

1 The Influence of Formal and Informal Sources on Consumer 2 Buying Behavior

3 Dr. Shahzad Khan¹ and Dr. Shahzad Khan²

4 ¹ MS Research Scholar Institute of Management Sciences Peshawar Pakistan.

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6 **Abstract**

7 All over the world there are two sources that influence consumer buying behavior. The first is
8 formal source, which is a kind of source which is well planned and paid for example
9 advertising, personal selling, sale promotion and public relation. The second source is informal
10 which is a kind of source which is not pre planned and non paid like reference group, culture
11 etc. This research emphasizes that how formal and informal sources affect consumer buying
12 behavior. For the research a sample of 200 students of three private universities targeted from
13 Peshawar region. On the basis of their responses a regression and correlation analysis was
14 conducted. Findings and results of the study shows that formal sources have more influence
15 on consumer buying behavior. Within the formal sources advertising is the key factor which
16 contributes more towards consumer buying behavior for telecom services. While in case of
17 informal sources reference group contribute more in comparison of other informal sources
18 towards consumer buying behavior for telecom services.

20 **Index terms**— Formal sources, Informal sources, Consumer buying behavior and Telecom industry.
21 The Influence of Formal and Informal Sources on Consumer Buying Behavior Abstract -All over the world
22 there are two sources that influence consumer buying behavior. The first is formal source, which is a kind of source
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24 second source is informal which is a kind of source which is not pre planned and non paid like reference group,
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30 of informal sources reference group contribute more in comparison of other informal sources towards consumer
31 buying behavior for telecom services. According to Barton (1999) Personal selling carry personal contacts which
32 makes it is unique. The conditions where the target market is concentrated, personal selling can be used. This
33 may also applicable if the product is complex and of high value. Personal selling also know face to face selling is
34 a formal source that most often brings the buying decision process to a satisfactory conclusion for buyer & seller.
35 According to Jagdish (1995) the strength of personal selling is that it is flexible & provides immediate feedback.
36 The sales presentation can be personalized based upon the wants of customer. Many customers don't know what
37 they want & it is through personal selling that marketer can help him out. Kristof (2001) in his study describe
38 that sale promoting is a short term benefits offered by the company for the enhancement of sale or attraction
39 of consumers. Sale promotion can be in terms of extra quantity, coupons, buy one get one free, free sample etc.
40 Similarly public relation has also an impact on consumer buying behavior.
41 b) Informal Sources Mery (1985) describes in his study that after using a product user has a perception about
42 the product and can express his opinion on others. These expressions are unpaid and unplanned and are known

7 HYPOTHESES OF THE STUDY AND REGRESSION ANALYSIS

44 as informal sources. On the other hand formal paid and planned. These are advertisement, sales promotion etc
45 Shahzad (2011).

46 sources. E.g. if a person goes to a shopkeeper to buy LG color TV but someone tells him that LG televisions
47 are not as durable as SONY is. If the first person changes his decision & buy SONY color TV then, one can
48 say that informal source has effected the person buying decision. So these sources after careful study have been
49 divided into three categories.

50 According to Abraham (2011) individuals identifies with the group to the extent that he takes on many of the
51 values, attitudes or behaviors of group members. There are three types of groups. Membership group is a kind
52 of group to who human belongs. The second is Aspiration Groups to which a person wants to belong to. The
53 third group is disassociate. It is a type of groups to which a person does not want to belong to. Honda tries to
54 disassociate from biker group. Wilfred (2008) the degree of individual's susceptibility & strength of involvement
55 to the reference group effects his/her purchase decision.

56 Paul ??2000) in his study describe that the social class also has an impact on consumer buying behavior. A
57 person belongs to a particular class deals to his/her type environment. For example upper class American prefer
58 luxury car like Ferrari.

59 According to Jacqueline (2002) culture is the combination of values, beliefs and customs which are accepted
60 by a group of people living in a particular area. It is the cultures who determine what is acceptable with product
61 eat, wear, reside & travel. According to Ramzan (2011) culture effects what people buy, when they buy and
62 how they buy. While subculture groups those individuals who have similar value & behavior patterns within the
63 group but differ from those in other groups e.g. if local culture does not permit alcohol consumption then no
64 matter one cannot sell alcoholic beer there. In this case company decides to change the product to non-alcoholic
65 beer. Raska (2011) explain in his study that environment is the factor that can change the actions of human
66 being. These actions may relate to buying or to genral life.

67 1 II. Theoretical Frame Work Of The Study

68 There are two variables discussed in this study, i.e. independent and dependent variables. The below figure
69 shows the variables that consumer buying behavior is dependent upon formal and informal sources as shown in
70 figure below.

71 The theoretical frame work of the study includes all those variables that are identified along with corelation
72 after applying the statistical tools. Both formal and informal sources and its factors are independent variables
73 of the study. The formal sources are advertising, personal selling, sale promotion and public relation. While
74 informal sources includes reference group, social class, culture and environment.

75 2 Global Journal of

76 3 Culture Environment

77 Study identified the relationship among above variables. On the basis of these variables a conclusion and
78 recommendations is provided.

79 4 III.

80 5 Methodology

81 As this research is focused on the Telecom industry. So from telecoms industry consumers Peshawar a sample
82 of 200 was selected for data analysis. The Likert scale questionnaire is designed for collecting the data from the
83 mention sample. The data is collected from the students of departments of management's science of three private
84 universities Preston, Sarhad and City University.

85 The number of participants who contacted was 200. For data collection among 200 consumers a research
86 instrument was distributed. The response from respondent was 96% and regression and correlation analysis is
87 conducted on mentioned sample size.

88 6 a) Reliability of Scale

89 The table 1 below shows the reliability of the data collected from respondents. The following scales show that
90 the data collected from mentioned sample is reliable and respondents answered accurately. Because the variables
91 are exceeding from 70% which is the standard of acceptance for reliability. IV.

92 7 Hypotheses of the Study and Regression Analysis

93 An overview of the hypothesis related to the relationship between consumer buying behavior with formal and
94 informal sources. In order to test the hypothesis of the study eight regression equations were developed along
95 with eight hypotheses. Study shows that there is significant relationship between the consumer buying behavior
96 and following hypothesis.

97 **8 Objectives Hypothesis Relationship between Formal sources**
98 **and consumer buying behavior.**

99 H:1 There is a positive relationship between consumer buying behavior and advertising. H:2 Personal selling has
100 an impact on consumer buying behavior. . H:3 There is a positive relationship sale promotion and consumer
101 buying behavior. H:4 Public relation has an impact on consumer buying behavior. 2 show that the overall model
102 is highly significant. In case of informal sources there is a significant relationship exist between Consumer buying
103 behavior and reference group with correlation coefficient ($r = .843$). Which mean that reference group has an
104 impact on consumer buying behavior. There is a relationship exist between Consumer buying behavior and social
105 class with correlation coefficient ($r = .619$). Which mean that social class can influence the buying behavior of the
106 consumers. Culture is another informal source that can influence the Consumer buying behavior with correlation
107 coefficient ($r = .726$). Environment has a influence on the Consumer buying behavior with correlation coefficient
108 ($r = .643$).

109 **9 VI.**

110 **10 Conclusion**

111 Research finds that there is a significant relationship between formal and informal sources and consumer buying
112 behavior for telecom sectors. Both sources play a vital role in the purchase behavior of consumer but formal
113 resources play more vital role in buying decision. In formal sources advertising is the dominant factor which
114 contributes more towards purchase behavior in comparison of other formal sources with correlation ($r = .938$).

115 While in case of informal sources reference group is the key player with correlation ($r = .843$) which contribute
116 more toward the consumer purchase behavior. Over all between all formal and informal sources the vital role is
117 from the formal sources. Hence it is concluded that both formal and formal sources has the influence on consumer
buying behavior but formal sources has greater influence on consumer buying behavior. ¹

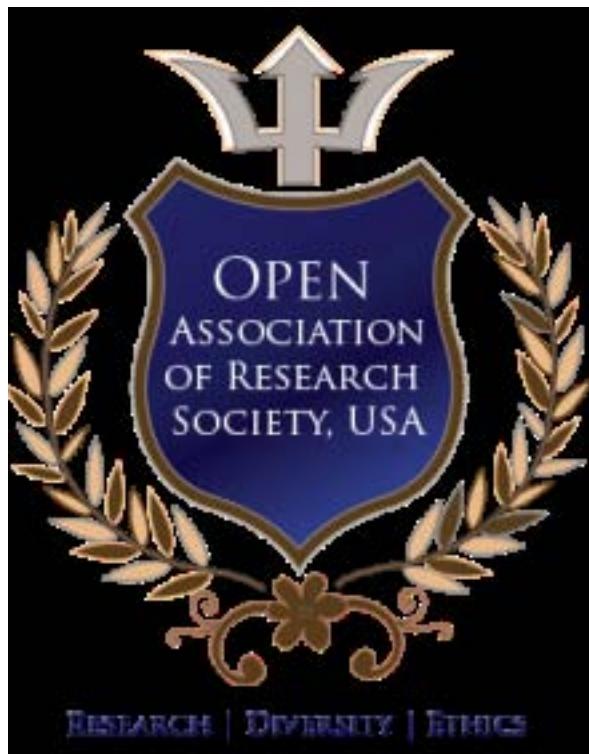


Figure 1: [A

118

10 CONCLUSION

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Figure 2: Personal Selling Sale Promotion Advertising Formal Sources Public Relation Informal Sources Reference Group Social Class

1

S.No	Variables	Cronbach's Alpha
1	Consumer Buying Behavior	0.833
2	Advertising	0.903
3	Personal Selling	0.819
4	Sale Promotion	0.782
5	Public Relation	0.725
6	Reference Group	0.766
7	Social Class	0.879
8	Culture	0.910
9	Environment	0.718

The above table calculations suggest that the responses given by respondents of the study are reliable.

Figure 3: Table 1 :

Relationship between Informal sources and consumer buying behavior.	H:1 Reference group has a significant impact on consumer buying behavior. H:2 Social class influence consumer buying behavior. H:3 Culture has a positive relationship with consumer buying behavior. H:4 Environment of consumer can influence the buying behavior of consumer. .	2012 3 Global Journal of Management and Business Research Volume XII Issue XII Version I
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Figure 4:

2

below shows significance relationship

between the dependent and independent variables. It explains that the consumer buying behavior has

significant relationship with formal and informal sources.

Table

Figure 5: Table 2

2

FORMAL SOURCES

Figure 6: Table 2 :

3

FORMAL SOURCES

S.	Dependent	Independent	R	R Square
No	Variables	variable		
1	Consumer Buying Behavior	Advertising	0.938	0.879
2	Consumer Buying Behavior	Personal Selling	0.721	0.519
3	Consumer Buying Behavior	Sale Promotion	0.842	0.708
4	Consumer Buying Behavior	Public Relation	0.729	0.531
	INFORMAL SOURCES			
1	Consumer Buying Behavior	Reference Group	0.843	0.710

Figure 7: Table 3 :

119 There is an significant relationships exist between Consumer buying behavior and advertising (t-statistic =
120 21. 430 and P-value= 0.000) which mean advertising has an impact on Consumer buying behavior. There is
121 significant relationship exist between Consumer buying behavior and personal selling (t-statistic = 32.251 and
122 P-value= 0.000). There is significant relationship exist between Consumer buying behavior and sale promotion
123 (t-statistic = 19.254 and P-value= 0.000). There is a significant relationships exist between Consumer buying
124 behavior and public relation (t-statistic = 49.788 and P-value= 0.000) which mean that public relation has an
125 impact on Consumer buying behavior.

126 Table ?? above shows that there is a significant relationships exist between Consumer buying behavior and
127 reference group (t-statistic = 49. 258 and P-value= 0.000) which mean reference group has an impact on
128 Consumer buying behavior. There is significant relationship exist between Consumer buying behavior and social
129 class (t-statistic = 37.199 and P-value= 0.000). There is significant relationship exist between Consumer buying
130 behavior and culture (t-statistic = 15.297 and P-value= 0.000). There is a significant relationships exist between
131 Consumer buying behavior and environment (tstatistic = 26.328 and P-value= 0.000) which mean environment
132 has an impact on Consumer buying behavior.

133 Hence the above result shows that the Consumer buying behavior is dependent upon above mentioned variables.
134 V.

135 .1 Correlation Analysis

136 As shown in table 3 below, there is strong association between Consumer buying behavior and formal and informal
137 sources.

138 The Influence of Formal and Informal Sources on Consumer Buying Behavior

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