

REVIEW ARTICLE

THE INFLUENCE OF REFERENCE GROUPS ON MILLENNIALS' SOCIAL COMMERCE BUYING BEHAVIOUR

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ABSTRACT

The rise in popularity of online shopping coupled with the increasing amount of time spent by consumers on social media platforms have given rise to a new form of e-commerce known as social commerce. Social commerce entails the buying and selling of products and services on social media platforms. Millennials are some of the most frequent users of social media and therefore avid users of social commerce platforms. Due to its social nature, purchase decisions made on social commerce platforms are prone to influence from reference groups. Organisations are investing increasing amounts of capital to identify and use reference groups to improve their marketing endeavours. However, very few are effectively influenced by referents when making purchase decisions. Thus, it is important to identify the reference groups that have an influence on a consumer group's buying behaviour, and to determine the influence exerted by such groups. The purpose of this study is to investigate the influence of reference groups on the buying behaviour of Millennials on social commerce platforms. A qualitative approach was followed by means of an exploratory research design. Judgement sampling was used to identify a total of 26 participants from whom data was gathered by means of conducting three focus groups. Data was analysed by means of the Morse and Field approach using ATLAS.ti. The results indicate that Millennials' primary reference groups are family and friend, influencers and experts. Referents exert a prominent influence on Millennials' decisions to make use of social commerce platforms. Millennials do not observe referents' buying behaviour, mimic referents style, purchase products to identify with referents and do not seek approval from reference groups when making a purchase decision on a social commerce platform.

KEYWORDS

Social Commerce, Reference Groups, Millennials.

1. INTRODUCTION

The generational cohort born between 1986 and 2005, commonly referred to as Millennials, can be considered as one of the largest and most influential consumer segments in the world (Culclasure, 2016; Markert, 2004). Advanced technology, the Internet and social media feature prominently amongst Millennials, who will become the most relevant consumer segment in e-commerce in the coming years (Pandey, 2019). By considering the future buying potential of Millennials, it would be in the best interest of marketers to gain a deeper, more profound understanding of this consumer segment, especially with regards to their social commerce buying behaviour, as this is their preferred method of shopping. Approximately 61% of Millennials opt to do their shopping on social commerce platforms (Newswire, 2021).

Social commerce has gained immense popularity and widespread usage in the last five years due to the increasing amount of time spent on social media platforms (Llewellyn, 2021). Social commerce concerns the buying, selling and advertising of goods and services on social media platforms (Huang and Benyoucef, 2013). In addition to trading and advertising goods and services, activities engaged in on social commerce platforms entail the writing of product reviews, sharing opinions and actively recommending goods and services via social media channels. Reference groups are playing a more prominent role in the online consumer decision-making process. Reference groups refer to those groups to which consumers

compare themselves to and who exert influence on the norms, values and behaviours of others (Schiffman and Wisenblit, 2019).

Reference groups have the ability to influence consumers' purchase decisions and overall buying behaviour (Hoyer et al., 2021). As such, organisations have been investing vast amounts of resources in identifying and mobilising referents to use, review and promote products and services to their target audiences (Raz and Adamek, 2019). Organisations, however, seem to be missing the mark when selecting the referents to promote their products, which inevitably lead to wasteful marketing expenditure. According to a report by a mere 23% of consumers are effectively influenced by celebrities and influencers when making purchase decisions, and 60% are influenced by family and friends (Stackla, 2021).

Thus, it is important to identify the reference groups that have an influence on a consumer group's buying behaviour, and to determine the influence exerted by such groups. With Millennials sharing a preference for shopping on social commerce platforms, it would be beneficial for marketers to investigate and explore the influence that reference groups exert on the buying behaviour of Millennials. This will assist marketers in devising and implementing more effective and efficient social commerce marketing strategies. In turn, the insight gained by conducting this study will assist retailers in effective resource allocation, improved advertising campaigns, sales turnover and ultimately overall profitability levels. Due

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to the qualitative nature of this study, new theories will be devised based on the influence of reference groups on the buying behaviour of Millennials.

2. LITERATURE REVIEW

2.1 E-commerce

The Internet has become a vast global marketplace for the exchange of goods and services as consumers use it for various reasons like searching for product prices and reviews, selecting services and products, placing orders and completing payments online (Jayadi et al., 2012). The sale of goods and services via a digital channel to an end user is defined as e-commerce (Statista, 2021). An opportunity for traditional retailers to engage in e-commerce has emerged due to the exponential growth of Internet usage and its widespread availability, making it possible for such retailers to have an online presence and to promote and sell their offerings online with a much wider audience (Nel, 2016). Online shopping is one of the most popular online activities consumers engage in (Sabanoglu, 2020). According to Coppola, approximately 1.92 billion consumers purchased products online with total revenue for e-commerce transactions surpassing 3.5 trillion U.S. Dollars worldwide (Coppola, 2021).

Sabanoglu asserts that the global e-commerce revenue figures are expected to reach 6.54 trillion U.S. Dollars in 2022 (Sabanoglu, 2020). The advent of the global COVID-19 pandemic in early 2020 spurred the sudden growth of the e-commerce market, as Governments imposed various lockdowns and restrictions in countries around the world (Vader, 2021). According to a study, consumers are weary of leaving their homes to go shopping due to the risk of contracting the virus (Bhatti et al., 2020). In addition, consumers have become accustomed to the ease and convenience of online shopping during the lockdown period (Alfanur and Kadono, 2021). The shift in consumer behaviour pertaining to e-commerce will transcend channels and will most definitely have an effect on social commerce (Llewellyn, 2020).

2.2 Social Commerce

As more consumers opt to spend more time shopping on the Internet than in brick-and-mortar stores, so too have they started spending more time on social media platforms (Makudza et al., 2021; Wertz, 2019). Social media technologies and platforms like TikTok, Twitter, YouTube, Facebook, Snapchat and Instagram have led to vast e-commerce developments and stimulated a new form of e-commerce referred to as social commerce (Shirazi et al., 2020). Wertz posits that the rise in popularity of online shopping coupled with the prevailing use of social media platforms have positioned social commerce as the inevitable breakout trend for e-commerce in the years to come (Wertz, 2019). Social commerce can be described as the selling of goods and services through social media platforms (Shirazi et al., 2020). Social commerce has gained popularity amongst consumers as it shifts e-commerce from a product-oriented platform to a consumer-oriented environment (Busalim and Hussin, 2016; Zhou et al., 2013).

Consumers are flocking to social commerce platforms due to the ability to share and discuss information on various product offerings, read and contribute to product reviews, and the higher level of trust and credibility perceived of such reviews that are conducted by consumers' peers and reference groups (Maia et al., 2017). A study conducted by Grand View Research estimates that the global social commerce market will increase at a compound annual growth rate of 28.4% from 2021 to 2028, with a projected market size of 3 369.80 billion U.S. Dollars in 2028 (Grand View Research, 2021). Figure 1 depicts the increasing growth of social commerce buyers.

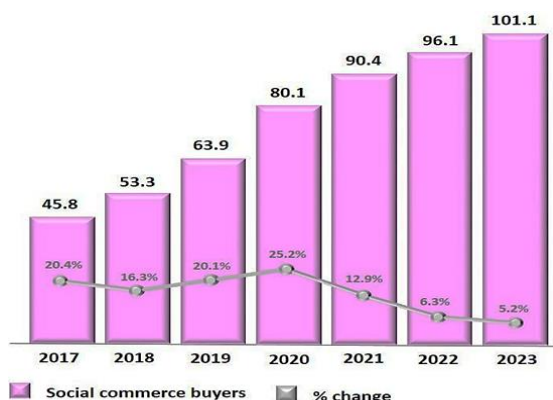


Figure 1: Social Commerce Consumer Growth (Source: Lipsman, 2021)

With the continued rise in e-commerce and social media usage, it is important for companies to expand their communication and sales channels to include social commerce platforms so as to attract new consumers, retain existing consumers and effectively engage with their targeted consumer segments. One of the more prominent consumer segments using social commerce platforms is the Millennials.

2.3 Millennials

Millennials are born between 1986 and 2005 (Markert, 2004). This generational cohort is sometimes also described as "tech savvy" due to their birth into a highly sophisticated computer and media environment, making them more Internet savvy and technologically advanced than any other generational cohort (Nielsen, 2014; Wirthman, 2020). The size of this generational cohort is estimated at around 72 million consumers (Fry, 2020). This smartphone generation has a constant never-ending flow of information at their fingertips by means of the Internet and social media which aids in deciding on what to buy (Business Insider, 2020; Vogels, 2019). In terms of their social interaction, Millennials prefer to interact with others via social media platforms, spending an average of two hours and thirty-four minutes on social media everyday (Li and Jing, 2018; Marketing Charts, 2021). According to a study, 77% of Millennials use Facebook, on a daily basis, 70% use Instagram and 66% use YouTube (Hutchinson, 2020).

The advent of the COVID-19 pandemic has spurred the interaction of Millennials with others via social media, with 61% of consumers in this generational cohort spending increasing amounts of time on social media (Pacheco, 2020). A report by PR Newswire states that Millennials are more inclined to purchase products via social commerce platforms (Newswire, 2021). Millennials are leading the social commerce movement, spending more on social commerce shopping than any of the other generation cohorts (Barnes, 2015). Arnold is of the opinion that Millennials are receptive to influence from various reference groups even more so than from traditional advertisements (Arnold, 2017). Millennials tend to turn towards social media in order to discover new products, and although they may not earn the same household income as their reference groups, they still make more purchases inspired by referents on social media than any other age group (Barnes, 2015).

2.4 Reference Groups

Consumers are surrounded by people who influence their behaviours (Gajjar, 2013). A reference group comprises two or more people with whom an individual interacts and who influences an individual's attitude, values and behaviour (Ramya and Ali, 2016). Reference groups can impact consumer behaviour in a positive and negative manner as these groups act as a guide to 'correct' behaviour (Rudansky-Kloppers and Strydom, 2016). A group researchers state that consumers tend to emulate the buying behaviour and purchase decisions of their reference groups (Hoyer et al., 2021). Reference groups include friends, family members, colleagues, celebrities, membership groups, aspirational groups and various other groups in which consumers are involved in or with whom they associate with (Gajjar, 2013). By identifying the relevant reference groups, as well as the level of influence they exert on a consumer's buying behaviour, marketers will be able to utilise this insight in devising more effective and efficient marketing strategies to appeal to their target audience.

3. METHODOLOGY

This study used a qualitative research approach with an exploratory design. Due to the qualitative nature of the study, it is important to identify and articulate a coherent paradigm from which the research will emanate (Creamer, 2018). A neo-positivist inductive paradigm was adopted, owing to the fact that the reality of the research may be patterned, local and subject to change over a period of time. This paradigm allows for the researcher to construct an understanding of reality that is evidenced, trustworthy and authentic though contextual, provisional and revisable (Ling and Ling, 2017). The population of the study comprised of Millennials who have purchased a product via social commerce platforms. Non-probability judgement sampling was used to select participants. Data was collected by means of conducting focus groups culminating in a total sample size of 26 participants across three focus group sessions. The audio recordings were transcribed and analysed on Atlas.ti 9 by using the four steps of Morse and Field approach (Morse and Field, 1996). The data was therefore comprehended, synthesised, theorised and re-contextualised accordingly. Trustworthiness was confirmed by considering the criteria proposed which is to ensure credibility, transferability, dependability and confirmability respectively (Guba, 1981).

4. RESULTS AND DISCUSSION

4.1 Primary Reference Groups

The majority of participants regard their family and friends to be their primary reference group. Trust is the main reason provided by participants as to why they have selected friends and family as their primary reference group. Shared interests is yet another reason why family and friends to be their primary reference group. Influencers are also one of the major reference groups for a lot of the participants. Participants mention that watching videos or seeing photos of influencers using products over an extensive period of time is convincing enough that the product works and that it is worthwhile purchasing. Participants who follow influencers for two to three years and over have built a certain level of trust with these influencers and therefore rely on their advice for purchasing a product or service.

Participants also perceive influencers as being on trend and up to date with the latest fashion, and thus heed their advice for purchasing certain fashion-related products as they trust their judgement. Fewer participants mentioned experts and celebrities as a point of reference. The majority of participants agree that the type of product or service and where the product or service can be purchased has a significant influence on the reference group they select and the referents that they would consult when searching for information or making a purchase decision. With products or services that participants have no experience with, they would consult a reference group or referent who has used the product before. With products of a personal nature, like clothing, they would consult with referents whom they trust the most, like family and friends.

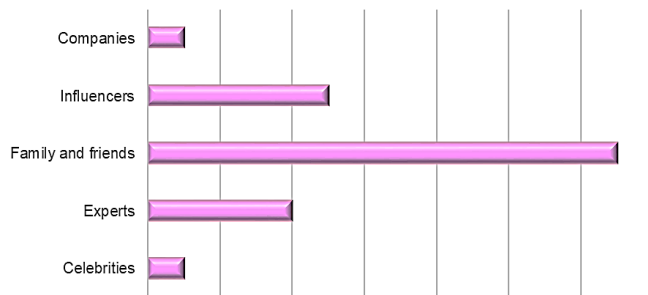


Figure 2: Primary Reference Groups of Millennials

4.2 Influence of Reference Groups on Social Commerce Buying Behaviour

4.2.1 Approach and Avoidance Behaviour

The results indicate that the majority of participants have been influenced by their respective reference groups to make use of a social commerce platform, whether it was to search for product information, read product reviews or to purchase a product. In addition, most of the participants have stated that their referents have convinced them to purchase a product or service from a social commerce platform. A major factor that is taken into consideration, however, is trust. If there is a sufficient level of trust between the participant and their referent, then they feel more comfortable in using a specific social commerce platform that they have been advised to use, and also to complete the transaction on the social commerce platform. Some of the participants have mentioned that they have used a specific social commerce platform in the past due to the influence exerted by influencers. Influencers would take a photo or video of themselves using a product or service, and then post a link to a website or platform where the specific product or service can be purchased.

"I would definitely agree that my reference groups have influenced me to actually go on a social commerce site"

Participant 2:4

"70 percent of the things I bought on social commerce platforms was at the recommendation of friends"

Participant 3:1

"Watching products that influencers promote or whoever the person is with the expertise and then buying from there"

Participant 3:6

Fewer participants have been convinced or advised by referents not to use a specific social commerce platform or to buy a specific product on a social commerce platform. The key factor spurring the influence is when the

referent shares a scenario of having a bad experience on the social commerce platform. Only two of the participants mentioned that they are more prone to being influenced *not* to use a social commerce platform than to use a social commerce platform.

"Yes, I have been convinced not to make a purchase, and this was also due to the referent's bad experience"

Participant 1:6

"I have been convinced not to buy certain things due to scams that have happened with people"

Participant 2:5

4.2.2 The Role of Reference Groups in Decision-Making

The majority of participants do not observe the buying behaviour of referents prior to using a social commerce platform or buying a product or a service on a social commerce platform. Only a few participants mentioned that they observe the buying behaviour of their referents prior to buying a product or service on a social commerce platform, especially when the product or service is quite expensive. Most of the participants have indicated that they do not purchase the same or similar products than their reference groups in order to be more like them or to mimic their particular style. Only a few participants mentioned that they have, in the past, subconsciously purchased the same or similar product than that of their referent in order to copy their style or to be more like them.

The majority of participants do not seek approval from their referents when making a purchase decision on social commerce platforms. Even though referents' advice is heeded when making purchase decisions on social commerce platforms, the approval from these referents is not sought. Only two participants mentioned that they seek the approval from friends and family when purchasing clothing items on social commerce platforms, and also the approval from experts when purchasing more complex or technologically advanced products. Most of the participants agree that they do not engage on a social commerce platform or buy a specific product or service on a social commerce platform in order to identify with the reference groups or referent that has influenced them to use the platform or to buy the specific product.

Participants enjoy having their own unique identity. Only three participants indicated that they make certain purchase decisions on social commerce platforms and buy specific products and services to identify with referents and to strengthen the relationship they have with those particular referents to a certain extent. Figure 3 depicts the role of reference groups when Millennials make purchase decisions on social commerce platforms.

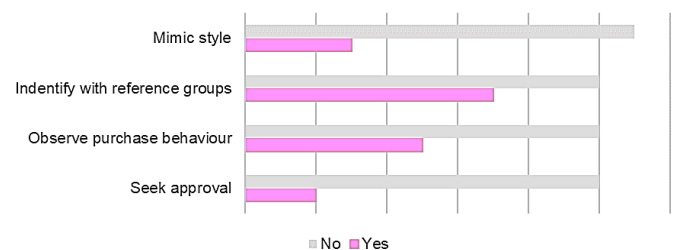


Figure 3: The role of reference groups on Millennials purchases decisions

5. CONCLUSION

By considering the results of the study, the following conclusions can be made:

1. The primary reference groups of Millennials when shopping on social commerce platforms include family and friends, influencers and experts.
2. Millennials are more prone to being influenced by their respective reference groups to use a social commerce platform than to avoid using a social commerce platform. Trust is a key factor that is considered when heeding the advice of a referent.
3. Millennials do not observe the purchase behaviour of referents in detail prior to purchasing a product or service on social commerce platforms.
4. Millennials do not purchase the same products and services than that of their referents in order to mimic their particular style or to be more like them.

5. Millennials do not seek the approval of their referents when purchasing items on social commerce platforms.
6. Millennials do not make use of social commerce platforms or buy specific products in order to identify with their referents.

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