The Influence of Formal and Informal Sources on Consumer Buying Behavior

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

Keywords : Formal sources, Informal sources, Consumer buying behavior and Telecom industry.

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THE INFLUENCE OF FORMAL AND INFORMAL SOURCE ON CONSUMER BUYING BEHAVIOR

Strictly as per the compliance and regulations of:

The Influence of Formal and Informal Sources on Consumer Buying Behavior

[A Study of Telecom industry Peshawar Pakistan]

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

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I. INTRODUCTION

According to Owais (2011) consumer buying behavior is dependent upon one or more than one factors. There are different factors that influence buying behavior of consumers. Shahzad (2011) among those factors two types of sources are very known I.e. formal and informal source. A formal source is a kind of source which is planned one and company pay for it like television, print media, billboards ets. On the other hand some factors are unplanned and unpaid but still it can contribute to the company positively or negatively. Such type of source is known as informal source like reference group, culture influences etc. research emphasize that in telecom industry how each sources affect consumer buying behavior.

a) Formal Sources

According to Shahzad (2011) in daily life human watch billboards while crossing roads, in the streets, watching TV, and going on drive face a number of ads. Similarly read newspaper and listen radio and came across different advertisements from different companies. Baton. A (1999) Companies invest huge

money on these advertisements. All those sources for which the company pays for the promotion, positioning & capturing of market share is known as formal sources. All these advertisements tools are paid and planned. Formal sources are of following types:

- Advertisement
- Personal selling
- Sales promotion
- Publicity

According to Carl F (1998) promoting the ads on mass media like television, interment, radio and newspaper are the paid and formal sources of promotional on convincing of consumer towards purchase of a particular goods or services.

According to Barton (1999) Personal selling carry personal contacts which makes it is unique. The conditions where the target market is concentrated, personal selling can be used. This may also applicable if the product is complex and of high value. Personal selling also know face to face selling is a formal source that most often brings the buying decision process to a satisfactory conclusion for buyer & seller. According to Jagdish (1995) the strength of personal selling is that it is flexible & provides immediate feedback. The sales presentation can be personalized based upon the wants of customer. Many customers don't know what they want & it is through personal selling that marketer can help him out.

Kristof (2001) in his study describe that sale promoting is a short term benefits offered by the company for the enhancement of sale or attraction of consumers. Sale promotion can be in terms of extra quantity, coupons, buy one get one free, free sample etc. Similarly public relation has also an impact on consumer buying behavior.

b) Informal Sources

Mery (1985) describes in his study that after using a product user has a perception about the product and can express his opinion on others. These expressions are unpaid and unplanned and are known as informal sources. On the other hand formal paid and planned. These are advertisement, sales promotion etc Shahzad (2011).

Informal sources are basically unpaid, unplanned. They are also known as the societal

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

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

Paul (2000) in his study describe that the social class also has an impact on consumer buying behavior. A person belongs to a particular class deals to his/her type environment. For example upper class American prefer luxury car like Ferrari.
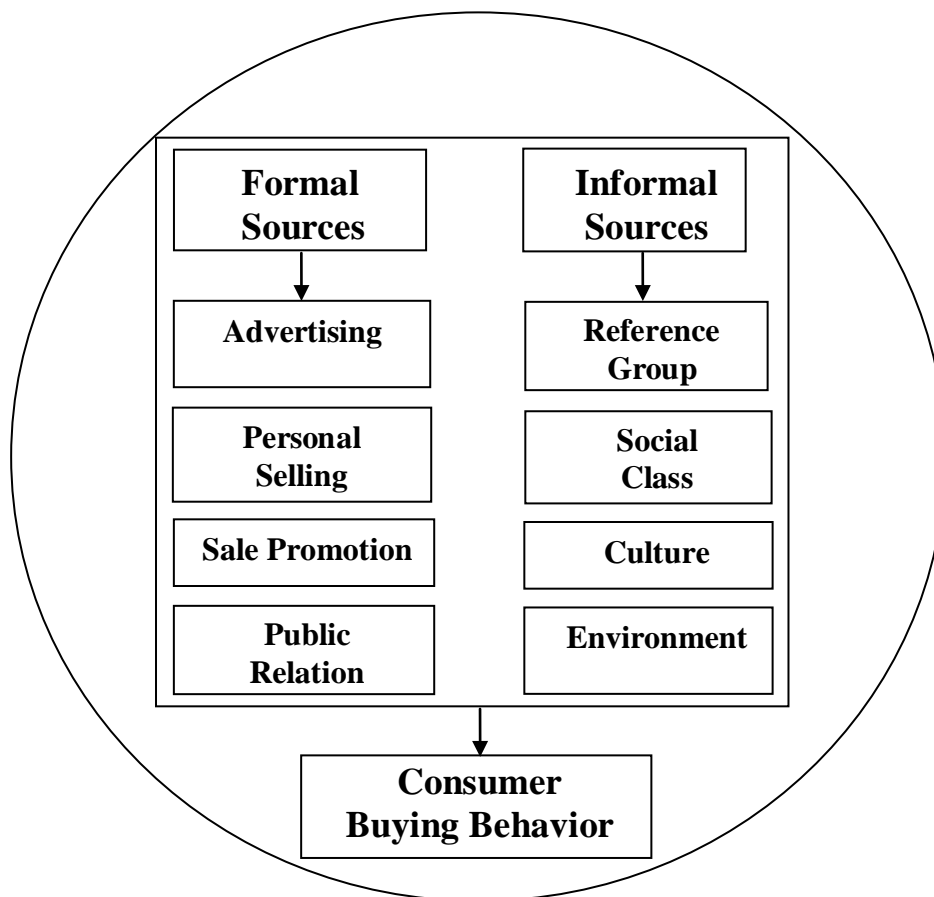
According to Jacqueline (2002) culture is the combination of values, beliefs and customs which are accepted by a group of people living in a particular area. It is the cultures who determine what is acceptable with product eat, wear, reside & travel. According to Ramzan (2011) culture effects what people buy, when they buy and how they buy. While subculture groups those individuals who have similar value & behavior patterns within the group but differ from those in other groups e.g. if local culture does not permit alcohol consumption then no matter one cannot sell alcoholic beer there. In this case company decides to change the product to non-alcoholic beer. Raska (2011) explain in his study that environment is the factor that can change the actions of human being. These actions may relate to buying or to genral life.

II. Theoretical Frame Work Of The Study

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

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

Research Framework of the Study

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

III. METHODOLOGY

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

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

a) Reliability of Scale

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

Table 1 : Reliability of the Scale of the study

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.

IV. HYPOTHESES OF THE STUDY AND REGRESSION ANALYSIS

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

Objectives	Hypothesis
Relationship between Formal sources and consumer buying behavior.	*H:1* *There is a positive relationship between consumer buying behavior and advertising.* *H:2* *Personal selling has an impact on consumer buying behavior. .* *H:3* *There is a positive relationship sale promotion and consumer buying behavior.* *H:4* *Public relation has an impact on consumer buying behavior.*
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. .*

Table 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 2 show that the overall model is highly significant.

Table 2 : Regression Results for Variables of the study.

FORMAL SOURCES								
S. No	Dependent Variables	Independent variable	Adjusted R square	F	B	St. Error	T	P. Value
1	Consumer Buying Behavior	Advertising	0.63	12.110	0.189	0.239	21. 430	0.000
2	Consumer Buying Behavior	Personal Selling	0.31	16.916	0.350	0.289	32.251	0.000

3	Consumer Buying Behavior	Sale Promotion	0.25	7.202	0.301	0.283	19.254	0.000
4	Consumer Buying Behavior	Public Relation	0.57	19.173	0.619	0.217	26.328	0.000
INFORMAL SOURCES								
1	Consumer Buying Behavior	Reference Group	0.51	11.112	0.822	0.240	49.258	0.000
2	Consumer Buying Behavior	Social Class	0.24	18.261	0.364	0.281	37.199	0.000
3	Consumer Buying Behavior	Culture	0.44	10.021	0.219	0.265	15.297	0.000
4	Consumer Buying Behavior	Environment	0.36	09.465	0.811	0.212	49.788	0.000

Table 2 above shows significance relationship between Consumer buying behavior and informal sources. There is an significant relationships exist between Consumer buying behavior and advertising (t-statistic = 21. 430 and P-value= 0.000) which mean advertising has an impact on Consumer buying behavior. There is significant relationship exist between Consumer buying behavior and personal selling (t-statistic = 32.251 and P-value= 0.000). There is significant relationship exist between Consumer buying behavior and sale promotion (t-statistic = 19.254 and P-value= 0.000). There is a significant relationships exist between Consumer buying behavior and public relation (t-statistic = 49.788 and P-value= 0.000) which mean that public relation has an impact on Consumer buying behavior.

Table 2 above shows that there is a significant relationships exist between Consumer buying behavior and reference group (t-statistic = 49. 258 and P-value= 0.000) which mean reference group has an impact on Consumer buying behavior. There is significant relationship exist between Consumer buying behavior and social class (t-statistic = 37.199 and P-value= 0.000). There is significant relationship exist between Consumer buying behavior and culture (t-statistic = 15.297 and P-value= 0.000). There is a significant relationships exist between Consumer buying behavior and environment (t-statistic = 26.328 and P-value= 0.000) which mean environment has an impact on Consumer buying behavior.

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

V. Correlation Analysis

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

Survey demonstrates that there is a strong relationship between Consumer buying behavior and advertising with Correlation coefficient (r = 0.938). For Consumer buying behavior and Personal selling correlation coefficient is (r = .721) which is high. Which mean that Personal selling has a greater influence on Consumer buying behavior. As shown in table 3, there is strong association between Consumer buying behavior and sale promotion with correlation coefficient (r = .842). There is a significant relationship exist between Consumer buying behavior and public relation with correlation coefficient (r = .729)

Table 3 : Correlation Analysis for Variables of the study.

FORMAL SOURCES				
S. No	Dependent Variables	Independent variable	R	R Square
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

2	Consumer Buying Behavior	Social Class	0.619	0.383
3	Consumer Buying Behavior	Culture	0.726	0.527
4	Consumer Buying Behavior	Environment	0.643	0.413

In case of informal sources there is a significant relationship exist between Consumer buying behavior and reference group with correlation coefficient (r = .843). Which mean that reference group has an impact on consumer buying behavior. There is a relationship exist between Consumer buying behavior and social class with correlation coefficient (r = .619). Which mean that social class can influence the buying behavior of the consumers. Culture is another informal source that can influence the Consumer buying behavior with correlation coefficient (r = .726). Environment has a influence on the Consumer buying behavior with correlation coefficient (r = .643)·

VI. CONCLUSION

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

While in case of informal sources reference group is the key player with correlation (r = .843) which contribute more toward the consumer purchase behavior. Over all between all formal and informal sources the vital role is 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.

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