

Role of Reference Groups in Buying Decision (A Study of Saras)

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Dairy cooperatives have played an inevitable role in the dairy development in Rajasthan. Saras is one of the leading dairy brands which functions on the cooperative basis and markets its milk and milk products all over Rajasthan. It has a network of 528 retail booths and 14,725 parlors which caters to the varied needs of consumers. The present study attempts to find out the impact of reference groups on the buying decision of respondents of Saras. Also, the study attempts to find out the effect of opinion of reference groups with respect to demographic variable age, income and gender on the buying decision of respondents.

Keywords: reference group, purchase decision, consumer behavior

Introduction

Humans are inherently social animals, and individuals greatly influence each other. A human group involves general persons who share common goals or purposes and who interact in pursuance of these objectives. Each member of the group is perceived by others as a group member and all members are bound together by patterns and network of interaction overtime. When a person or group of people that significantly influences an individual behavior is termed as a reference group. It is a group with which the customer identifies in some way and whose opinions and experiences influence the customer behavior.³ Reference groups might be individuals, celebrities, friends, relatives, colleagues, neighbors etc. So; the decision to purchase a product as well as choice of a particular brand is affected by the social forces that surround us. For this reason, the marketers must strive to understand how multiple sub cultural memberships interact to influence target consumers relevant consumer behavior. The influence of reference groups on consumers buying decision regarding Saras can be helpful for the marketer in

formulating promotional strategies.

Review of Literature

The traditional and marketing concepts claim that consumers purchasing motivation is basically in relation to how a product or a service can satisfy one's needs, consumer behavior research on consumer's social and interpersonal environment has indicated that the consumers final purchase decision to buy a particular brand among competing alternatives can be influenced by reference groups such as friends, family, work, associates and so forth.

Social and interpersonal influence research can be traced back to Hyman (1942), who first elaborated the term reference group. Currently the term is redefined as individuals frame of reference be it an individual or group so as to direct purchase behavior (Schiffman and Kanuk 1997). Bourne (1957) conducted a study to understand the impact of reference group and the determinant of its susceptibility. The study explored the influence of reference group on purchase of several

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consumer goods and concluded that conspicuousness of product is a strong determinant of its susceptibility to reference group influence. Lewin (1965) and Venkatesan (1966) studies indicated that the group interaction has a strong influence in promoting changed attitudes and behavior in various type of group. Stafford (1966) identified that how informal that social groups influence the brand preference of their members. Also, the extent and degree of brand loyalty behavior within a group is more closely related to the behavior of informal leader than to the cohesiveness of group. Burnkrunt and Cousineau (1975) observed that consumer might use product evaluation of others to take a decision on quality of product.

Park & Lessig (1977) concluded that American students were more likely to be influenced by reference groups than general American housewives were when making purchase decision. Bearden Netmeyer & Teel (1989) believed that consumer's susceptibility to interpersonal influence is general trait that varies across individuals and mobile phone users developed a scale to measure it. Becker (1991) found that there is positive relation between a consumer's demand for product and a demand of other consumers for same product. Flynn et al (1996) found that opinion leadership occurs when individuals try to influence the purchase behavior of other consumers in specific product fields. Grinblatt (2005) found in his study that purchase of neighbors, particularly in the recent past and by those who are geographically most proximate influence a consumers purchase of automobiles. Yang et al (2007) conducted a comparative study investigating the influence of different reference groups on mobile phone users of USA and China. He found that only utilitarian influence has resulted in statistically significant difference between China and US mobile phone users and informational and value expressive influence have relative insignificant impact.

Zacharias et al. (2009) found that irrespective of occupation of respondents, study felt that friends and relatives strongly influence a consumer decision. Erda (2009) found that personal sources, especially family and friends influence consumer decision making in rural markets. Velayudhan (2010) found that the influence of personal sources of information is higher in rural areas when compared to urban areas. The existing literature has demonstrated that reference groups have significant influence on consumers purchasing behavior. However such studies are limited products and type of consumers only. The current study attempts to identify the "differences of reference groups" because it might somehow affect different types of reference group influences as well as consumer purchase decision-making process. To conclude, focus of study is about demographic differences within reference group and its impacts on consumers, rather than the differences from consumers' side.

Research Methodology

The study was conducted on respondents who were consumers of Saras products. Information was collected from 300 respondents through personal contact on Saras booth and parlors with the help of questionnaire. Four districts were chosen for study in Rajasthan. These regions are Jaipur, Bhilwara, Ajmer and Kota because of familiarity of investigator to these districts. From each district 75 respondents were selected.

Findings

The reference groups selected for the purpose of study are friends and relatives, family, children, retailers, colleagues and neighbours. The respondents were asked to tick the reference groups whose opinion influences them in buying decision. The results are given in the table 1 shown below:

Table 1 : Preferential ranking of respondents regarding different reference groups in buying decision

Reference groups	Mean Score	Rank
Friends and Relatives	3.32	4
Family	4.57	1
Children	3.34	2
Retailers	3.33	3
Colleagues	2.60	5
Neighbors	2.58	6

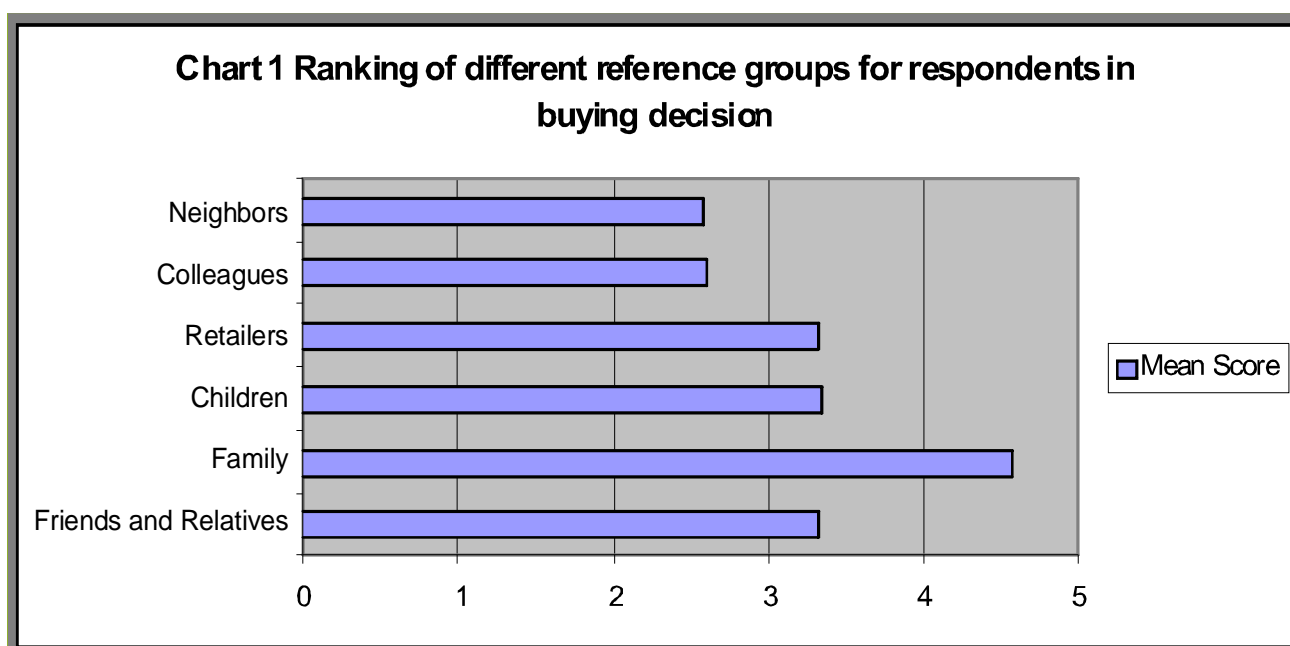


Table 1 shows that family, as reference group exerts greater influence on the buying decision of respondents (Mean score 4.57). There is a little difference between influence of children, retailers, friends and relatives on respondents purchase decision with mean score 3.34, 3.33 and 3.32 respectively. The least influence on respondents buying decision is of colleagues (Mean score 2.60) and neighbors (Mean score 2.58) respectively.

Effect of reference groups with respect to age on purchase decision of respondents

To know the affect of reference groups with respect to age on purchase of respondents, one way ANOVA was conducted

1. AGE

H₀ = Opinion of reference groups in buying purchase decision do not differ significantly for different age group

Table 2 : Impact of opinion of reference groups with respect to respondent's age on the buying decision

Reference groups	Age	N	Mean	SD	F	df	Result
Friends and relatives	< 20 yrs	15	2.86	1.060	1.404	3,284	NS
	20-40 yrs.	119	3.55	1.191			
	40-60 yrs.	136	3.41	1.308			
	>= 60 yrs.	18	3.44	1.247			
Family	< 20 yrs	15	4.60	0.737	0.081	3,292	NS
	20-40 yrs.	122	4.60	0.745			
	40-60 yrs.	139	4.62	0.605			
	>= 60 yrs.	20	4.55	0.605			
Children	< 20 yrs	13	3.38	1.193	0.617	3,273	NS
	20-40 yrs.	109	3.72	1.154			
	40-60 yrs.	136	3.54	1.222			
	>= 60 yrs.	19	3.57	1.427			
Retailers	< 20 yrs	15	3.26	1.223	0.917	3,289	NS
	20-40 yrs.	119	3.47	0.990			
	40-60 yrs.	139	3.30	1.272			
	>= 60 yrs.	20	3.65	0.933			
Colleagues	< 20 yrs	15	2.86	0.915	1.297	3,287	NS
	20-40 yrs.	122	2.73	0.960			
	40-60 yrs.	135	2.63	1.034			
	>= 60 yrs.	19	2.31	0.478			
Neighbors	< 20 yrs	15	2.60	0.828	0.731	3,281	NS
	20-40 yrs.	117	2.70	0.893			
	40-60 yrs.	133	2.76	1.022			
	>= 60 yrs.	20	2.45	0.826			

The F test results shows that there is no effect of opinion of reference groups on buying decision of respondents in different age groups. It means respondents of

different age groups are influenced in the same manner by opinion of reference groups.

2. INCOME

Ho = Opinion of reference groups in buying decision

do not differ significantly for different income groups.

Table 3 : Impact of opinion of reference groups with respect to respondent's income on the buying decision

Reference groups	Age	N	Mean	SD	F	df	Result
Friends and relatives	Rs.< 5000	6	3.66	0.816	0.728	3,281	NS
	Rs.5000-10000	30	3.30	1.291			
	Rs.10001-15000	94	3.33	1.222			
	Rs.15001-20000	155	3.53	1.281			
Family	Rs.< 5000	6	4.66	0.816	1.184	3,289	NS
	Rs.5000-10000	31	4.41	1.057			
	Rs 10001-15000	97	4.64	0.578			
	Rs 15001-20000	159	4.65	0.584			
Children	Rs. < 5000	4	3.75	0.957	2.759	3,270	*
	Rs. 5000-10000	28	3.75	0.928			
	Rs.10001-15000	89	3.31	1.293			
	Rs. 15001-20000	153	3.75	1.176			
Retailers	Rs.< 5000	6	3.00	1.095	5.416	3,286	**
	Rs.5000-10000	33	2.90	1.156			
	Rs.10001-15000	92	3.21	1.127			
	Rs.15001-20000	159	3.62	1.106			
Colleagues	Rs.< 5000	6	2.16	0.983	0.769	3,284	NS
	Rs.5000-10000	30	2.80	1.126			
	Rs.10001-15000	95	2.68	0.937			
	Rs.15001-20000	157	2.64	0.947			
Neighbors	Rs.< 5000	6	2.16	0.983	2.137	3,278	NS
	Rs.5000-10000	31	2.38	0.844			
	Rs.10001-15000	88	2.75	0.962			
	Rs.15001-20000	157	2.76	0.935			

The F test results in table 3 shows that buying decision of respondents from different income group is not affected by the opinion of friends and relatives, family, colleagues and neighbors but from children and retailers.

The F test results shows that there exist significant difference in opinion of children among respondents from different occupational groups ($F = 2.759$ $P < 0.001$). As per table 3, buying decision of respondents earning between Rs 15000- 20,000 is highly affected by opinion of their children (Mean score 3.75). The reason might be that they are earning good and are ready to purchase that brand or products which their children like. Followed by them are respondents earning less than Rs 5000 (Mean score 3.00) and Rs 5000-10,000 (Mean score 3.75). The respondents earning income between Rs 10,001-15000 are least affected by opinion of children (Mean

score 2.90).

Regarding retailers, the F test results shows that there exist highly significant difference in opinion of retailers among respondents from different occupational groups ($F = 5.416$ $P < 0.001$). It can be inferred from that buying decision of respondents earning income between Rs. 15001-20,000 is highly influenced by opinion of retailers (Mean score 3.62). Followed by them are respondents in income group of Rs 10,000-15000 (Mean score 3.21) and less than Rs 5000 (Mean score 3.00). The respondents earning between Rs 5000-10,000 are least affected by opinion of retailers.

3. GENDER

Ho = Opinion of reference groups in buying decision do not differ significantly for males and females.

Table 4 : Impact of opinion of reference groups with respect to respondent's gender on the buying decision

Reference Groups	Gender	N	Mean	SD	Z	Result
Friends and relatives	Male	185	3.459	1.277	-0.069	NS
	Female	100	3.470	1.193		
Family	Male	187	4.615	0.673	0.252	NS
	Female	106	4.594	0.673		
Children	Male	170	3.435	1.225	-3.286	**
	Female	104	3.913	1.133		
Retailers	Male	182	3.247	1.180	-2.867	**
	Female	108	3.630	1.047		
Colleagues	Male	182	2.714	1.006	1.109	NS
	Female	106	2.585	0.924		
Neighbors	Male	176	2.693	1.029	-0.559	NS
	Female	106	2.755	0.803		

To test the above hypothesis, Z test was performed and the results shows that purchase decision of males and females is not affected by opinion of friends and relatives, family, colleagues and neighbor but by children and retailers. According to table 4, there exist significant difference in opinion of children among males and females ($Z=-3.286$ $P<0.01$). It can be inferred that opinion of children in buying decision Saras products highly affects females (Mean score 3.91) as compared to males (Mean score 3.43). The reason might be that females have more affection with their children as compared to males.

Regarding retailers also, there exists significant difference among males and females ($Z=-2.867$ $P<0.01$). Table 4 shows that opinion of retailer matters a lot for females (Mean score 3.63) as compared to males (Mean score 3.24).

Conclusion

It can be concluded that out of several reference groups, family is the first reference group of which consumers seek opinion while taking buying decision. Also, the reference groups differ for the respondents who are males or females and having different income level but not for the different age groups. Such information can provide a useful insight to the Saras dairy for making suitable marketing programmes for its consumers.

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