

EXPLORING THE INFORMATIONAL CASCADING IMPACT OF SOCIAL FACTORS ON FMCG PURCHASE DECISION

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ABSTRACT

Knowledge of social influence on consumer FMCG purchase decision making is vital for a marketer for designing marketing mix strategy. The present study has used SEM approach to analyze the impact of opinion leaders, person's family, reference groups and social class on infrequent and frequent purchase decisions based on a sample size of 410 young customers from J&K State. The study found significant impact of opinion leaders both on infrequent and frequent customers but its impact was observed to be higher on frequent purchase decisions. Influence of family was found to be significant on infrequent purchase decision.

Keywords: Social influence, Structure Equation Modeling

INTRODUCTION

Consumer research over the past few years has analyzed varied cognitive topics such as examination of family and social influences, reference groups, attribution, cross-cultural, ethnic influences, the development of children as consumers and gender differences (Simonson et al., 2001). Consumer decision to purchase a product depends not only on the material needs satisfied by the product, but also on social needs such as prestige (Belk, 1988; Grubb and Grathwohl, 1967), impress others of their relative wealth (Coleman, 1990), desire for exclusivity, derive more utility from a product if it is purchased by more people (Ross, Bierbrauer and Hoffman, 1976 and Jones, 1984), status (Chao and Schor, 1998) etc. Recognizing such social needs, marketers employ several strategies to highlight the exclusivity of their product by limiting production (Betts, 2002), using exclusive distribution channels to restrict the availability of their products, fixing high prices and promotion through exclusive advertising media, so that a firm can charge a high price and earn higher profits.

Globalization and entry of large national & international firms has made Fast Moving Consumer Goods (FMCG) market more complex and competitive. Changing lifestyle, increased spending powers, amplified disposable income, changing consumer tastes, womenfolk taking to job, convenience etc. has changed the characteristics of this sector. Generation Y is large, fast-growing segment of the consumer audience and most coveted segments because of its spending power, ability to be trendsetters, receptivity to new products and tremendous potential for becoming lifetime customers (Bush et al., 2004). Traditional marketing does not work with this group of consumers owing to significant behavioral shift. Thus, it has become necessary for marketers to know their purchase choice and the media that has highest reach among this segment. The current study has evaluated the impact of social factors on the infrequent and frequent purchase decisions of youth.

SOCIAL FACTORS AS INFORMATION DESSIMINATORS

Consumer wants, learning, motives etc. are influenced by opinion leaders, person's family, reference groups and social class.

Opinion leaders: The term opinion leaders are “trusted and informed people who exist in virtually all primary groups”. They are “models” of opinion and act as mediators between mass media and mass audience. They can be major influencers on marketing efforts through word-of-mouth communication, social pressure, social support to circles of relatives, friends, and acquaintances. They are practical, authoritarian, general experts, accessible, peer experts, self-centred and opinionated.

Family: Family as a primary decision making unit of society has a significant role in consumer socialization and in the process influences the way children become consumers (Lehota, 2001). Family members can be initiators, experts, purchasers, users, brand choosers, influencers or decision-makers. A family passes through stages, each stage creates different demands.

Reference Group: It is a person or group of people that significantly influence lifestyles, self concept development, value experience, attitudes and generate pressure for conformity to group norms (Deutsch and Gerard, 1995). It may be families, friends, sororities, civic, and professional organizations. It can be in the form of Membership groups (belong to), inspirational group (want to belong to) and disassociate groups (do not want to belong to). The degree to which a reference group will affect a purchase decision depends on an individual's susceptibility to reference group influence and strength of his/her involvement with the group.

Social class: It is a set of classes where people in each social class share common beliefs, values and methods of behaving. It exercises powerful influence on people's style of life and acts as an important factor in determining their social and economic behavior (Stanley, 1977). The stratification of this class vary from age to occupation, type of dwelling, place of residence, size of income, ancestral and family name, power, birth, personal qualities, inherited wealth, influence with authorities, prestige, caste, or a combination of these factors.

REVIEW OF LITERATURE & HYPOTHESES BUILDING

Interpersonal communication is an important medium for idea exchange, product acceptance or criticizing competitors brand, brand switching, insurance purchase, selecting physicians etc. (Waseem Irshad & Shahid Ali, 2013). Opinion leaders have fan following due to their higher involvement in activities; they are more informed about new developments in their topic and use threats, promises, recommendations, requests, legalistic pleas and information exchange to influence others (Venkatesh, R et al., 1995). Family causes impact on the individual's norms, attitudes and values (Heckler, Childers and Arunachalam, 1989). Intra family communication can influence price consciousness, price sensitivity information, search behavior, store and brand loyalties and response to advertising and promotion (Rao, Childer and Dutta, 1991 and Woodson, Childers and

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Winn, 1996). In extended families, multiple sources of influence based on observation and interaction exists, therefore the influence of family members on the individuals' consumption behavior will likely to be relatively stronger compared to nuclear families. Usually women appear as initiators, in cases of products that can be connected to household and man in case of electronic products, garden products, mechanical products, phones, computers etc. Children are the ones who definitely are experts in trendy, fashionable things, brand choosers in the purchase decision making process.

Consumers engaged in direct verbal interaction to or observing the behavior of reference group members derive information on utilitarian and value inferences. Marketers use reference group concept in promotion by positioning the product in socially pleasant situations, use celebrities endorsing products, use group members as spokesperson (Kotler, 1980). The research studies by the Chicago group revealed that upper-middle class Americans were pursuing different goals in home furnishing, appliances, clothing, food and leisure time use compared to the lower-middles, who in turn had consumption objectives (and aesthetic preferences) markedly different from upper-lowers. Upper-middles were identified with consumption choices reflecting "quality" and "taste"; lower-middles with "respectability" and "conformity"; upper-Lowers with "instant gratification. Lower class people tend to stay close to home when shopping and do not engage in much pre-purchase information gathering. Stores project definite class images.

Based on review of literature and other empirical studies, following hypotheses have been set for the study.

H1: Opinion leaders positively affect infrequent purchase decisions.

H2: Frequent purchase decisions are more affected by opinion leaders than infrequent purchase decisions.

H3: Infrequent purchase decisions are influenced by family members.

H4: Family members exercises more influence on infrequent than frequent purchase decisions

H5: Reference group influences infrequent purchase decisions.

H6: Influence of reference group is more on frequent than infrequent purchase decision

H7: Social class is influencing factor in infrequent purchase decision.

H8: Social class exerts influence more on frequent purchase than infrequent purchase decision.

RESEARCH METHODOLOGY

A sample of 410 young customers was selected on judgment basis from Jammu city criteria being FMCG consumed during the last one month. A self designed questionnaire was used to elicit the required response, specific information regarding purchase of FMCG products was collected on a 5 point Likert scale (where 5 denotes strongly

agree and 1 denotes strongly disagree). This was supplemented by secondary information collected from books, journals, reports, web search engines and other published & unpublished consumer behavior related documents.

MEASUREMENT AND ANALYSIS

EFA & CFA

The collected responses were reduced into few manageable and meaningful sets through exploratory factor analysis (using SPSS, 17.0 version). EFA was carried using Principal Component Analysis with Varimax rotation and Kaiser normalization for summarizing the original information with Eigen greater than one being the criterion for deciding number of factors to be identified. The statements with factor loading less than 0.5 and Eigen value less than 1.00 were ignored for the subsequent analysis (Hair et al., 2006). The factors so emerged were validated through confirmatory factor analysis with the help of AMOS soft ware (Table 1). The goodness of fit statistics also gave excellent results as the value of GFI, AGFI, CFI, for all constructs were above nine, value of RMR was less than 0.05 and RMSEA was less 0.08 (Table 2). The reliability of the scale was judged through the value of Cronbach’s Alpha which was above 0.70 for all the constructs. Convergent validity was judged through the value of Bentler & Bonnet, which was also above 0.90 for each dimension of the scale. Discriminant validity of the constructs used was also found to be adequate.

TABLE 1: RESULTS OF CONFIRMATORY FACTOR

Latent construct	Manifest variables	Range		
		SRW	CR	R ²
Opinion leaders	5	0.601-0.523	7.708***-3.478**	0.357-0.325
Family	4	0.502-0.512	2.988**-2.134***	0.563-0.427
Reference group	6	0.920-0.635	5.158***-4.562*	0.980-0.620
Social class	5	0.750-0.456	6.978***-5.636**	0.345-0.321
Frequent purchase decision	4	0.747-0.532	5.231***-4.371*	0.761-0.423
Infrequent purchase decision	4	0.696-0.548	7.750**-5.702*	0.628-0.213

Sig. <0.05, **Sig.<0.01, ***Sig. <0.001.

2: SUMMARY OF GOODNESS OF FIT

Constructs	Chi square	X ² /Df	P level	RMR	GFI	AFFI	CFI	RMSEA	Bentler-Bonnet Coefficient
Opinion leaders	3.742	1.231	0.152	0.014	0.994	0.969	0.990	0.054	0.991
Family	3.210	0.5654	0.341	0.006	0.998	0.992	1.000	0.000	0.939
Reference group	2.138	1.290	0.209	0.022	0.967	0.932	0.986	0.046	0.945
Social class	6.626	3.292	0.001	0.043	0.970	0.930	0.930	0.081	0.915
Frequent buyer	7.436	4.218	0.216	0.019	0.996	0.980	0.997	0.027	0.934
Infrequent buyer	8.563	1.641	0.571	0.023	0.993	0.967	0.965	0.046	0.935

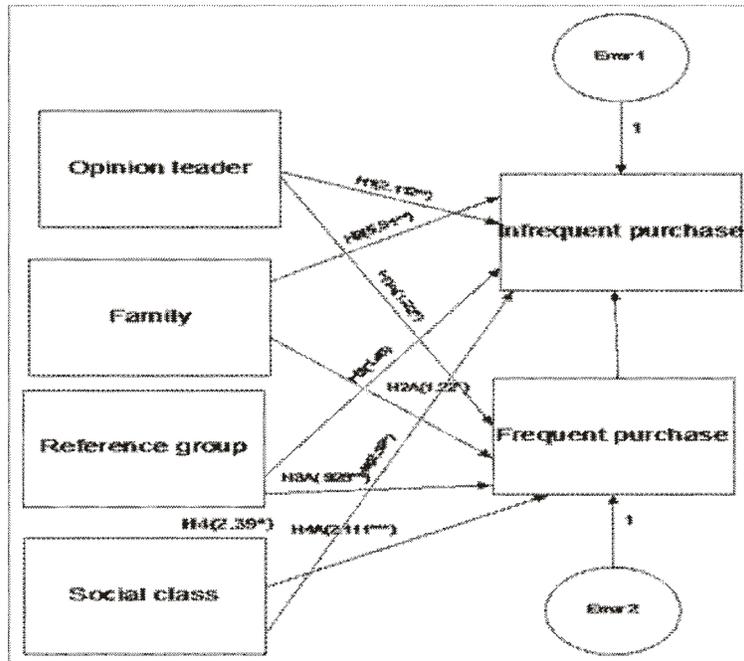
Results of SEM

Structural Equation Modeling (SEM) was used to assess the relationship between social factors and purchase decisions. Nine paths were created in the SEM for evaluating the cause and effect relationship between different factors viz., opinion leaders, family, reference group, social class, frequent purchase decision and infrequent purchase

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decisions. All the variables were examined for outliers and other departures from non-normality. No significant outliers were detected. The obtained sample size appeared adequate to test a simultaneous structural model. Out of 9 paths, six relationships were found to be significant while two relationships were found insignificant and one relationship was not tested (Fig. 1).

Fig 1: Self reported model of Impact of social factors on purchase decision



Sig. <0.05, **Sig.<0.01, ***Sig. <0.001.

TABLE 3: IMPACT OF INDEPENDENT VARIABLES ON INFREQUENT AND FREQUENT PURCHASE DECISIONS

Dependent Variables	Independent Variables	SRW	CR (Sig.)	R ²
Infrequent purchase	Opinion leader	0.225	2.112***	0.410
	Family	0.321	5.31**	
	Reference group	0.211	1.48	
	Social class	0.425	2.31*	
Frequent purchase	Opinion leader	0.321	1.22*	0.214
	Family	0.112	3.41	
	Reference group	0.231	0.926***	
	Social class	0.021	2.111***	

Significance: *sig.<0.05, **sig.<0.01, *sig.<0.001.**

As can be seen from the above table social factors accounted for 41% variance in infrequent purchase decisions ($R^2 = 0.410$) compared to 21.4% ($R^2 = 0.214$) in frequent purchase decision. Opinion leaders influences both infrequent and frequent purchase decisions but its impact is higher on frequent purchase decisions (SRW =0. 321) compared to infrequent purchase decision (SRW = 0.225). Thus, the hypothesis H1 ‘Opinion leaders

positively affect infrequent purchase decisions' and hypothesis H1A 'Frequent purchase decisions are more affected by opinion leaders than infrequent purchase decisions' stands accepted. Influence of family was found to be significant on infrequent purchase decision and insignificant on frequent purchase decision. Thus, the hypotheses H2 & H2A are accepted. Impact of reference group was observed to be insignificant on infrequent purchase decision (SRW=0.211 and Sig.>0.05). However, its impact was observed to be significant on frequent purchase decisions (SRW=0.231 and Sig.<0.05). Thus, the hypothesis H3 stands rejected and H3A is accepted. Social class influenced both infrequent and frequent purchase decisions significantly but its impact was observed higher on infrequent purchase decisions (SRW=0.425) than frequent purchase decisions (SRW=0.211). The hypothesis H4 thus stands accepted and H4A is rejected.

CONCLUSION AND MANAGERIAL IMPLICATIONS

The impact of social factors on infrequent and frequent purchase decisions was assessed through Structural Equation Modeling (SEM) and out of nine paths, six relationships were found to be significant. Opinion leaders influence both infrequent and frequent purchase decisions but its impact is higher on frequent purchase decisions. Influence of family was found to be significant on infrequent purchase decision. Male respondents were found to be more prone to referents with high credibility, such as those having presumed expertise. Accordingly, use of celebrities in advertising can play a significant role in appealing to male segment. Marketers must carefully examine changing educational standards and occupational shifts before using social class as influencer in designing specific product and service strategy. Women respondents were found to be more close to emotional bonds such as love, sympathy, anger, guilt etc. Ad appeals to this segment must therefore make use of emotionally loaded appeals for products used by this segment. Marketers should focus their communication efforts on highlighting the exclusivity of their product rather than the functional differences while targeting brand conscious customers.

Future researches could be conducted on large areas taking entire products falling under FMCG sector.

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