more likely to share information about things that reinforce their affiliation with a particular social group to enhance their social identity.

2.2 Social Currency enhances word-of-mouth marketing

The connection between social identity and social currency reveals why consumers are more inclined to engage with and share content that aligns with their social group affiliations to achieve effective word-of-mouth marketing. By participating in band-related discussions, consumers gain not only social recognition but also a sense of belonging to groups which could further amplify their willingness to advocate for the brand [4]. Moreover,

self-determination theory (SDT) suggests that social recognition is critical for fulfilling the psychological needs of competence, autonomy, and relatedness [5]. Consumers feel validated when their social identity is recognized by others, which reinforces their sense of competence and group belonging. For example, an experiment in an Indian school suggested that recognition rewards, non-monetary rewards, for teachers and principals can boost students achievements because they were incentive to win respect from other people to show they are skillful in teaching [6]. Previous studies have divided the principle of social currency in relation to word-of-mouth into six dimensions: conversation, advocacy, information, affiliation, utility, and identity [7]. Of these social identity, affiliation and recognition are all vital in driving word-of-mouth marketing. Social identity stands out because there's a higher chance of conducting word-of-mouth marketing for a brand in that people find the products or services relatable to their in-group identity and empower customers with respect and social recognition from others. For example, brands use social currency successfully are able to create experiences or products that consumers feel passionate to share and thus enhances the visibility of the brand. Research has shown that when companies provide customers with opportunities to make them feel like insiders or offer certain symbolic social identity or status, they are encouraging the brand advocacy and loyalty that bring repeat purchases [8].

Social currency leads to the action of sharing one's purchasing experience and information in exchange for in-group affiliation and recognition. Through the power of word-of-mouth, companies can achieve high brand trust and brand loyalty since people are likely to embrace recommendations from their peers compared to traditional advertising. The mechanism works when social currency is leveraged to contribute to higher customer engagement and retention, necessary elements for word-of-mouth marketing.

2.3 The assumption

Therefore, the underlying assumption is that social currency plays a critical role in effective word-of-mouth marketing by fulfilling people's needs for social validation and group affiliation. The essential mechanism driving this process is Social Identity Theory, an important component of social currency, which explains why people are motivated to share things that align with their social groups and affiliations to promote their sense of belonging to their identity. Brands that understand and learn how to use social currency to align with consumer's social identities have chances to create interactions with their custom-

ers and create a higher customer advocacy and loyalty to achieve marketing success through the power of word-of-mouth.

3. Experiments review

An experiment conducted through the population sample of undergraduate and graduate students in the Indian city of Varanasi tested the effects of social currency on marketing strategy through people's use of social media [9]. The questionnaires are based on the seven-point Likert scale [9]. To select people who spend a considerable amount of time on social media for research purposes, researchers identified an online community on a popular social media site at the university whose users spend an average of 3 hours on different social media platforms [9]. Snowball sampling helped collect 400 respondents and 384 of the responses were completed and used for the measurement of which 54% are female and 46% are male [9]. They adopted the notion previously pointed out by researchers that there are various dimensions of social currency: affiliation, conversation, utility, information, identity, and advocacy [7]. For each dimension, they asked the participants if that dimension is important to influence their purchase decisions and likability with a brand. Data is going through a confirmatory factor analysis and estimation method. The survey results showed a significant relationship between the factors and people's tendency to buy products from a certain brand [10]. Identity and advocacy were found to be of higher weight than other factors: identity means that customers can develop a sense of identity from the brand and that social identity evolves under the influence of the brand and brand image; advocacy implies that by advocating the brand customers will strengthen their relationship with the brand. In other words, the questionnaire results support that people establish identity by purchasing a brand, and the identity gets reinforced if they find the identity in accord with their social identity. Also, people strengthen their bond with the brand by advocating for it, in other words, using the power of word-of-mouth. Customers are able to develop a sense of identity with their purchase on the platform if they found themselves in line with the brand image and brand values while satisfy with their purchasing experience. The social identity could be further strengthened if the the customers also feel affiliated with the brand communities. Then customers give their opinion about the brand or the services on various e-word-of-mouth platforms, in other words, to advocate for the brand [10]. The effective marketing outcomes are shown as a reciprocal and mutual benefit: users discuss and share information on social media to improve values of the community and promotes action that enhances social identity while the company take advantage of the bond established within the customer community to earn reputation and achieve word-of-mouth marketing.

Another experiment makes an in-depth analysis of the relationship between social currency and its influence on the brand by looking at the relationship between social currency and brand quality, brand trust, and brand loyalty in a case study [10]. The purchase intention, an individual intention to buy a service or a product, has to do closely with brand quality, an idea about the brand's ability to satisfy customers' needs customer trust, brand trust, and loyalty, which helps people surpass risks and insecurities before purchasing and guarantees their willingness to re-buy the products even at a higher price [10]. The research participants were chosen from customers of Digikala website. 600 emails were selected randomly within the databank of the website with 396 questionnaires were returned and completed [10]. The same division of social currency into different dimensions was employed when design the survey. The questionnaire includes questions of five measurable constructs, social currency, brand quality, brand loyalty, brand trust, and purchase intention, and involves customers' perception of their purchase through Digikala. For instance, questions like "The brand gives me confidence in the consumption of its service and "Users of this brand help me to learn and grow as a person" test people's personal attachment to the brand. There are several key findings. The results show that social currency has a correlation with brand loyalty and brand trust and also that brand loyalty and brand trust correlate with purchase intention. The research supports that social currency positively affects brand trust and brand loyalty and in turn would increase people's purchasing intention. Brand trust and brand loyalty are key to the brand since without familiarity with the brand the customers will be less willing to give their personal and credit card information on the internet shopping. The study also finds brand loyalty and brand trust as the mediating variables between social currency and purchase intention. When these two variables are strong, they also play an important role in influencing social currency and increasing customer purchase intention. The brand positioning of price, brand image, and brand characteristics are a mixing message to inform customers and shape their perceptions of the brand. Their unique brand experiences, if positive, bring them a social identification in accordance with the company and the identification gets reinforced when they experience personal growth, such as an increase in self-esteem within the brand community [10]. Thus, social currency promotes effective word-of-mouth marketing: identity, an important dimension of social currency, is the key driving factor for interaction of consumers with the company by

making them affiliated with the brand and increasing their purchase intention and at the same time the affiliation with the company helps build the brand image through an increasing brand loyalty and brand trust, repurchasing promises that guarantee that a customer will repurchase the products and spread brand's positive word-of-mouth.

This research investigates the automobile industry by sending out a pre-survey to people to select the sample population who have purchased the respective brand [11]. The final sample consists of 304 respondents with 47.4% female and 52.6% males from the age of 18 to 80. Researchers conducted a confirmatory factor analysis with 6 factors each representing one social currency dimension [11]. The study follows the two-stage approach as the previous one: the effect of five dimensions on social currency and the effect of social currency on brand loyalty, brand perceived quality, and brand trust [11]. Among the five dimensions, conversation, advocacy, affiliation, and identity, advocacy and identity again were tested to be the stronger factors that have a stronger connection and influence a brand's social currency while the rest three factors were found to be less significant on their level of influence. The study also points out that the power of dimensions may vary from industries. For instance, identity might have a stronger influence on lifestyle products like automobiles whereas utility might play a bigger role in high-technology products. Researchers define brand equity as he differential effect of brand knowledge on consumer response to the marketing of the brand and argue that the marketing efforts of a company can be largely credited to what customers have learned felt and seen about the brand [11]. The findings also support the positive relationship between social currency and brand equity, namely brand loyalty and brand trust. As the research suggested, improving social currency through five factors can ultimately result in improved economic performance of the respective firm. Buyers are willing to rebuy the products after building their loyalty and brand trust and thus recommend the brand in customer-to-customer interactions [11].

4. Conclusion

In summary the review of previous experiments could serve as strong evidence to underscore the profound influence of social identity one of the key elements of social currency on word-of-mouth marketing through shaping consumer positive perceptions of the brand. By drawing on Social Identity Theory (SIT), a key element of social currency, into the discussion, there're highlights of how social currency through its different dimensions like identity, advocacy, and affiliation can enhance a brand's

relationship with its consumers by fostering strong brand loyalty, trust, and positive word-of-mouth. The examined three experiments across different contexts ranging from social media engagement to purchasing behavior all demonstrate that consumers are more likely to become loyal to and advocate for brands that could align with their social identity and provide them with social recognition. The ability of brands to leverage social currency effectively can be in exchange for a higher customer engagement, improved brand equity including brand loyalty and brand trust, and thus sustained economic performance. Therefore, for marketers and brands aiming to achieve effective word-of-mouth marketing, it is crucial to cultivate and harness the value of social currency by creating value-driven and identity-reinforcing experiences that resonate with their target audiences. This integrated approach works as a reciprocal tool that not only elevates consumer experiences but also solidifies the brand's position within its community, ultimately driving both advocacy and sales.

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