Impact of Peer Group on Iranian Adult Purchase Intention: Focus on Product Class

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ABSTRACT

Peer influence is one of the main interesting and highly vital topics in the realm of marketing. The importance of this concept is due to key role and high influence it has on consumers and mainly young adults. The aim of this study is to investigate the effect of this concept on Iranians young adults. The sample is university of students in Tehran. Results shows that peer influence is effective on purchase intention of young adults particularly on private luxury products like lap tops. Managerial implications and future directions for more research in this area are presented.

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INTRODUCTION

In today’s rapidly changing environment, businesses major concern is to understand their consumer preferences and varying choices. The aim of marketers now days is not only to make profits but to have a loyal customer base whose buying experience could be made a delightful one rather than a satisfactory one (Pilgrim and Lawrence, 2001). Not only organizations are interested in having a knowhow of these rapidly changing and complex consumer behaviors, but also researchers have been much dwelled in understanding the decision making process and perceptions of a consumer before he/she buys a certain product (Pilgrim and Lawrence, 2001). Consumer purchase intention is determined and influenced by many factors and latent motives of the consumers. This paper researches two factors peer pressure and store atmosphere and their impact on the purchase intention of Pakistani youth. Youngsters are the main focus of many businesses today because they act as opinion leaders and trend setters who play a vital role in the unintentional or indirect marketing and promotion of products. In this regard, many aspects of consumers are taken into consideration among which this study aims to explore peer pressure and store atmosphere and their impact on the purchase intention of consumers. Peer pressure being a latent phenomenon is relatively difficult to explore, however its effects are easily visible in a certain group of people which in marketing is defined as the reference group.

Literature Review:

Peer pressure:

In general, the social circle of a person comprises of his or her peers, which constitute siblings, friends and acquaintances (Pilgrim and Lawrence, 2001). 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). 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). Literature defines peer pressure as the price of group membership (Clasen & Brown, 1985) 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, among these different habits the one which I aim to focus is the purchase intention of an individual.
Purchase intention:

The most vital aspect of consumer behavior is their purchase intention, which in literature is defined as the situation in which a customer is willing to make a transaction with the retailer. According to Dodds, Monroe and Grewal (1991) purchase intention comes into consideration when a customer is probably attempting to buy some product or service. For marketers purchase intention is of great importance as their forecasted consumer behavior is highly dependent on this purchase intention of the customers. Predicting consumer behavior is one of the most tedious tasks for any business as it keeps on changing under the influences of unknown and uncertain factors; consequently leading to a purchase intention which is difficult to measure under different circumstances.

A review of the literature has identified two approaches to the study of peer influence and products purchase decisions. First, previous research on the role of peer influence on products purchase decisions has focused on how it varies across types of products based on conspicuousness (Bachmann et al., 1993; Bearden and Etzel, 1992; Brinberg and Plimpton, 1986; Childers and Rao, 1992; Lessig and Park, 1978). Product conspicuousness is defined as the extent to which a product stands out or is noticeable by consumers (Grimm et al., 1999). It is perceived as a function of two dimensions (Bachmann et al., 1993; Bearden and Etzel, 1992; Brinberg and Plimpton, 1986; Childers and Rao, 1992). The first dimension is concerned with the degree to which a product is a luxury versus a necessity. Luxuries unlike necessities, are not owned by everybody, and thus tend to be relatively more conspicuous (Bearden and Etzel, 1982; Childers and Rao, 1992).

The second dimension refers to the degree to which products usage is performed in public versus in private. Publicly consumed products are easily noticeable by consumers than privately consumed products (Bearden and Etzel, 1982; Childers and Rao, 1992). Hence, four types of products have been identified based on these two dimensions. They include publicly consumed luxuries, publicly consumed necessities, privately consumed luxuries and privately consumed necessities. Generally, findings of past studies on peer influence and products purchase decisions have demonstrated that the degree of peer influence differs across products (Bachmann et al., 1993; Bearden and Etzel, 1982; Childers and Rao, 1992). Specifically, when comparisons were investigated between products, all the three studies found that the impact of peer influence is strong for publicly consumed luxuries than for privately consumed necessities. Privately consumed luxuries also attracted more peer influence than privately consumed necessities. There are also a number of hypothesized influences that were found in each of the three studies that are worth mentioning, as they enhance the understanding of how peer influence vary between products.

For instance, Bearden and Etzel (1982) showed that informational influence was greater for publicly and privately consumed luxuries than for publicly consumed necessities whereas the effects of utilitarian and value expressive influences were not significant. In addition, publicly consumed luxuries attracted more informational, value expressive and utilitarian influence than privately consumed luxuries which was contrary to the hypothesized influence. However, consistent with the hypothesized influence an equal reference group influence was observed between publicly and privately consumed necessities. Childers and Rao (1992) also indicated that there is a strong and equal peer influence for publicly and privately consumed luxuries, which was consistent with the predicted influence. However contrary to the hypothesized influence, publicly and privately consumed luxuries did not attract a strong peer influence than publicly consumed necessities. A strong peer influence was also found to impact the purchase of publicly consumed necessities than privately consumed necessities. Similarly, Bachmann, et al. (1993) found that there is an equal peer influence between publicly consumed luxuries and publicly consumed necessities among older children (12 years to 14 years). This finding contradicted the hypothesis that publicly consumed luxuries will attract more peer influence than publicly consumed necessities. These authors also found that publicly consumed luxuries and privately consumed luxuries did not have an equal peer influence. Instead, publicly consumed luxuries attracted more peer influence than privately consumed luxuries.

Likewise, publicly consumed necessities attracted more peer influence than private consumed luxuries and privately consumed necessities. everal reasons could possibly explain why some divergent findings were reported across the three studies. (i) Bearden and Etzel (1982) did not separate various types of reference groups although the influence by parents and peers on products purchase decisions might differ. For example, Childers and Rao (1992) argued that peer influence is considerably low for products that are less conspicuous while the family seems to exert greater influence in such products. (ii) Childers and Rao (1992) combined informational, value expressive and utilitarian influence into a single score representing peer influence, yet there is evidence that the various types of peer influence will have varying effects on products purchase decisions.

Therefore by reviewing the relevant literature following hypotheses are developed:

**H1:** There will be greater informational influence for public luxuries compared to public necessities among young adults.

**H2:** There will be greater normative influence for public luxuries compared to public necessities among young adults.

**H3:** Informational influence for public and private luxuries will be equally strong among young adults.
H4: Normative influence for public and private luxuries will be equally strong among young adults.
H5: There will be greater informational influence for public luxuries than there will be for private necessities among young adults.
H6: There will be greater normative influence for public luxuries than there will be for private necessities among young adults.
H7: Informational influence for public necessities will be generally lower compared to private luxuries among young adults.
H8: Normative influence for public necessities will be generally lower compared to private luxuries among young adults.
H9: There will be equally lower levels of informational influence for public and private necessities among young adults.
H10: There will be equally lower levels of normative influence for public and private necessities among young adults.
H11: There will be greater informational influence for private luxuries compared to private necessities among young adults.
H12: There will be greater normative influence for private luxuries compared to private necessities among young adults.

Method of research:
Product selection:

Before the objectives of this study were investigated, a questionnaire was constructed to assess the conspicuousness of the products intended for use in this study. Only eight products were used in this investigation to ensure that the questionnaire was not lengthy and to also avoid respondents' fatigue. The eight products differed from those used in United States context for two reasons. First, Childers and Rao (1992) noted that luxuries versus necessities and publicly consumed versus privately consumed products are likely to vary according to the cultural background and personal characteristics of the respondents. The products were selected based on the extent to which they were perceived to be common among university students and the extent to which they can afford them.

A sample of ten university students were asked to indicate their views as to whether the eight products are luxuries or necessities on a six point scale ranging from 1 = “a luxury for everyone” to 6 = “a necessity for everyone”. To assess whether products were viewed publicly or privately consumed, a six point scale ranging from 1 = “a public product for everyone” to 6 = “a private product for everyone” was used. These scales were adapted from Bearden and Etzel (1982). Based on the mean scores calculated for the eight products, the products were classified into the following product categories. Gym was the only product categorized as a public luxury.

Sampling:

Convenience sampling was used to select participants in order to test the hypotheses specified in this study. In particular, permission was obtained from one of the lecturers teaching a first year marketing course which is a course that is taken by all business students in the University of Botswana. University students were selected for a study into how peer influence affects young adults’ purchase decisions for several reasons. First, as young adults they spend most of the time away from their home mostly at universities or colleges where they live among their peers. Second, often purchases that university students make are subject to group pressure as they try to buy products that others want them to have, that they think will make others accept, approve or envy them, or buy a product simply because they have seen somebody they admire owning it (Chang and Chuang, 2005). Third, samples of university students are also still widely used in the literature of consumer behavior in general despite the known limitations because there are relatively similar interims of age, educational background and income which reduce the potential for random errors which is common when a more heterogeneous sample of the general public is used (Calder et al., 1981). For instance, the age of university students belongs to the stage of young people and the initial stage of adults (about 17 years to 25 years). Finally, university students come from all over the country (that is, the University of Botswana as the only one in Botswana); which means that the sample unit may have some representation of young adult consumers in Botswana.

Data collection:

Data for this study was collected using a structured questionnaire from 101 university students. To measure peer based influence 12 items were adapted from Bearden and Etzel (1982) and Bearden et al. (1989) scales. Respondents were asked to indicate the degree of their agreement with the statements on a 5 point Likert scale ranging from 1 = “strongly agree” to 5 = “strongly disagree” within four product categories. The scale was slightly modified to reflect only the product aspect thus excluding the brand aspect which was also measured in these previous scales of measurements.
Analysis and Results:
Dimensionality of peer influence:
Consistent with Bearden et al. (1989) that peer influence consists of two dimensions - Normative and informational influences, a two-factor solution was constrained using exploratory factor analysis with Varimax rotation method. In order to run this test, data for the four products was pooled, because differences in products were not expected to affect the composition of peer influence. Before the final solution was retained, one item (I like to know what products make good impression on others) was deleted as it loaded highly on both factors. The final solution comprised of two factors contributing 67.84% of the total variance explained. The factors are presented in Table 1. Then Cronbach alpha was used to test the reliability of the peer influence scale. The overall Cronbach alpha using the combined product data was .92 and .85 for normative and informative influence respectively, indicating a high level of reliability Table 1. Additionally, descriptive statistics especially means were used to evaluate the nature of the peer influence across products. The findings in Table 2 suggest a low level of peer influence on product purchase decisions. Specifically, privately consumed luxuries (lap tops) and privately consumed necessities (shampoo) scored the lowest mean scores for normative influence. However, slightly higher mean scores of informational influence were found for publicly consumed products and privately consumed luxury.

| Table 1: A two factor solution of peer influence using combined products data. |
|-----------------------------|---------------------|-----------------|-----------------|
| Factor 1: normative influence | Factor loading | % of variance | Means (SD) |
| If others can see me using a product, I usually purchase the products that they expect me to buy. | .82 | 54.48 | 1.85 (1.07) |
| I often identify with people by purchasing the same products that they purchase. | .80 | 20.04 (1.56) |
| I rarely purchase the latest fashion until I am sure my friends approve of them. | .80 | 2.05 (1.19) |
| It is important that others like the products that I buy. | .79 | 1.93 (1.10) |
| If I want to be like someone, I often try to buy the same products that they buy. | .77 | 1.86 (1.06) |
| I achieve a sense of belonging by purchasing the same products that others purchase. | .76 | 1.77 (1.02) |
| To make sure I buy the right product or brand, I often observe what others are buying and using. | .75 | 1.78 (1.02) |
| When buying products, I generally purchase those products that I think others will approve of. | .68 | 1.98 (1.13) |
| Factor 2: Informational Influence | | 13.36 |
| I often consult other people to help me choose the best alternative available from a product class. | .86 | 2.76 (1.30) |
| If I have little experience with a product, I often ask my friends about the product. | .85 | 2.50 (1.27) |
| I frequently gather information from friends about a product before I buy it. | .82 | 2.38 (1.27) |

| Table 2: Level of peer influence. |
|-----------------------------|---------------------|-----------------|-----------------|
| Product type | Normative influence | Informational influence |
| Mean (SD) | Mean (SD) |
| Lap tops | Private luxury | 1.79 (.81) | 2.70 (1.07) |
| gym | Public luxury | 2.01 (.88) | 2.64 (1.05) |
| shampoo | Private necessity | 1.54 (.69) | 2.20 (1.04) |
| shoes | Public necessity | 2.19 (1.01) | 2.65 (1.24) |

Hypothesis testing:
In order to test hypotheses H1 through to H12, first, Analysis of Variance (ANOVA) was used to identify whether there are significant differences on the level of peer influence (normative and informational influence)
across products. Results of ANOVA show that there are significant differences on the level of peer influence across products: Normative influence: F (3, 398) = 8.11, p < .001 and Informational influence: F (3, 398) = 4.53, p < .005. Then, t-tests were used to examine hypothesized differences between products types. The t-tests results show that informational and normative influences vary between products. The data in Table 3 regarding the peer based influence between product types lead us to support H3, H5, H6, and H11. However, H1, H2, H4, H7, H8, H9, H10 were not supported. The specific relationships between products are reported below:

**Public luxury > Public necessity:**
Contrary to the hypothesized relationship that public luxuries would have higher informational and normative influence than public necessities, the results in Table 3 show that the differences in the means of informational and normative influence between publicly consumed products are statistically insignificant. Thus, overall H1 and H2 were not supported.

**Public luxury = Private luxury:**
It was hypothesized that informational and normative influence for both publicly and privately consumed luxuries will be the same because their luxury factor makes them exclusive and conspicuous. Overall, H3 was supported while H4 was not. Specifically, the level of informational influence was found to be statistically insignificant between luxuries, whereas normative influence was marginally higher for publicly consumed luxuries than for privately consumed luxuries.

**Public luxury > Private necessity:**
Overall, H5 and H6 were supported. In particular, publicly consumed luxuries displayed a high level of informational and normative influence than privately consumed necessities.

**Public necessity < Private luxury:**
Adverse to the hypothesized relationship that publicly consumed necessities would display lesser informational and normative influence than privately consumed luxuries, it turned out that the publicly consumed necessities were more influential on normative influence than privately consumed luxuries. There was also an insignificant difference in informational influence between privately consumed luxuries and publicly consumed necessities although the directions of the means were as expected. Thus, H7 and H8 were not supported.

**Public necessity = Private necessity:**
An equally low level of informational and normative influence was expected for these products because both products are necessities. However, a statistically significant difference in means of informational and normative influence was unexpectedly observed. Specifically, privately consumed necessities displayed lower informational influence and normative influence than publicly consumed necessities. Thus, overall H9 and H10 were not supported.

**Private luxury > Private necessity:**
Hypothesis H11 was supported while H12 was rejected. As hypothesized, privately consumed luxuries displayed higher informational influence than the privately consumed necessities. While the difference in normative influence between private luxuries and private necessities is insignificant, the means are as expected.

### Table 3: Paired comparison hypotheses and results.

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Informational influence</th>
<th>t</th>
<th>Normative influence</th>
<th>t</th>
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</thead>
<tbody>
<tr>
<td>H1-H2: public luxury &gt; public necessity</td>
<td>2.64(1.05)</td>
<td>2.65 (1.24)</td>
<td>-.10</td>
<td>2.01 (1.88)</td>
</tr>
<tr>
<td>H3-H4: Public Luxury = Private Luxury</td>
<td>2.64(1.05)</td>
<td>2.70 (1.07)</td>
<td>-.42</td>
<td>2.01 (1.88)</td>
</tr>
<tr>
<td>H5-H6: Public Luxury &gt; Private Necessity</td>
<td>2.64(1.05)</td>
<td>2.20 (1.04)</td>
<td>2.98</td>
<td>2.01 (1.88)</td>
</tr>
<tr>
<td>H7-H8: Public Necessity &lt; Private Luxury</td>
<td>2.65 (1.24)</td>
<td>2.70 (1.07)</td>
<td>-.28</td>
<td>2.19 (1.01)</td>
</tr>
<tr>
<td>H9-H10: Public Necessity = Private Necessity</td>
<td>2.65 (1.24)</td>
<td>2.20 (1.04)</td>
<td>2.82</td>
<td>2.19 (1.01)</td>
</tr>
<tr>
<td>H11-H12: Private Luxury &gt; Private Necessity</td>
<td>2.70 (1.07)</td>
<td>2.20 (1.04)</td>
<td>3.37</td>
<td>1.79 (.81)</td>
</tr>
</tbody>
</table>

**Discussion:**
The effects of peer influence on product purchase decisions have been investigated in this study. Contrary to the views of Chang and Chang (2005) peer influence is not statistically high among university students. However, this is not only unique to this study. In the study by Childers and Rao (1992) the mean scores of the 16 products were generally higher in the United States than in Thailand. For instance, in the United States means ranged from 2.291 to 4.10 whereas in Thailand the mean scores ranged from 2.92 to 3.92 on a six point scale ranging from 1 = “strongly disagree” to 6 = “strongly agree”. Kim and Kang (2001) also demonstrated that reference group influence was also generally low across the three ethnic groups although Whites scored a slightly higher mean of 2.99 in a five point scale ranging from 1 = “strongly disagree” to 5 = “strongly agree.” As the
primary purpose of this study is to investigate how peer influence vary across product types this was investigated. Overall findings demonstrate that products that are consumed in public such as gym and shoes are likely to attract more peer influence than products that are consumed in private and are a necessity that is, shampoo. Generally, the results in the current study closely correspond to those obtained in other previous studies (Bearden and Etzel, 1982; Childers and Rao, 1992).

However, there are some findings that are contrary to the hypotheses specified in this study which are worth noting. For instance, in this study the effects of normative and informational influence were insignificant between public products that is, gym and shoes. This could mean that for products that are consumed when there are young adults tend to comply with expectations from their peers and also have a desire to make informed decisions by seeking information from their peers regardless of whether the product is exclusive or commonly owned. Normative influence was also marginally greater for a public luxury (gym) than for a private luxury (lap top). Since both products are not needed for day to day use, there is a tendency to comply with the positive expectations of peers for a product that is consumed in the eyes of the public than for a product that is consumed in private.

Similarly, normative influence is greater for public necessities (shoes) than for private luxuries (lap tops) which is not as hypothesized, suggesting young adults are motivated to comply with the expectations of their peers when making decisions to purchase products that everybody owns and are important than when products are consumed in private and are exclusive. As pointed out by Grimm et al., (1999) normative influence is greater under conditions of high visibility than for low visibility. Furthermore, while H9 and H10 were not supported from a statistical point in Childers and Rao (1992).

The difference of means between public necessities and private necessities were also contrary to the hypothesis in the present study. This could mean that although both products are considered important to everybody, a public necessity (shoes) is likely to attract more informational and normative influence than a private necessity (shampoo) among young adults since it is consumed in the eyes of their peers.

Conclusions:

This research adds to our understanding of how the influence of peers might vary across various products consumed by young adults. It is hoped that findings of this study will inspire marketers who focus on designing marketing campaigns or selling products to young adult consumers. This study provides marketers with a framework which they could use when manipulating peer group influences in their promotional appeals. Specifically, based on findings of this study, it could be inferred that informational and normative influence have different implications in the selection of products and thus their relevance has to be reconsidered. For instance, when marketers utilize peer influence in promotions aimed at encouraging product selection among young adults it would be more effective to emphasize informational influence for publicly consumed luxuries such as gym and privately consumed luxuries such as lap tops. Informational influence could be stressed in advertising campaigns by employing peers as experts in product endorsements.

On the other hand, normative influence needs to be stressed for both public consumed products such as gym and shoes. Normative influence could be emphasized in advertising campaigns by demonstrating how the usage of particular products protects young adult consumers from rejection by peers in a social setting. However, it appears it would be impractical to use any form of peer influence for privately consumed necessities such as shampoo as peer influence has the lowest impact. Additional research is also needed to provide a more comprehensive perspective of peer influence than the exploratory one offered in the present study. Several avenues for extensions could be considered.

First, future research could examine the impact of peer influence on young adults’ brand-level decisions in addition to the product-level decisions. In pursuing this line of research, researchers need to ensure that they include brands that young adults are familiar with across a wide range of products. Second, future research could involve a more coverage of young adults as the current study is limited to a convenience sample of university students. Expanding the coverage of sample units would improve the generalization of the results. Third, future research could address the influence of other types of reference groups on the individual consumption behavior such as family and celebrities. Finally, researchers could explore peer influence in products perceived as harmful to youth such as alcohol, drugs and cigarettes (Marshall and Chassin, 2000; Windle, 2000).

REFERENCES


