

TO WHAT EXTENT DO SOCIAL GROUPS HAVE AN EFFECT ON A CONSUMER'S INTENTION TO PURCHASE LUXURY FASHION GOODS?

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ABSTRACT

In behavioural economics, many factors affect a consumer's intention to purchase a good. One of these factors is social groups. This paper examines if social groups have an effect on a consumer's purchase intention of luxury fashion products. This is achieved through examining data, which is collected from an online survey, which consists of 16 questions including questions with the 7-point Likert scale. The results of the study show that social groups do have an effect on the purchase intention. They also show that there are different ways in which social groups affect purchase intention, which are in accordance to the relative deprivation theory (Stouffer et al) and the reference group theory (Hyman).

Keywords: *Purchase intention, relative deprivation theory, reference group theory, behavioural economics, social groups, luxury fashion goods.*

1. INTRODUCTION

What is a purchase intention? A purchase intention is an implied desire of a consumer to buy a particular product (Fandos & Flavian, 2006). Purchase intention is a fundamental concept in the field of behavioural economics. Data about a consumer's intention to purchase can assist business managers to plan marketing strategies and predict the sales of particular products.

A social interaction is an exchange between two or more individuals. This is the building block of society and social groups. Members of social groups interact to form certain rules, guidelines, and systems within which they seek to live. These social groups tend to influence the behaviours of the member's group. In behavioural economics, these groups are called reference groups. A reference group influences a consumer's opinions, beliefs, attitudes and behaviours. It may be an actual group, an aggregate, a person, or a personification of an abstraction. The reference group theory was suggested by Herbert Hyman, who defined it as "a general conceptual framework

that assumes that individuals' attitudes, values, and self-appraisals are shaped, in part, by their identification with, and comparison to reference groups."

These reference groups were proved to engender the relative deprivation theory (Stouffer et al. in 1949). The relative deprivation theory states that people take action to acquire something to fit into their social group. These theories are linked but are not the same. A reference group does not involve any attraction to it. This means that a person does not feel obliged to act as per the norms of the reference group; however, the relative deprivation theory states that the members of the group are required to follow the standards of the group to be a part of it. These theories may or may not affect a consumer's intention to acquire a product.

A luxury product can be defined as a product that adds pleasure or comfort but is not necessary. It can also be defined as a product that has the best quality in the market. Luxury products must have high quality and durability as compared to their lower-priced counterparts. In fashion, these can be referred to as designer stores like Gucci, Hermes, et cetera. The brand names mentioned are incredibly crucial and consist of a name, sign, symbol, design, or combination of them, which help consumers distinguish them from other products (Kotler 2003). The brand adds credibility and a sort of assurance factor to a particular good, which persuades consumers to purchase it.

In recent times, especially after the industrial revolution, the prices of these luxury products fell a lot. It also increased the amount of wealth in each household, as there were more employment opportunities. This made the attainment of luxury goods more achievable for all consumers (Hauck & Stanforth, 2007). In an article written by Michael J Silverstein and Neil Fiske of Harvard Business Review, the sales of BMW cars saw an increase of 12% in 2002 from 2001. This shows the willingness and the ability of the consumers to buy these luxury products.

In the past few decades, the market for luxury goods has undergone immense transformations. The once high barrier that guarded the market for luxury goods has been minimized due to globalization and the advent of the internet. Luxury goods have been democratized, which means that they are now available to a larger pool of consumers (Okonkwo 2007, 226–227). Companies like H&M and Zara presented luxury products at relatively low costs, which made these goods available to the masses. After the consumers look at adverts in magazines, television, or peers, they purchase these products. After their first purchase, consumers are lured in and 'addicted' by the concept of brand loyalty (only buying the products of one brand).

Since the availability of these goods has increased massively, members of social groups recommend these products to other members- both implicitly and explicitly, hence having an effect on their intention to purchase a certain luxury good.

2. AIM

The objective of this research is to find the extent to which social groups have an effect on a consumer's intention to purchase a luxury fashion product.

3. METHODOLOGY

A random sample of 100 people were selected from the city of Mumbai. The participants had to complete an online survey, which was made using Google forms. The questionnaire consisted of 3 different parts (included in the appendix). The first part consisted of personal details of the participants, such as age, gender and income. The second part consisted of 7 questions of a 7 point Likert scale (where 1 is strongly agree, 2 is partially agree, 3 is agree, 4 is neither agree or disagree, 5 is disagree, 6 is partially disagree, and 7 is strongly disagree). This part required the respondents to identify if a certain factor influenced their intention to purchase and if it did, by how much? The first two divisions consisted of multiple-choice questions that were quantitative in nature. The third part consisted of checkbox questions, where the respondents could think and select more than one option, which is qualitative in nature. Hence, a combination of qualitative and quantitative research was conducted to examine the purchase intention.

No names were recorded for this survey, hence, maintaining the anonymity of the respondents. A consent form was also presented to the participants before the survey. No data will be altered during or specifically selected during this study to ensure the results to be unbiased. Additionally, care is taken during the analysis stage, in the presentation of data, to avoid respondents being identifiable.

4. HYPOTHESIS

A consumer's intention to purchase a luxury fashion good is affected by his or her social group.

5. NULL HYPOTHESIS

Social groups have no effect on a consumer's intention to purchase a luxury fashion good.

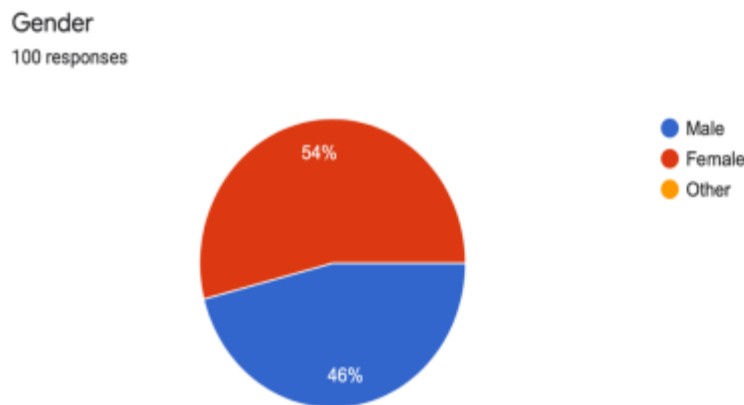
6. ALTERNATIVE HYPOTHESIS

Social groups increase a consumer’s intention to buy a luxury fashion product.

7. DATA ANALYSIS

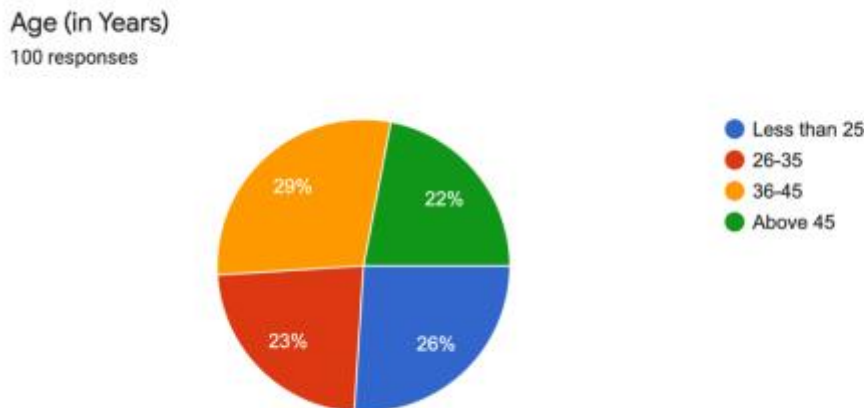
In the following section, all the data from the survey will be analyzed. Both the survey and the statistical representation were done using Google Forms.

Question 1 was about the gender of the participants.



Out of the 100 participants that responded, 54% (54 people) were female, and 46% (46 people) were male. This shows that the sample represented both genders almost equally. None of the respondents selected ‘other’ as their gender.

Question 2 was about the age of the participants.

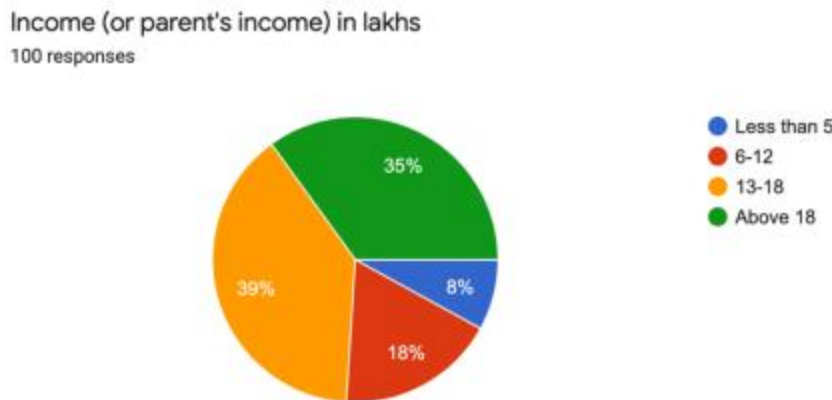


This question had four different options to choose from. The options consisted of different age brackets (less than 25, 26-35, 36-45, and above 45).

AGE (years)	PERCENTAGE AND NUMBER OF PARTICIPANTS
less than 25	26% (26 respondents)
26-35	23% (23 respondents)
36-45	22% (22 respondents)
Above 45	29% (29 respondents)

All of the age groups were equally represented.

Question 3 was about the income (in lakhs/ hundred thousands) in Indian rupees of participants or the income of the participants' parents.



This question had four different options to choose from. The options consisted of different income brackets (less than 5, 6-12, 13-18, and above 18).

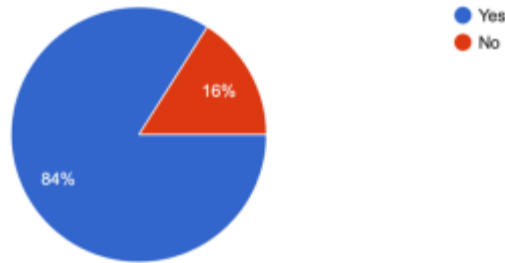
INCOME (in lakhs) in INR	PERCENTAGE AND NUMBER OF PARTICIPANTS
less than 5	8% (8 respondents)
6-12	18% (18 respondents)
13-18	39% (39 respondents)
Above 18	35% (35 respondents)

A majority of the participants (74%) had monthly incomes over 13 lakhs or 1.3 million rupees per month.

This shows that the participants from all income groups purchase luxury fashion products, which supports the claim made in the introduction about how the globalization and industrial revolution has increased the availability of luxury products, and have extended them to a majority of society.

Question 4 asked participants if they bought luxury fashion goods.

Do you buy luxury fashion branded products, such as Armani, Gucci, Chanel, Prada, Calvin Klein, Hugo Boss, Christian Dior, Ralph Lauren, Hermes, G...rden, Diesel, Benetton, Zara, Guess, Coach, etc.?
100 responses

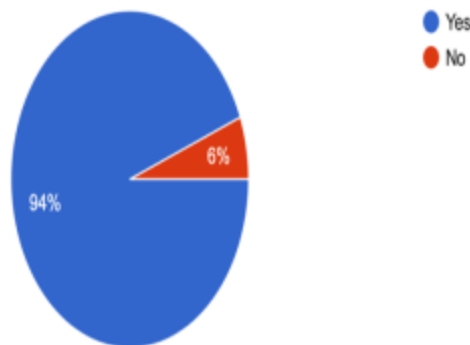


This was a binary question which asked the participants if they had bought any luxury fashion products. A few examples were included in the question (Armani, Hugo Boss, Hermes, Tommy Hilfiger, Christian Dior, Ralph Lauren, Zara, Guess, Coach, Louis Vuitton, Escada, Givenchy, Giorgio Armani, DKNY, Elizabeth Arden, Diesel, Gucci, Chanel, Prada, Calvin Klein, Benetton)

84% of the participants responded with ‘yes’, indicating that 84 respondents had bought luxury goods in the past. 16% or 16 participants responded with ‘no.’

Question 5 asked the respondents if they possessed a luxury good (maybe received as a gift).

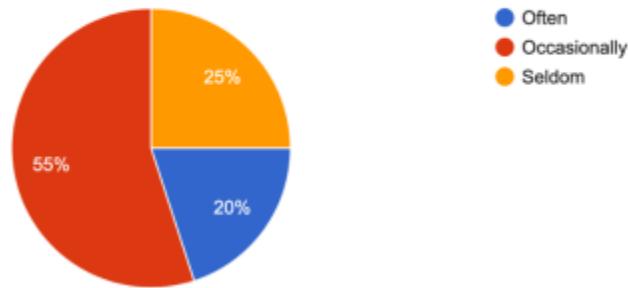
Do you possess any luxury good?
100 responses



This was a binary question which asked the participants if they owned any luxury fashion products. 94% of the participants responded with ‘yes,’ and 6% or 6 participants responded with ‘no.’

Question 6 was about how often the participants purchased luxury fashion products.

How often do you purchase luxury brand products?
100 responses



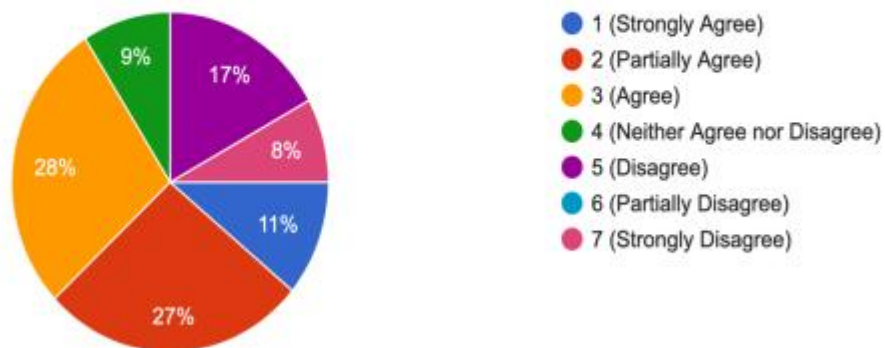
This question had 3 options: often, occasionally, and seldom.

55% (55 respondents) chose ‘occasionally’, 25% (25 respondents) chose ‘seldom’, and the remaining 20% (20 respondents) chose ‘often’.

The next 7 questions were 7-point Likert scale questions, which required a rating from 1 to 7 (where 1 is strongly, 2 is partially agree, 3 is agree, 4 is neither agree or disagree, 5 is disagree, 6 is partially disagree, and 7 is strongly disagree). This part required the respondents to identify if a certain factor influenced their intention to purchase, and if it did, they had to identify the degree to which it affected their intention to purchase.

Question 7 asked participants if they bought luxury fashion products to fit into their social groups or to fit in with friends.

To fit in with friends
100 responses

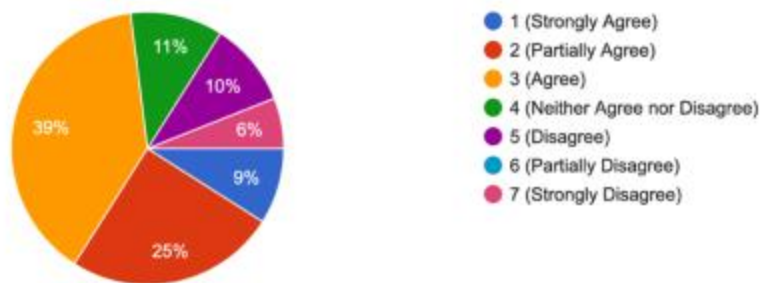


CHOICES	RESPONSES
Strongly Agree	11% (11 respondents)
Partially Agree	27% (27 respondents)
Agree	28% (28 respondents)
Neither Agree nor Disagree	9% (9 respondents)
Disagree	17% (17 respondents)
Partially Disagree	0% (0 respondents)
Strongly Disagree	8% (8 respondents)

This shows that more participants (66%) agreed (partially or strongly) with the statement that they bought luxury goods to fit in with friends, opposed to the 25% who didn't agree (partially or strongly) with the statement. This question was included to check if there was a direct link between the influence of social groups and the consumer's intention to buy.

Question 8 asked participants if they bought luxury fashion products to follow the trend.

To follow the trend
100 responses



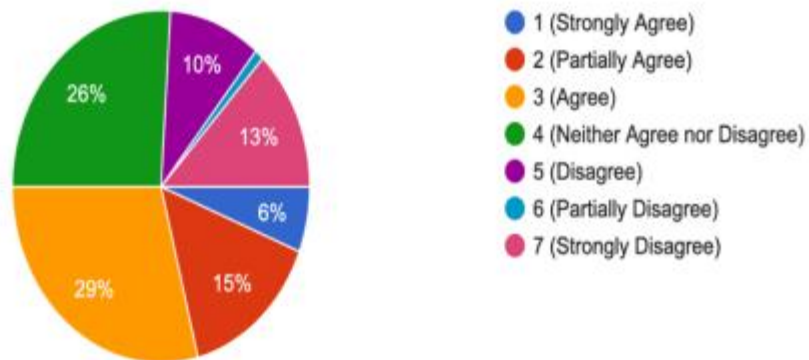
CHOICES	RESPONSES
Strongly Agree	9% (9 respondents)
Partially Agree	25% (25 respondents)
Agree	39% (39 respondents)
Neither Agree nor Disagree	11% (11 respondents)
Disagree	10% (10 respondents)
Partially Disagree	0% (0 respondents)
Strongly Disagree	6% (6 respondents)

In this question a vast majority (73%) agreed (partially or strongly) with the fact that they purchase luxury fashion products to follow the trend.

A fashion trend is set into action when a large number of people adopt a particular style of dressing, which is ‘popular,’ just to go with the bandwagon. Trends can spread through social groups, and can influence the purchase intention of a consumer, whom to follow the bandwagon, will be willing to adopt whatever style needed.

Question 9 asked participants if they bought luxury fashion products to flaunt.

To flaunt
100 responses



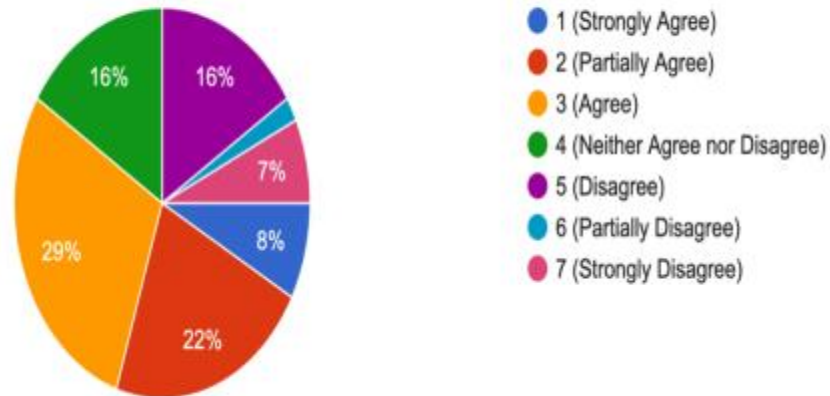
CHOICES	RESPONSES
Strongly Agree	6% (6 respondents)
Partially Agree	15% (15 respondents)
Agree	29% (29 respondents)
Neither Agree nor Disagree	26% (26 respondents)
Disagree	10% (10 respondents)
Partially Disagree	1% (1 respondents)
Strongly Disagree	13% (13 respondents)

This question had a mixed set of answers.

People tend to flaunt these luxury products at parties or trips. These trips or parties are generally amongst a social group. Luxury products are a symbol of wealth, and abundance of these signifies that a person is wealthy. In order to flaunt their wealth within their social group, consumers may be influenced to buy luxury fashion products.

Question 10 asked participants if they bought luxury fashion products so others would view them in high regard.

Want others to view you in high regard
100 responses



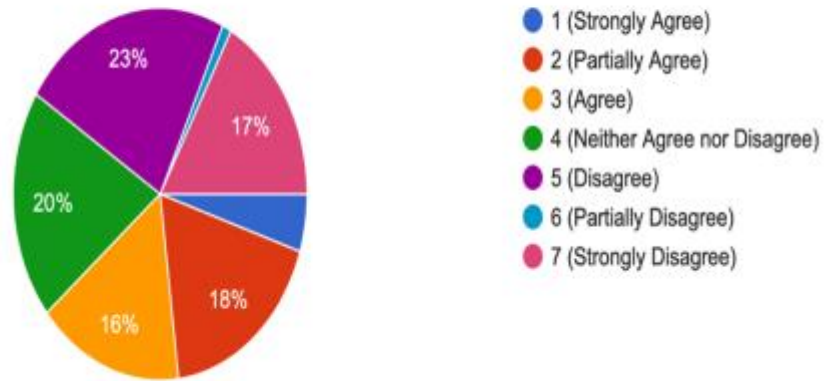
CHOICES	RESPONSES
Strongly Agree	8% (8 respondents)
Partially Agree	22% (22 respondents)
Agree	29% (29 respondents)
Neither Agree nor Disagree	16% (16 respondents)
Disagree	16% (16 respondents)
Partially Disagree	2% (2 respondents)
Strongly Disagree	7% (7 respondents)

This question also had a mixed set of answers, with the highest number of participants (29) agreeing with the statement and 22 and 8 partially and strongly agreeing respectively.

Every human has an innate need to belong (according to the social identity theory proposed by Tajfel, 1979). This need to belong motivates people to be a part of social groups. Members of these social groups would want others to view them with respect and high regard. This can be achieved through the purchase of expensive goods, which act as a symbol of wealth. Hence, this factor may affect the purchase intention of a consumer.

Question 11 asked participants if they bought luxury fashion products to represent celebrities by using the same products as them.

To represent celebrities (purchasing the same good as a celebrity makes you feel like him or her)
100 responses



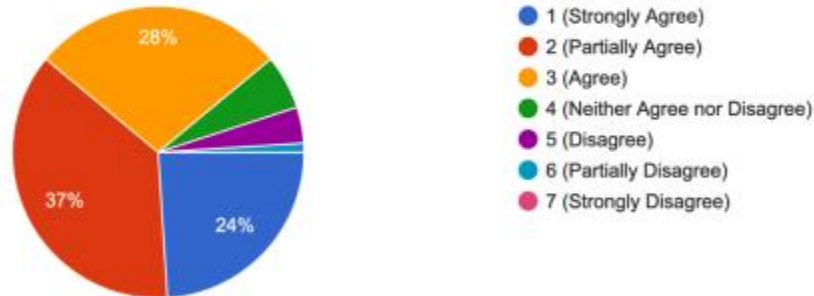
CHOICES	RESPONSES
Strongly Agree	5% (5 respondents)
Partially Agree	18% (18 respondents)
Agree	16% (16 respondents)
Neither Agree nor Disagree	20% (20 respondents)
Disagree	23% (23 respondents)
Partially Disagree	1% (1 respondents)
Strongly Disagree	17% (17 respondents)

This question had the percentage of disagreements (41%) almost equal to the percentage of agreements (39%).

Celebrities can be considered as a reference group. In order to look like their favourite celebrities, people tend to dress up like them. Hence, they may have an influence on the consumer's intention to purchase

Question 12 asked participants if they bought luxury fashion products because of their high quality.

High Quality
100 responses



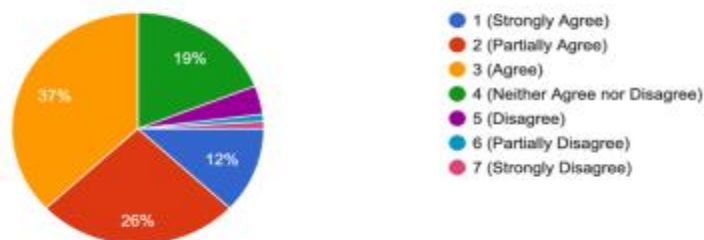
CHOICES	RESPONSES
Strongly Agree	24% (24 respondents)
Partially Agree	37% (37 respondents)
Agree	28% (28 respondents)
Neither Agree nor Disagree	6% (6 respondents)
Disagree	4% (4 respondents)
Partially Disagree	1% (1 respondents)
Strongly Disagree	0% (0 respondents)

A vast majority (89%) of the participants agreed (partially or strongly) with this statement.

An individual’s perception of the quality of a good is largely unaffected by his or her membership in any social group. It is a very objective quality and cannot be affected by external variables like social media, television, et cetera.

Question 13 asked participants if they bought luxury fashion products because of the esteem of the brand.

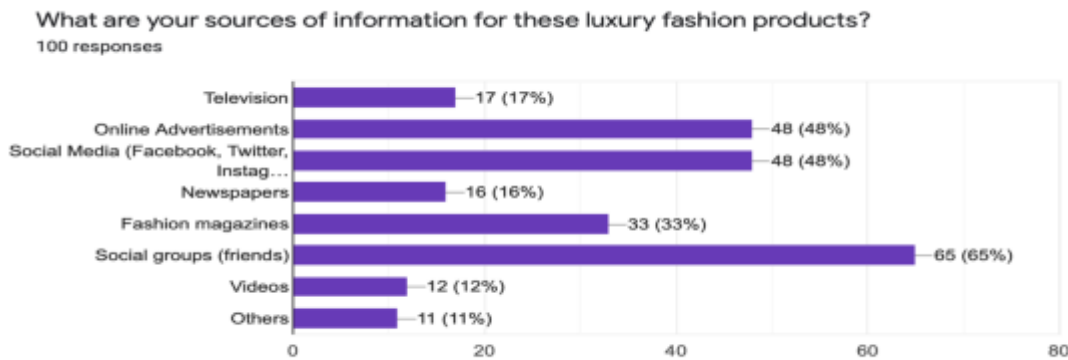
Esteem of brand
100 responses



CHOICES	RESPONSES
Strongly Agree	12% (12 respondents)
Partially Agree	26% (26 respondents)
Agree	37% (37 respondents)
Neither Agree nor Disagree	19% (19 respondents)
Disagree	4% (4 respondents)
Partially Disagree	1% (1 respondents)
Strongly Disagree	1% (1 respondents)

A vast majority (75%) of the participants agreed (partially or strongly) with this statement. The esteem of the brand is formed through society. When people start talking about a certain brand or product, its popularity increases, which may motivate a consumer to buy a product from the brand.

Question 14 asked the participants about the sources by which they acquired information about luxury fashion products.



This question was a checkbox question. Respondents could select more than one choice.

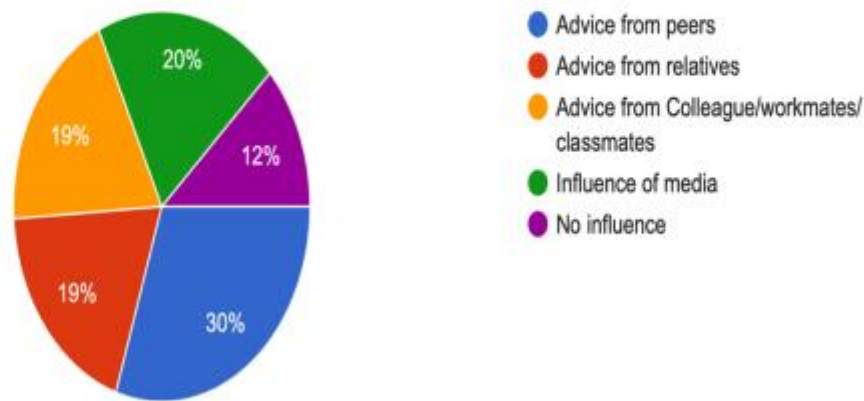
SOURCES	NUMBER OF TIMES PICKED
Television	17
Online advertisements	48
Social Media	48
Newspapers	16
Social groups	65
Videos	12
Others	11
Fashion magazines	33

In today’s modern-day and age, there are many sources of information. This question enables participants to select the different sources through which they acquire information. These sources have an effect on the purchase intention as different sources have different significance. Social groups are more private and personal and may influence the purchase intention more than other factors such as newspapers.

Question 15 asked participants about what factor had influenced the participants the most to buy a luxury fashion good.

What factor has previously influenced you to purchase luxury goods the most?

100 responses

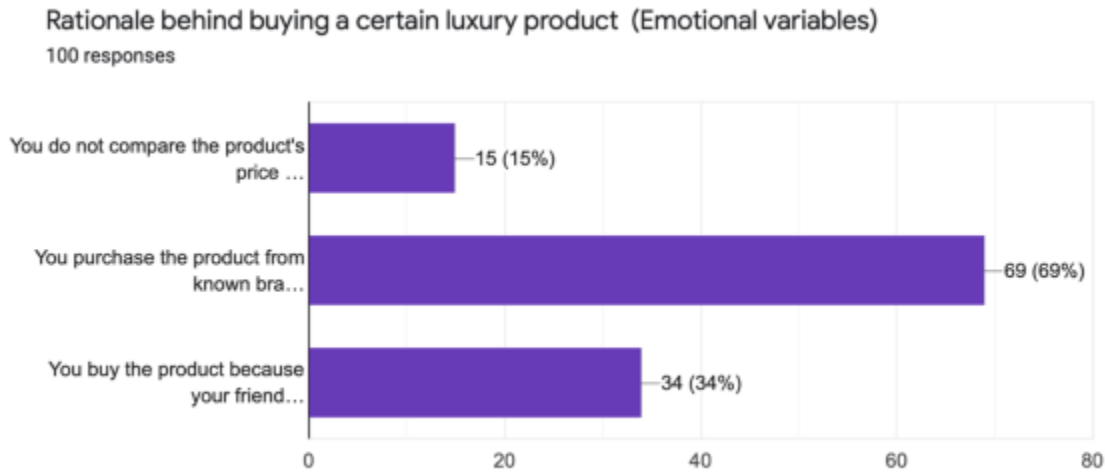


This was a multiple choice question and respondents could pick only 1 choice.

FACTORS	PERCENTAGE PICKED
Advice from peers	30
Advice from relatives	19
Advice from Colleague/workmates/classmates	19
Influence of social media	20
No influence	12

Many different external factors may have an effect on a consumer’s intention to purchase, this question helps narrow down the factor which plays a part in the respondent’s purchase intention.

Question 16 asked participants about their rationale behind buying a certain luxury product.



This question was a checkbox question. Participants could select more than one checkbox.

FACTORS	NUMBER OF TIMES PICKED
The participant bought the product without comparing its price with the price of similar products of different brands	15
The participant bought the product from a known brand.	69
The participant bought the product because his or her friend suggested it	34

This question was included to check the specific reasoning of a consumer, when he or she bought a luxury product.

8. RESULTS AND DISCUSSION

The sample was represented very well. It had participants of all ages, income groups, and was gender-equal. In question 7 (asking participants if they bought luxury fashion products to fit into their social groups), 66 participants responded with an agreement, from which 11 strongly agreed, and 27 partially agreed. Only 25 participants disagreed with this statement. This innate need to belong leads consumers even from the relatively low-income group (below 5 lakh) to buy luxury goods. This can be inferred from question 4 (where participants were asked if they had ever bought a luxury fashion good). Through an in-depth analysis (by checking each response), it was found that 3 of the 8 participants from the low income set selected 'yes' for this question, after

selecting one of the choices in the agree category (agree, partially agree, and strongly agree) of question 7. This can be linked with the relative deprivation theory, as these participants, from the relatively low-income group, conformed to the norms of their social groups, and to 'fit in with their friends', spent a larger proportion of their income on luxury goods.

In question 13 (where participants were asked if they bought luxury fashion products because of the esteem of the brand), a vast majority (75%) of the participants agreed (partially or strongly) with the statement. It has already been established that brand esteem is formed through social groups (refer to page 12). It can also be inferred that due to the esteem of the brand, which is built by social groups, people tend to buy these goods. This can be tied to the reference group theory, where people act on the advice of others. These claims are supported in questions 14, 15, and 16. Question 15, which asked the participants which factor influenced the participants the most if any, 88% chose that some form of a reference group (peers, colleagues, relatives or social media) influenced their purchase intention. Question 14, which was about the sources of the information, had 65 respondents choosing 'social groups' and 48 respondents choosing 'social media' as their source of information about luxury products. This is a clear link to the reference group theory, where the reference group influences a consumer's opinions, beliefs, and attitudes toward a certain product. Question 16 is also a reiteration of question 13, because a brand is 'known' only through prior purchase or advice, which is influenced by reference groups (from question 15). 69 participants picked the choice, which stated that they bought the product from a known brand, which falls in line with the previous findings. While 34 participants picked the choice, which stated that they bought the product because their friend suggested it. This, again, falls in line with question 15, as the participants are seeking and considering advice from their peers. Question 11 (which asked participants if they bought luxury fashion products to represent celebrities) also contributes to the reference group theory as the celebrities are considered as reference groups. With more people disagreeing (41) than agreeing (39), celebrities aren't powerful influencers in people's purchase intention but do have an influence on a few consumers. Overall, the responses to these questions support the reference group theory.

Social groups are also said to have a hierarchy. People at the top are more easily identified, remembered, and liked (Zitek, E. M., & Tiedens, L. Z., 2012). Several factors contribute to one's position in this hierarchy. One of these factors is wealth. Luxury fashion products are a symbol of wealth, and wearing these products to social parties, outings, and trips, increases an individual's reputation in a group. Question 10 (asking participants if they bought luxury fashion products so others would view them in high regard) had 59 participants in agreement (agree, partially agree, and strongly agree) compared to the 25 who disagreed. Question 9 (asking participants if they bought luxury fashion products to flaunt) was very similar to question 10, the only difference being that

question 10 consists of an innate need to belong (Social identity theory) to a group and be respected by its members, whereas question 9 states an explicit desire to be at the top of the social hierarchy. A majority of 50 participants agreed with this statement as opposed to the 24 who disagreed, which confirms the theory. All social groups do not have a hierarchy, which could prove to be the reason behind the 25 participants disagreeing with the statement in question 10 and the 24 participants disagreeing in question 9. However, the majority of the participants agreeing shows that the social hierarchy also has an effect on purchase intention.

In contrast to the above results, where different forms of social groups are shown to have an effect on the consumer's intention to purchase luxury products, question 12 provides a fair counterargument. Question 12 (which asks participants if they bought luxury fashion products because of their high quality) shows a clear majority of participants agreeing (89%), with 24% strongly agreeing and 37% partially agreeing. The quality of the brand is a very objective attribute and cannot be influenced greatly by social groups. A massive majority in this question shows that the participants don't solely act on the advice of their peers and other social groups.

9. CONCLUSION

Social groups have a great effect on a consumer's intention to purchase a luxury product. The reference group theory and the social deprivation theory affect the purchase intention, both of which are applicable in different scenarios. The social hierarchy caused by wealth also has an effect on the purchase intention, but this factor isn't as strong as the other two. However, the strong results of question 12 (about the quality), lowers the effects of social groups on the intention to purchase. However, social groups are still a strong factor that influences the purchase intention of luxury fashion products. Hence, according to the data collected, the null hypothesis is disproven, and the alternative hypothesis can be accepted.

10. LIMITATIONS

Participant variability was low as all the participants were from the city of Mumbai. This will reduce the generalization of results to a larger group of people. The scale from (1-7 about the different degrees of agreement) wasn't assessed on the basis of the degree of agreement/ disagreement. The degrees ('strongly' and 'partially') were just used to give unsure participants more choices.

11. SUGGESTIONS

Participant variability should be increased by selecting participants from different countries. The sample size may be increased to achieve further, more accurate results. The degrees of the scale can be accessed in more detail by using algorithms to calculate the results more accurately.

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BIOGRAPHY:

I am 17 years old and am currently in high school. I was motivated to do this research paper based on pure interest. Behavioural economics has always intrigued me.