

The Significance of Peer Influence in the Store Choice Decision of Urban Women Shoppers

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ABSTRACT: Businesses across industries invest a huge amount of time and resources in trying to understand the driving parameters of the purchase behavior of their consumers. An understanding of shopper retail format choice behavior will enable retailers to segment their market and target specific consumer groups with strategies premeditated to meet their retail needs. The primary objective of this study was to understand the relevance of peer influence in the store choice decision of women shoppers in Mumbai. The secondary objective included the demographic profiling of the typical shopper who considers peer influence as an important factor in the store choice decision.

A significant percentage of the sample accepted that peer influence is an important factor of the store choice decision. This applied across product categories considered for this study as well as across demographic factors such as age, marital status and annual family income. The importance associated with peer influence, in turn, was found to impact the typical basket value as well as the choice of retail store format.

KEYWORDS: Peer influence, Store Choice

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I. INTRODUCTION

The most significant and relevant asset of any business is the consumer. Businesses across industries invest a huge amount of time and resources in trying to understand the driving parameters of the purchase behavior of their consumers. The retail industry is no different and also faces the challenge of identifying factors that influence and drive the purchase decisions of consumers. An understanding of shopper retail format choice behavior will enable retailers to segment their market and target specific consumer groups with strategies premeditated to meet their retail needs. This particular study aims to understand the impact of peer influence on the store choice decision of urban women shoppers.

II. LITERATURE REVIEW

In general, the social circle of a person comprises of his or her peers, which constitute siblings, friends and acquaintances (Pilgrim and Lawrence, 2001) [1]. The concept of reference groups is of great importance in understanding the buying behavior of consumers as these groups make a major and significant impact on the consumer behavior. A reference group is a group of people whose values and attitudes influence an individual's current behavior (Schiffman and Kanuk, 2007) [2]. Peers belong to the normative reference group which provides an individual with norms, values and attitudes through direct interaction (Childers & Rao, 1992; Bristol & Mangleburg, 2005; Subramanian and Subramanian, 1995) [3]. Literature defines peer pressure as the price of group membership (Clasen & Brown, 1985) [4] as an individual who belongs to a certain group adapts his habits according to the peers of that group, intentionally or unintentionally he complies with the dominant traits of the peers and forms his own traits. These traits impact different habits of an individual which he tries to comply with.

Mangleburg et al (2004) [5], in their paper, have examined the phenomenon of teenagers' shopping with friends, and, in particular, whether shopping with friends might enhance teens' attitudes toward retailing and their tendency to spend more when shopping with friends. While some retailers may discourage groups of teenagers from shopping in their stores, there is reason to believe that peer groups may affect teen behaviors and evaluations in ways that could benefit retailers. Susceptibility to peer influence is related to various aspects of teen shopping, such as frequency and enjoyment of shopping with pals, which, in turn, are related to sentiment toward retailing and spending tendencies.

An experimental study conducted across three age groups -- adolescents (13-16), youths (18-22), and adults (24 and older) revealed that participants took more risks, focused more on the benefits than the costs of risky behavior, and made riskier decisions when in peer groups than alone and peer effects on risk taking and risky decision making were stronger among adolescents and youths than adults (Margo and Laurence, 2005) [6]. These findings support the idea that adolescents are more inclined toward risky behavior and risky decision making than are adults and that peer influence plays an important role in explaining risky behavior during adolescence.

Two studies by Utz et al (2012)[7] examined the impact of online store reviews on consumer trust in online stores. Based on the warranting principle, it was proposed that consumer reviews are a more important cue for judging the trustworthiness of an online store than the overall reputation of the store (Experiment 1) or assurance seals (Experiment 2). In both experiments, consumer reviews turned out as the strongest predictor of trustworthiness judgments. Store reputation had no significant effect. High trusters were more influenced by the reviews of other consumers; and only high trusters tended to be influenced by assurance seals. The results showed that consumer reviews play an important role in consumer decision making.

Shoppers' age, gender, occupation, education, monthly household income, family size and distance travelled to store have significant association with retail format choice decisions (Prasad and Aryasri, 2011) [8]. The choice decisions are also varied among shoppers' demographic attributes. The findings from shoppers' psychographic dimensions like values, lifestyle factors and shopping orientations resulted in segmentation of food and grocery retail consumers into hedonic, utilitarian, autonomous, conventional and socialization type.

A replication and extension of a study performed by Bearden and Etzel [9] is reported in an article by Childers and Rao (1992) [10]. The influence of peers on individuals' product and brand decisions for products that range in their degree of conspicuousness is examined for comparable samples in the United States and in Thailand to assess the validity of the original framework over time and across cultural contexts. Further, the influence of the family is addressed through an examination of intergenerational influences across the two cultures. The results of the study lend support to the original theoretical approach and also provide insight into how reference-group influence may vary depending on whether the influence is exercised by a member of a peer group or by a family member.

Peer reviews rank amongst the top nine things that most influence purchasing decisions (Peep Laja, 2012) [11]. A 2010 study by The Nielsen Company confirmed that people read reviews and decide by them. Nearly 60 percent of online shoppers said they consult reviews prior to purchasing consumer electronics and 40 percent of online shoppers claimed that they would not even buy electronics without seeking reviews about the product online first.

A current study by Wel et al [12] had categorized the important determinants of retail store selection in Malaysia which comprise factors such as (1) Store Personnel and Physical Characteristics of the Store; (2) Advertising by the Store; (3) Store Convenience & Merchandise Selection; (4) Store Location; (5) Peer influence; (6) Product Variety and Quality; and (7) Services offered by Store. Factor 5 emerged as 'Friends and Store' to reflect that the selection of retail outlets is highly dependent on word of mouth communication, since customers are more prone to frequent stores that are patronized by their relatives and friends.

The understanding of reference groups in consumer behavior is an important phenomenon as the customers are always being influenced by the constituents of these reference groups especially the normative reference group i.e. family, relatives, co-workers, teachers and peers (Gillani, 2012) [13]. The normative reference group makes an individual aware of a certain product and also infuses their own opinions to the customer while doing so, consequently when the customer starts developing his own opinion he develops the one which is consistent with that of the group. Not only is the opinion influenced but the attitude formation, product selection, information processing and decision making process is significantly affected (Bearden et al., 1989). There is a limited research conducted on this particular relationship and the few studies which have been carried out are for the North American consumers (Mokgosa & Mohube, 2007) [14]. Teenagers and youngsters are usually vulnerable to peer pressure and have high tendency to make decisions and develop behaviors which positively comply with the peer's expectations. For a study conducted in Botswana researchers found that the impact of peer pressure on purchase intention is quite significant, being more strongly and positively related to publicly consumed goods than the privately consumed goods (Mokgosa & Mohube, 2007). The young customer behaviors are manipulated by peer pressure as they feel it as an essential aspect to fit-in their social group is aligned with the acceptability level and cope with the trends and lifestyles of their peers (Kao and Zhang) [15].

III. RESEARCH OBJECTIVE

The primary objective of this study was to understand the relevance of peer influence in the store choice decision of women shoppers in Mumbai. The secondary objective included the demographic profiling of the typical shopper who considers peer influence as an important factor in the store choice decision.

IV. RESEARCH METHODOLOGY

At the outset, a thorough review of the literature already available as research papers and articles was carried out. Internet-based resources and electronic databases such as EBSCO were utilized for this purpose.

After the initial secondary data search, a primary survey was undertaken. The survey comprised 555 respondents and was limited to only the women shoppers in the western suburbs of Mumbai. The survey instrument was the questionnaire. A probabilistic sampling technique was preferred in order to minimize bias in sample selection. Respondents were selected randomly.

The questionnaire was administered through personal interviews. The data collected through the survey was analyzed using inferential statistical tests of means, proportion and dependency such as the t test, z test and Chi Squared with the help of the SPSS software.

V. PROPOSED HYPOTHESES

- 1) The average age of respondents who consider peer influence as an important factor of store choice is less than 30 years.
- 2) There is no difference between the mean scores of importance for peer influence across product categories.
- 3) The majority of the respondents who consider peer influence to be unimportant are unmarried.
- 4) The annual family income has no impact on the perception of importance of this factor in the store choice decision.
- 5) Of all the respondents who consider peer influence as irrelevant (does not matter), the majority prefer to shop with their families.
- 6) The average basket value is independent of the score for importance for peer influence.
- 7) The choice of store format is independent of the score for importance for peer influence.

VI. MAJOR FINDINGS

Table 1 Peer influence – Frequency Distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Absolutely Unimportant	42	7.6	7.6	7.6
	Slightly Unimp	111	20.0	20.2	27.8
	Does not matter	155	27.9	28.2	56.0
	Important	186	33.5	33.8	89.8
	Extremely Imp	56	10.1	10.2	100.0
Total		550	99.1	100.0	
Missing	System	5	.9		
Total		555	100.0		

The maximum percentage (33.5%) of respondents considered peer influence to be an important factor in their store choice decision while 10.1% stated it to be extremely important. However, the overall majority (56%) did not consider this factor as important in their store choice decision.

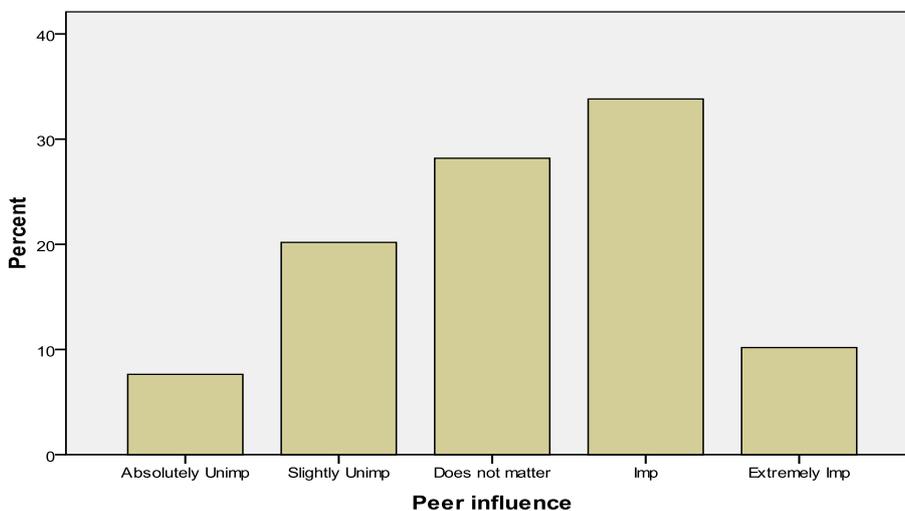


Figure 1 Bar Chart for Frequency Distribution for Peer Influence

VII.HYPOTHESIS TESTING

Hypothesis 1

Ho: The average age of respondents who consider peer influence as an important factor of store choice is less than 30 years.

Ha: The average age of respondents who consider peer influence as an important factor of store choice is greater than 30 years.

Ho: $\mu \leq 30$

Ha: $\mu > 30$

Table 2 Frequency Distribution across Age in Peer Influence

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
Absolutely Unimp	42	34.14	12.583	1.942	30.22	38.06
Slightly Unimp	111	34.47	10.703	1.016	32.46	36.48
Does not matter	155	32.37	9.637	.774	30.84	33.90
Imp	186	31.53	10.524	.772	30.01	33.05
Extremely Imp	56	31.50	9.101	1.216	29.06	33.94
Total	550	32.56	10.385	.443	31.69	33.43

From the table above, the average age of respondents who consider peer influence to be an important factor is 31.53 years. Hence we reject the null hypothesis and accept the alternate hypothesis which states that the average age of respondents who consider peer influence to be an important factor in their store choice decision is greater than 30 years.

Hypothesis 2

Ho: There is no difference between the mean scores of importance for peer influence across product categories.

Ha: There is a difference between the mean scores of importance for peer influence across product categories.

Ho: $\mu_1 = \mu_2 = \mu_3 = \mu_4$

Ha: $\mu_1 \neq \mu_2 \neq \mu_3 \neq \mu_4$

Testing for variance through the One-way ANOVA test, we get the following output.

Table 3 Frequency Distribution across Product Categories in Peer Influence

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean	
					Lower Bound	Upper Bound
Kitchen Appliances	138	3.19	1.008	.086	3.02	3.36
Apparel	160	3.01	1.016	.080	2.85	3.17
Household Groceries	114	3.18	1.358	.127	2.92	3.43
Personal Care products	138	3.40	1.036	.088	3.22	3.57
Total	550	3.19	1.104	.047	3.09	3.28

Table 4 ANOVA for Product Categories in Peer Influence

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	11.064	3	3.688	3.057	.028
Within Groups	658.647	546	1.206		
Total	669.711	549			

The p value in this case is 0.028 which is less than alpha (0.05), thus, leading us to reject the null hypothesis. Therefore, there is I difference in the mean scores for importance across product categories. The importance of peer influence as a factor of the store choice decision is the highest in the personal care products category and the least I the apparel category.

Hypothesis 3

Ho: The majority of the respondents who consider peer influence to be unimportant are unmarried.

Ha: The majority of the respondents who consider peer influence to be unimportant are married.

Ho: P (unmarried) > P (married)
 Ha: P (unmarried) < P (married)

Table 5 Peer influence * Marital Status Cross tabulation

			Marital Status		Total
			Married	Unmarried	
Peer influence	Absolutely Unimp	% within Peer influence	64.3%	35.7%	100.0%
		% within marital Status	7.5%	7.9%	7.6%
		% of Total	4.9%	2.7%	7.6%
	Slightly Unimp	% within Peer influence	73.9%	26.1%	100.0%
		% within marital Status	22.8%	15.2%	20.2%
		% of Total	14.9%	5.3%	20.2%
	Does not matter	% within Peer influence	67.7%	32.3%	100.0%
		% within marital Status	29.2%	26.2%	28.2%
		% of Total	19.1%	9.1%	28.2%
Imp	% within Peer influence	60.8%	39.2%	100.0%	
	% within marital Status	31.5%	38.2%	33.8%	
	% of Total	20.5%	13.3%	33.8%	
Extremely Imp	% within Peer influence	57.1%	42.9%	100.0%	
	% within marital Status	8.9%	12.6%	10.2%	
	% of Total	5.8%	4.4%	10.2%	
Total	% within Peer influence	65.3%	34.7%	100.0%	
	% within marital Status	100.0%	100.0%	100.0%	
	% of Total	65.3%	34.7%	100.0%	

From the above crosstab table, it is clear that the majority of all the respondents who consider peer influence as unimportant are married rather than unmarried. In the Absolutely unimportant and Slightly unimportant categories, the proportion of married respondents is 64.3% and 73.9% respectively. Thus, we reject the null hypothesis. In fact, the majority of the respondents in both the marital status consider this factor to be important in the store choice decision.

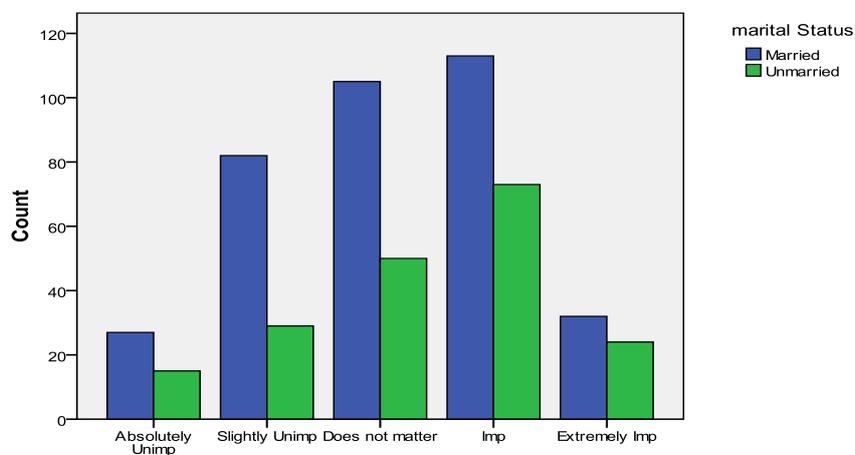


Figure 2 Bar Chart for Peer Influence * Marital Status

Hypothesis 4

Ho: The annual family income has no impact on the perception of importance of Peer Influence as a factor in the store choice decision.

Ha: The annual family income does have an impact on the perception of importance of Peer Influence as a factor in the store choice decision.

Table 6 Annual Family Income vs Peer Influence Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	26.041 ^a	20	.164
Likelihood Ratio	26.710	20	.144
Linear-by-Linear Association	2.706	1	.100
N of Valid Cases	550		

Table 7 Annual Family Income vs Peer Influence Chi-Square Test- Symmetric Measures

	Value	Approx. Sig.
Nominal by Nominal Phi	.218	.164
Cramer's V	.109	.164
N of Valid Cases	550	

Carrying out the test for dependency ie Chi Square test, the p value was found to be 0.164. This is greater than the alpha value of 0.05, which implies that we accept the null hypothesis. Thus, the score for level of importance for peer influence as a factor of store choice is independent of the annual family income ie the degree of importance is not impacted by the annual family income of the respondent.

Hypothesis 5

Ho: Of all the respondents who consider peer influence as irrelevant (does not matter), the majority prefer to shop with their families.

Ha: Of all the respondents who consider peer influence as irrelevant (does not matter), the majority do not prefer to shop with their families.

From the following table, it can be seen that more than 50% of all those who consider peer influence as irrelevant actually prefer to shop with their families. A sizable percentage also prefers to shop with their friends. Thus, we accept the Null hypothesis. Perhaps because of the company while shopping, these respondents do not consciously understand the impact of peer influence but it is highly unlikely that they would remain uninfluenced by their friends and family who accompany them generally for their shopping.

Table 8 Peer Influence * Company While Shopping Cross Tabulation

			Company while shopping				Total
			None	Family	Friends	4	
Peer influence	Absolutely Unimp	% within Peer influence	14.3%	50.0%	35.7%		100.0%
		% within Company while shopping	10.9%	7.3%	7.2%		7.6%
		% of Total	1.1%	3.8%	2.7%		7.6%
	Slightly Unimp	% within Peer influence	9.9%	60.4%	28.8%	.9%	100.0%
		% within Company while shopping	20.0%	23.4%	15.5%	50.0%	20.2%
		% of Total	2.0%	12.2%	5.8%	.2%	20.2%
	Does not matter	% within Peer influence	7.1%	51.6%	40.6%	.6%	100.0%
		% within Company while shopping	20.0%	28.0%	30.4%	50.0%	28.2%
		% of Total	2.0%	14.5%	11.5%	.2%	28.2%
	Imp	% within Peer influence	9.1%	50.5%	40.3%		100.0%
		% within Company while shopping	30.9%	32.9%	36.2%		33.8%
		% of Total	3.1%	17.1%	13.6%		33.8%
Extremely Imp	% within Peer influence	17.9%	42.9%	39.3%		100.0%	
	% within Company while shopping	18.2%	8.4%	10.6%		10.2%	
	% of Total	1.8%	4.4%	4.0%		10.2%	
Total	% within Peer influence	10.0%	52.0%	37.6%	.4%	100.0%	
	% within Company while shopping	100.0%	100.0%	100.0%	100%	100.0%	
	% of Total	10.0%	52.0%	37.6%	.4%	100.0%	

Hypothesis 6

Ho: The average basket value is independent of the score for importance for peer influence.
 Ha: The average basket value is not independent of the score for importance for peer influence.

Table 9 Company while Shopping vs Peer Influence Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	213.553 ^a	176	.028
Likelihood Ratio	201.661	176	.090
Linear-by-Linear Association	1.033	1	.309
N of Valid Cases	550		

Table 10 Company while Shopping vs Peer Influence Symmetric Measures

	Value	Approx. Sig.
Nominal by Nominal Phi	.623	.028
Cramer's V	.312	.028
N of Valid Cases	550	

The p value is 0.028 which is less than alpha (0.05). Since the p value is less than alpha, we reject the null hypothesis and accept that the typical basket value is not independent of the importance score for peer influence.

Hypothesis 7

Ho: The choice of store format is independent of the score for importance for peer influence.
 Ha: The choice of store format is not independent of the score for importance for peer influence.

Table 11 Choice of Store Format vs Peer Influence Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	52.593 ^a	28	.003
Likelihood Ratio	59.086	28	.001
Linear-by-Linear Association	5.517	1	.019
N of Valid Cases	548		

Table 12 Choice of Store Format vs Peer Influence Symmetric Measures

	Value	Approx. Sig.
Nominal by Nominal Phi	.310	.003
Cramer's V	.155	.003
N of Valid Cases	548	

The p value is 0.003 which is less than alpha (0.05). Since the p value is less than alpha, we reject the null hypothesis and accept that the choice of store format is not independent of the importance allocated to peer influence as a contributing factor. Of all those who consider peer influence to be important or extremely important, the preferred store formats are the local retailer, supermarkets and malls.

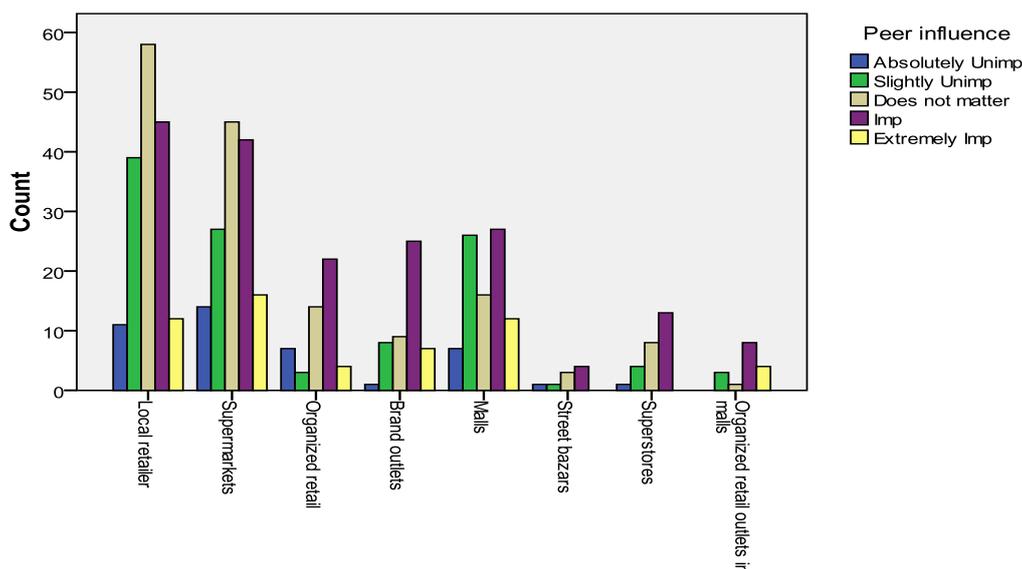


Figure 3 Clustered Bar Charts for Importance of Peer Influence across Store formats

VIII. CONCLUSIONS

In conclusion it can be said that a significant percentage of the sample accepted that peer influence is an important factor of the store choice decision. This applied across product categories considered for this study as well as across demographic factors such as age, marital status and annual family income. The importance associated with peer influence, in turn, was found to impact the typical basket value as well as the choice of retail store format.

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