

Effect of Social Media on Purchase Decision

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Abstract

Social media has revolutionised the ways of communication and sharing information and interests. The rapid growth of social media and social networking sites, especially, in developing country like India is providing marketer a new avenue to contact customers. Though, organizations are increasing their spend in social media, it is difficult to measure a real return on investment. This paper attempts to assess the impact of usage of social media on purchase decision process. The paper examines the usage pattern and its influences the five stages of purchase process. The study finds that the social media is most widely used in information source for perceived convenience, effectiveness and perceived credibility. Also, the social media reviews and opinions affect the purchase decision process; however, tendency of share their experiences post purchase is surprisingly low.

Keywords:

Social Media, Social Networking, Purchase Decision

Introduction

The Merriam-Webster dictionary defines social media as “form of electronic communication (as websites for social networking and blogging) through which users create online communities to share information, ideas, personal messages, and other content (as videos).” It also defines networking as “the exchange of information or services among individuals, groups, or institutions; especially: the cultivation of productive relationships for employment or business.” Social networks have evolved over the years to the modern-day variety which uses digital media.

In the last decade, social media received a great boost with an advent of many social networking sites such as Wikipedia, Facebook, Twitter, Yahoo!360, MySpace, LinkedIn, Youtube and many more. This enhanced and metamorphosed the ways individuals interacted and shared common interests in music, education, sports, and friendship.

The growth of social media within India and the world has been nothing less than astounding.

This year, eMarketer estimates, 1.61 billion people will log in to social networking sites at least monthly, from any electronic device. That's a 14.2% gain on social networker numbers from 2012, and double-digit growth is expected to continue for another year. By 2017, 2.33 billion people will use social networks.

A key business component of social media is that it now allows consumers to evaluate product, make recommendations to contacts or friends, and link current purchases to future purchases through status updates and twitter feeds. In addition, the use of social media presents a valuable tool for firms in which a satisfied user of a product could recommend that product (good or service) to other potential users. In essence, the social media world is slowly taking the place of product reviews and panels found in outlets such as "Consumer Digest" in previous generations. Where consumers once patronized trusted retail outlets and relied on employee experts in each department, today's consumers might often be relying on the recommendation and expert opinion of a friend or acquaintance found within their social media network.

The companies are looking for taking advantage of increasing trend of customers relying on social media for their purchases. For social-savvy businesses in India, paid ads on the networks are becoming standard practice. Ernst & Young surveyed 48 companies in the country that have robust social presences and found that 83% of respondents used social media advertising this year. The greatest portion of this group (42%) used these ads to promote an online campaign or contest. The next most common use of social ads was general brand building.

Social is also taking a notable slice of the overall marketing budget at these companies. The greatest percentage (42%) reported devoting between 1% and 5% to social, but another 37% said their social spend was between 6% and 10%. And nearly 22% of companies reported spending more than 10% of the marketing budget on social media.

Facebook and Twitter remain the properties where companies are likely to expend much of their social effort. More than two-thirds reported posting on Facebook more than twice per day, and 62% said they did the same on Twitter.

Even as these businesses have made social a priority, they have been less effective at tracking their successes on the platforms. When asked how social media engagement had affected a change in revenue at their company, the overwhelming majority—78%—said they either didn't know or hadn't measured.

In this background, it is important to study how social media habits influence customer's purchase decision process. A buying decision process describes the process a customer goes through when buying a product. It consists of five stages-Problem recognition, information search, alternative evaluation, purchase decision, and post-purchase behavior.

The study attempts to assess an impact of social media on different stages of purchase decision process and analyses if the demographic variables mediate the impact of social media on a purchase process.

Review of Literature

The social media has aroused a lot of interest among researcher and academicians. As use of social media is increasing at phenomenal rate and companies showing tendencies of allocating increasing budget to social media to communicate and reach customers; the study of social media has been of a great importance to all the stakeholders.

Forbes and Vespoli(2013)investigates consumers who made a

purchase of an item based on the recommendation of a peer or contact via social media results indicate that consumers are buying either very inexpensive, or very expensive items, and are doing so based on recommendations from people they would not consider "opinion influencers or leaders". In addition, results indicate a slow shift from more traditional forms of social media like Facebook to quicker types of social media like Twitter. Numerous respondents indicated their desire for information now, not even a day or two old, and this research indicates a shift towards that form of social media which is consistent with general themes of today's social media.

Leerapong andMardjo(2013) examine the factors that influence their online purchase decision through online social network, particularly Facebook. The customers ranked in order of importance relative advantage, trust, perceived risk, compatibility as the factors that encouraged or discouraged them from purchasing product through Facebook.

Sharma and Rehman (2012)find that positive or negative information about a product or a brand available on the Social Media has significant overall influence on consumers purchase behaviour. The customers spread positive word of mouth through social media.

Pietro and EleonoraPantano(2012) investigate to what extend social networks, as Facebook, influence consumer ' s purchasing decision. They find that enjoyment is a key determinant of social networks usage as tool for supporting the purchasing decision. They also suggest that consumer's usefulness perception of recommendations and suggestions on products on Facebook, consumers' enjoyment in the use of the social network Facebook for information searching on products and brands, and perceived ease of use of the provided tools influence consumers ' attitude in using the system as supporting tool for their purchasing decision. They also suggest a casual positive relationship between attitude of customers towards social media and behavioural intention.

Social media has also influenced consumer behavior from information acquisition to post-purchase behavior such as dissatisfaction statements or behaviors (Mangold&Faulds, 2009)

Themba and Mulala (2012) investigate the extent to which students at the University of Botswana engage in brand-related eWOM via social media and the effects of such engagement on their purchase decisions. They report that the level of engagement in brand-related eWOM via social media is relatively low and engaging in brand-related eWOM generally and specifically opinion seeking significantly and positively influence purchase decisions.

Most of the studies conducted report that the social media influences purchase decision of the users;however, there is a need to study whether the impact is likely to vary across different stages. This will help marketer to set their communication goals on social media strategically and plan the budget allocation on social media better.

Research Methodology

The present research starts with the problem definition, and in this case, it refers to a detailed understanding of how social media is influencing purchase decision process of the social media users in the city of "Mumbai".

Specifically, the following topics were addressed using a series of probing research questions:

- How often does the consumer use a social media service?
- Which type of social media is most used?
- What type of product did the consumer see as recommended (size, type, good or service, color, cost, etc.)?
- How much did the recommendation influence the consumer's decision to purchase?
- Did the recommender influence the consumer's purchase (i.e., the recommender's status as a friend/stranger)?

The research objectives and hypothesis are as given below:-

Research Objectives

1. To assess the impact of social media on purchase decision of Indian consumers
2. To study the relationship between personal characteristics of

social media users and impact of social media on their purchase decision.

3. To find out post purchase behavior of social media users.
4. To study relationship between personal characteristics and post purchase behavior of social media users.

Hypothesis

1. There is no significant relationship between personal characteristics of social media users and impact of social media on their purchase process.
2. There is no significant relationship between personal characteristics of social media users and their post purchase behavior.

Measurement and Research Instrument

Since the scale items were newly constructed, the reliability of the scales used is measured to evaluate the internal consistency of the constructs. Reliability is identified by Cronbach's alpha with a minimum of 0.70 (Cronbach, 1970; Nunnally, 1978).

Reliability of Construct

Dimension	Scale Item	Measurement of scale	Cronbach's alpha.
Information Search	<ul style="list-style-type: none"> • High Credibility for Information Search • Effective Platform for Information Search • Ease In Information Search 	Strongly Agree- Agree-Indifferent- Disagree-Strongly Disagree	0.720
Purchase Decision	<ul style="list-style-type: none"> • TrustFriendsReview • TrustReviewsFromStrangers • PositiveReviewsfromFriendsInduceBuying • PositiveReviewsfromStrangersInduceBuying • NegativeReviewsfromFriendsdissuadeBuying • NegativeReviewsfromStrangersdissuadeBuying • SocialMediaInfluencialThanTraditional • SocialMediaPlaysRoleinDecisionMaking 	Strongly Agree - Agree-Indifferent- Disagree-Strongly Disagree	0.860
Post Purchase	<ul style="list-style-type: none"> • WriteReviewsPostPurchase • ShareOpinionifsatisfied • ShareOpinionifNotSatisfied 	Never-Rarely- Sometimes- Frequently-Always	0.858

Data Collection and Sampling

This study is conducted through a primary research which involved getting original data by conducting a field research. In this case, the information was collected directly from respondents via the internet, from September to November, 2013, and the data analysis is quantitative.

An exploratory research is used to provide insights into an influence of social media on purchase decision and usage pattern of social networking sites. As a sampling technique, we used the convenience sampling technique which implies a non-probability sampling.

Data Analysis

Research Objectives

Objective 1:-To assess the impact of social media on purchase decision of Indian consumers

About 75% people have frequently used social media for information regarding their purchases. This indicates the growing popularity of social media as information tool.

Also, out of 134 respondents, 127 respondents (94.78%) have searched for information on the internet with regards to the different purchases. The distribution of their search pattern is as shown below:-

Table 1:- Distribution of items purchased on Social Media

For what kind of purchase do you use social media to search for information?					
Electronics	Household appliances	Travel	Entertainment (movies, music, concert...)	Cars	Health & beauty products
86	31	64	76	18	33

We can easily see that the information is sought mostly for electronic appliances followed by Entertainment and then, travel.

The attempt is made to find out how customers perceive social media as an information tool.

Table 2:- Perception towards social media as an information tool

	N	Mean	Std. Deviation
High Credibility for Information Search	134	3.22	1.038
Effective Platform for Information Search	134	3.87	1.032
Ease In Information Search	134	3.82	1.109

The table above indicates that the social media scores high on effectiveness and ease of information search and moderate on credibility. This indicates that though social media is growing in popularity due to convenience and speed for seeking information,

the information is not perceived to be highly reliable. This fact is also highlighted from the table below which depicts information about information search tendencies on social media.

Table 3:-Use of social media as an information tool

	N	Mean	Std. Deviation
Information search due to Friends recommendations	134	2.84	.990
Seek Opinion From Friends	134	2.64	1.146
Seek Opinion From Strangers	134	2.14	1.084

We can see from the table that Indian consumers do not show high tendencies to seek information either from friends or from strangers.

Also, as seen from the table below, Reviews from friends or strangers are moderately trusted.

Table 4:- Tendencies to trust reviews on social media.

	N	Mean	Std. Deviation
TrustFriendsReview	134	3.35	.936
TrustReviews From Strangers	134	3.01	.996

The impact of the reviews on the purchase decision of social media users is tabulated below.

Table 5:- Impact of social media reviews on buying decision.

	N	Min	Max	Mean	Std. Deviation
Positive Reviews from Friends Induce Buying	134	1	5	3.48	.963
Positive Reviews from Strangers Induce Buying	134	1	5	3.13	.979
Negative Reviews from Friends dissuade Buying	134	1	5	3.51	1.067
Negative Reviews from Strangers dissuade Buying	134	1	5	3.22	1.087
Purchase Products after Positive reviews	134	1	5	3.13	1.082
Social Media Influential Than Traditional	134	1	5	3.52	.994
Social Media Plays Role in Decision Making	134	1	5	3.28	1.052

The reviews on social media seem to impact buying behavior of user. These reviews have a greater impact if the sources of these reviews are friends. Social media is perceived to be more influential than social media. Positive reviews are capable of inducing buying whereas negative reviews dissuade users from

buying. Social media seems to play an important role in buying decision making.

Objective 2:-To study the relationship between personal characteristics of social media users and impact of social media on their purchase decision.

Table 6:- Gender-wise Distribution of impact of social media on purchase decision

	Q. 19 Gender	
	Male	Female
MeanPurchaseDecision	3.35	3.26

The social media has impact on purchase decision of both the genders.

Table 7:- Age-wise Distribution of impact of social media on purchase decision

	Q. 18 Age					
	17 or younger	18 - 20	21 - 25	26 - 30	31 - 35	Elder than 35
MeanPurchaseDecision	3.25	2.88	3.23	3.41	3.59	3.40

The social media has greater influence on the purchase decision on the Age groups; however it has highest influence on users in their early 30s.

Table 8:- Education-wise Distribution of impact of social media on purchase decision

	Q. 20 EducationLevel			
	Higher Secondary (12th)	Graduate	Post graduate	Professional
MeanPurchaseDecision	2.88	3.30	3.43	2.97

The social media does influence the purchase decision on the graduate and post graduate groups; however it has least influence on post graduate users.

Objective 3:- To find out post purchase behavior of social media users.

The table shows the impact of social media on post purchase behavior of social media users.

Table 9:- Impact of social media on post purchasebehaviour Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Write Reviews PostPurchase	134	1	5	2.44	1.179
ShareOpinionifsatisfied	134	1	5	2.74	1.137
Share Opinion if NotSatisfied	134	1	5	2.82	1.149

The social media user show neutral tendencies to share opinions or writing reviews.

The relationship between personal characteristics and post purchase behavior of social media users is presented by following tables.

Objective 4:-To study relationship between personal characteristics and post purchase behavior of social media users.

Table 10:- Gender wise Impact of social media on post purchase behaviour

	Q. 19 Gender	
	Male	Female
MeanPostPurchaseBeh	2.86	2.65

Table 11:- Age wise Impact of social media on post purchase behaviour

	Q. 18 Age					
	17 or younger	18 - 20	21 - 25	26 - 30	31 - 35	Elder than 35
MeanPostPurchaseBeh	1.25	1.75	2.76	3.17	2.83	2.34

Table 12:- Education wise Impact of social media on post purchase behaviour

	Q. 20 Education Level			
	Higher Secondary (12th)	Graduate	Post graduate	Professional
	Mean	Mean	Mean	Mean
MeanPostPurchaseBeh	2.38	2.87	2.88	2.28

The post purchase behavior is unaffected by personal characteristics of the users.

Hypothesis:-

There is no significant relationship between personal

characteristics of social media users and impact of social media on their purchase process.

Table 13: - T-Test (Relationship between Gender of a buyer and Impact of social media on purchase behavior)

		Levene's Test for Equality of Variances				
		F	Sig.	t	df	Sig. (2-tailed)
TotInfoSearch	Equal variances assumed	.315	.575	-.179	132	.858
	Equal variances not assumed			-.176	98.163	.860
TotPurchaseDecision	Equal variances assumed	1.521	.220	.627	132	.532
	Equal variances not assumed			.663	120.590	.509
TotPostPurchase	Equal variances assumed	.114	.736	1.252	132	.213
	Equal variances not assumed			1.258	104.568	.211

Table 14:- ANOVA output (Relationship between an age of a buyer and Impact of social media on purchase behavior)

		ANOVA				
		Sum of Squares	df	Mean Square	F	Sig.
TotInfoSearch	Between Groups	19.934	5	3.987	.650	.662
	Within Groups	784.992	128	6.133		
	Total	804.925	133			
TotPurchaseDecision	Between Groups	131.014	5	26.203	.720	.610
	Within Groups	4660.419	128	36.410		
	Total	4791.433	133			
TotPostPurchase	Between Groups	163.174	5	32.635	2.352	.044
	Within Groups	1776.408	128	13.878		
	Total	1939.582	133			

Table 15: - ANOVA output (Relationship between an education level of a buyer and Impact of social media on purchase behavior)

		ANOVA				
		Sum of Squares	df	Mean Square	F	Sig.
TotInfoSearch	Between Groups	41.816	3	13.939	2.375	.073
	Within Groups	763.109	130	5.870		
	Total	804.925	133			
TotPurchaseDecision	Between Groups	218.064	3	72.688	2.066	.108
	Within Groups	4573.369	130	35.180		
	Total	4791.433	133			
TotPostPurchase	Between Groups	92.884	3	30.961	2.180	.094
	Within Groups	1846.698	130	14.205		
	Total	1939.582	133			

The hypothesis testing reveals that there is no significant impact of buyer's demographic profile on the purchase decision.

Findings and Marketing Implications:-

- Very high percentage of the internet users have searched for the information regarding their purchase on the internet. Electronic appliances, entertainment and travel are the most searched purchases.
- The convenience for searching and perception of users as effective platform for searching are the major contributors for information search. The social media is also perceived to be credible source of information. Thus, marketer can very positively use social media to pursue awareness goal.
- The social media users seem to trust reviews on social media and surprisingly, reviews from strangers and friends are almost equally trusted. Thus, firms could use discounts or incentives to have consumers recommend their product via social media.
- The reviews on social media induce or dissuade purchases. The marketers thus can encourage customers to share positive experiences on social media. Also, customers are encouraged to lodge their complaints and concerns on official web pages of the company. The marketers also need to dispense these concerns speedily and communicate promptly through social media.
- The social media seems not to have different impact on different demographic segments of customers. Thus, demographic variable may not be appropriate in segmenting social media customers especially in their purchase behavior.
- Social media users are likely to purchase after reading positive reviews. Thus, creating positive WOM on social media will enhance sales.
- The tendencies to share positive or negative reviews and opinions seem to be moderate among the users. However, marketer need to guard against the tendency not to share their opinion as dissatisfied customers may easily switch especially now that they have more options coupled with ease and convenience of finding them through internet.

Limitations and future scope of the study

- The survey is conducted online and hence susceptible to

limitations of online surveys.

- The scope of the study is restricted to demographic profile of the social media users. However, it will be interesting to study psychographic variables of the buyers and how these variables may affect purchase decision process.
- Though, the information on the social media does affect the purchase process, why there is low willingness to share such information can be an area of future research.

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