

**SOCIAL AND REFERENCE GROUP THROUGH PERSONAL
EXPERIENCE AFFECT DECISION MAKING PROCESS OF
CONSUMER FOR FMCG PRODUCTS IN ISLAMABAD**

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**IŞIK UNIVERSITY
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ABSTRACT

The objective of the study is to examine a relationship between the social and reference groups and purchase decision-making process both directly and through the mediating aspect of personal experience of those groups. For this quantitative study, cross sectional data is collected by the virtue of convenience sampling technique from 245 customers of FMCG products in Islamabad through a survey questionnaire and their responses were further analyzed through SPSS 20. The results indicated a direct positive relationship between social and reference groups and purchase decision-making process of customers and also displayed the partial mediating role of personal experience of those groups on the purchase decision-making process of customers. The findings of this study can be used by the marketing managers to influence different categories of customers in order to achieve their business objectives and has further added to the theory of how personal experience of those groups plays an intervening role between the social and reference groups and the purchase decision-making process of FMCG customers.

Keywords: Social and reference groups, personal experience, purchase decision making process, Purchasing Decision, FMCG products, Pakistan.

KİŞİSEL TECRÜBELERLE SOSYAL VE REFERANS GRUP, İSLAMABA'DAKİ HTM TÜKETİCİLERİN KARAR VERME SÜRECİNİ ETKİLİYOR

ÖZET

Çalışmanın amacı, sosyal ve referans grupları ile satın alma karar verme süreci arasındaki ilişkiyi hem doğrudan hem de bu grupların kişisel deneyimlerinin aracılık yönü aracılığıyla incelemektir. bu niceliksel çalışma için, islamabad'daki hızlı tüketim ürünlerine sahip 245 müşteriden bir anket anketi aracılığıyla kolayda örnekleme tekniği sayesinde kesitsel veriler toplanmış ve yanıtları spss 20 aracılığıyla daha fazla analiz edilmiştir. sonuçlar, sosyal ve referans arasında doğrudan pozitif bir ilişki olduğunu göstermiştir. gruplarının ve müşterilerin satın alma karar verme süreçlerinde ve ayrıca bu grupların kişisel deneyimlerinin müşterilerin satın alma karar verme süreçlerinde kısmi aracılık rolünü ortaya koymuştur. bu çalışmanın bulguları, pazarlama yöneticileri tarafından iş hedeflerine ulaşmak için farklı müşteri kategorilerini etkilemek için kullanılabilir ve ayrıca bu grupların kişisel deneyimlerinin sosyal ve referans gruplar arasında nasıl müdahale edici bir rol oynadığı teorisine katkıda bulunmuştur. fmcg müşterilerinin satın alma karar verme süreci.

Anahtar kelimeler: Sosyal ve referans grupları, Kişisel deneyim, Satın alma karar verme süreci, Satın alma kararı, Fmcg ürünleri, Pakistan.

DEDICATION

Dedicated to my Parents, who started me on the road towards academic pursuit and their prayerful efforts are wonderful source of strength to me in every honorable endeavor & dedicated to my Honorable professors, loving brother and Sisters who support me and took time out to aid me in all conceivable method.

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CHAPTER 1

1.INTRODUCTION

1.1 Research Background

Numerous studies have shed light on how and why human beings and consumers of FMCG products are affected and influenced by social, peer and other reference groups but not a lot of studies have been conducted with respect to the consumers in the Pakistan market. People of all races and culture and age groups are in some way affected by those around them and often alter their decisions and behavior in order to conform to others. Previously a study was conducted in Pakistan in Karachi with regards to influence of social and reference groups on young executives for automobile purchasing decisions (Li & Liang, 2022). But so far not much has been studied for low involvement products such as daily FMCG's. In addition, in most cases direct influence has been studied but so far hardly any study has incorporated any mediating or moderating variables.

1.2 Significance of this Research

This problem is a pivotal topic for research as consumers across different cultures and countries are affected by the pressure exerted by social groups which force individuals to amend their consumption decisions. People of all age groups, races or any such class are in one way or another affected by their reference groups and this study involves a strong link between the areas of marketing and social psychology.

Regarding low involvement products such as FMCG, not much light has been shed in this area especially in our local Islamabad market so this study will also cover those areas as well. Another reason that compelled us to undertake this study was a personal desire to study consumer behavior and understand consumer psyche in real life scenarios and how their decisions are affected by others in their close social circle.

1.3 Research Objective

This study is conducted in order to understand how consumers are affected by their close social and reference groups. Also, the study will try to understand if these groups through indirect measures such as personal experience with a product have any influence on the potential purchase of other consumers.

In our society, many products in the FMCG market are not branded so quite often consumers lend an ear to the suggestions of their close ones and often they stimulate the purchase decision.

This study will benefit the field of consumer behavior and marketing by gathering evidence related to this issue and will also be a guideline for future researchers and practitioners.

1.4 Rationale of Using Bootstrap Method

Hayes and Preachers bootstrap method has been used in this research due to several reasons which are as following:

1. Hayes and Preacher's bootstrapping method is much easy to use
2. Cheaper as compared to OLS method with large datasets
3. OLS and MLE method both lead to same optimal set of coefficients in leaner regression
4. By using Process macro like Mediation, mediation-moderation can be analyzed
5. It Doesn't rely on assumption of normality
6. It is perfect for smaller sample size

1.5 Objective of the study

This study has following research objectives

- To find out if there is a direct relation between social and reference groups and purchase decision-making process of FMCG consumers.
- To determine if consumers of all age groups are affected by social groups through personal experience to the products
- To explore the indirect impact on purchase decision making process of FMCG consumers by social and reference groups through their personal experience.

1.6 Research questions

- How do social and reference groups through personal experience affect purchase decision making process of consumers?
- What is the relationship between social and reference groups and the purchase decision-making process of consumers for FMCG products in Islamabad?

1.7 Problem statement

For quite some time, individual consumers have been susceptible to influence from other societal groups for purchase of many different products and services (Camarneiro, 2018). Direct influence has been witnessed in products involving a high degree of involvement (S. Fernandes & Panda, 2019). Influence from other groups has important implications for marketers and how they design their programs. Present study aims to find the intermediary role of personal experience between social and reference groups and consumer purchase decision making process for low involvement FMCG products which will further assist marketers in designing their marketing mix.

1.8 Delimitations

- The study will focus only on the FMCG consumers in Islamabad
- The entire duration of the thesis will not exceed four months so it may have a slight effect on the results.

CHAPTER 2

2. LITERATURE REVIEW

2.1 Fast Moving Consumer Goods (FMCG)

Fast moving Consumer goods are often called Consumer packed goods (CPG) these are the products which varies from food items to non-food items. Almost all of the consumables are included in this category except groceries or pulses. The most common products which are included in the FMCG are toiletries, processed food, cosmetic items, beverages, baked goods, fresh food, frozen and dry items etc. Moreover, FCMG products also include pharmaceuticals, electronic products, non-durables are included glassware, led bulbs, batteries, paper-based products such as tissue papers it also includes stationary items,

For instance; Pen, markers notebooks etc. Most of the FMCG products have a very short shelf life this maybe of two reasons, because either these products have a high demand from the consumer or because the products expeditiously depreciate (Kaiser, 2008). Those products which are consumed on daily bases by an average consumer, these products are usually used until finished or changed after a short period of time which depends on the usage and product's category.

The time period or shelf life depends on the product if it is a durable good it can last up to 3 years if its non-durable it could be few days, a week, months or within year. FMCG products have a fast turnover and comparably low cost that is why the profit over these products is usually in small amount. But these products are categorically so large in size that the Cumulative profit (CF) for FMCG can be on large scale. If we look the FCMG products the profit margin on individual product is very low, despite

that the total number of goods for FMCG has the huge products which lead to tremendous sales therefore profit always varies to amount of goods sold (Sowmiyaa & Azhagan, 2020).

2.2 Classification of FMCG

Categorically Classification of FMCG is divided into various types; these types of categories are as following

- **Processed food:**

This is a type of FMCG which include processed food which is packed into a metal tin or boxes. The packaging varies to different types of food for instance these types of foods include dairy items such as Milk, yogurt, tofu Cheese, butter, Breakfast cereals, Ready to eat food such as boxed macaroni etc. In order to increase shelf life some of these products contain preservatives and artificial flavors (Mishra, 2020)

- **Dried goods:**

Dried food is also included in FMCG products, dried food is one of top food category for each household, and it includes dried fruits such as raisins, dried vegetables, most of the nuts etc. Other than that, it includes sugar, flour, tea, milk etc.

- **Frozen foods:**

Frozen food in FMCG includes frozen vegetables such as peas, spinach, broccoli, carrots, potatoes, corn etc. other than Frozen vegetables there are frozen meat such as chicken, beef, sausages, and in Desserts Ice creams, In Fast food, Pizza, lasagna etc.

- **Cosmetics & Toiletries**

Cosmetic Products include Hair products such as hair oil tonic, Face products such as shaving foam, Soap, face wash, moisturizer creams, face makeup, Hair dyes, Deodorants, roll-ons etc.

- **Fresh Fruits & Vegetables:**

Fresh fruits and vegetables are also included in FMCG this category although these products have different shelf life their shelf life may vary upon the product itself and the storage temperatures. (Will Kenton, 2021)

- **Beverages:**
Beverages in FMCG include fresh juices, energy drinks, carbonated drinks, bottled water, Milk, smoothies for example orange juice, Coca-Cola etc.
- **Baked goods:**
There are various types of baked items which comes under this category, these items are, Biscuits, bread, cakes, cookie, cupcakes etc.
- **Stationary products:**
These products are used in office schools, universities or at homes etc, which include markers, staplers, pens, erasers etc.
- **Cleaning items:**
Cleaning items in FMCG consist of window clear, glass cleaners, dishwasher tablets, laundry detergent Fabric softeners etc. (V & Devi, 2020)
- **Pharmaceutical & Hygienic goods:**
Most of these products are related to health so these products are often found at a hospital or medical stores, these items include, surgical masks, Different kind of medications such as pain killers, aspirin, surgical overalls, etc. (Will Kenton, 2021)
- **Electronic items:**
These types of goods are often called durable FCMG's, these products are used by consumer at daily basis followings are the example for this category: Earphones, tablets, Laptops, memory cards etc. (Coelho do Vale & Duarte, 2013)

2.3 Social and reference groups

“Social or reference groups are grouping whose customs, value and rules are tracked by personas a basis of their everyday behavior” (S. Fernandes & Panda, 2019).

The gathering of friends, member of household, opinion makers, and personalities, in some sense, make “social reference groups” Social psychologist, cultural anthropologists and Sociologists simultaneously grasp the assessment that closely all persons in civilization be owned by convinced groups, and social reference groups stimulus their insolences and demeanor (Kang & Schuett, 2013).

People in majority of the situations have an effect on what we do or what we say and often our decisions are made in order to comply with their opinions and

suggestions. We worry on how others will judge us so they affect our actual decision-making process. Even when decisions are made in isolated situations, people have in the back of their mind the preferences of others and are mindful of those preferences. As a result, attitudes, opinions and ultimately the final decision are influenced (Sharmin et al., 2019).

Women were influenced by the information reference group, the utilitarian reference group, and the value expression reference group, but their effects varied among different groups of women. Research has shown that informational and utilitarian reference group effects are most common in female purchases. As a segment, women are more motivated by reference groups than men deciding to purchasing products and services because they are more socially connected than men. In contrast to housewives whose husbands are the main decision-makers, young working women often make decisions together with their spouses. In addition, some studies have shown that working women also make personal decisions against housewives when it comes to purchasing certain products (S. F. Fernandes & Panda, 2018)

There appears to be a group of people everywhere, and social groupings are a vital component of human life. Sociology is primarily concerned with the study of these social groups. Social group consists of two or more persons who meet regularly and have an identical peculiar and have a sense of agreements.

In other words, it's a group of persons who get together regularly and consider themselves of a member of it. We normally exist to a variation of social groupings, with a few exceptions. For instance, one can be a part of a school team, a gym, a religious group, a university class, or an organization (Guidi & Michienzi, 2021).

2.3.1 Types of social groups

When dealing with social groups, a consumer may be influenced by the following three kinds of social groups:

1. Primary groups
2. Secondary groups
3. Reference groups

(Sherif, 2015).

2.3.1.1 Primary groups

Primary groups comprise of people in whom the relationship between the people is long lasting and are described as close-knit groups. Often these include a person's intimate relationships. The best way to describe these groups is to use the example of the nuclear family because they interact on a daily basis and the person identifies him or herself with that family and close feelings of affection bind all of them together. These relations provide us with a sense of love, security and intimacy and we also learn about the basic norms and values due to these groups. The relationship one has with a primary group usually extends for a long period of time.

There are no two groups that are alike. Each one has its own intent, heritage, morals, and so on. Researchers differentiate between various types of social groups. We will talk about major groups, minor groups, and reference groups.

Primary groups are those that are inextricably linked to one another. They are typically small in portion, engage close affiliation, and have an extensive lifespan. Primary group members have a greater sense of self identity with the group (Baleva, 2019)

In 1909, the researcher Charles Cooley of the famous Chicago School of Sociology first proposed the concept of primary groups in a book called *Social Organization: A Study of Big Ideas*. While Cooley originally coined the term to denote an individual's first intimacy in childhood, Later, the segmentation was extended to have other types of closeness (Brinkerhoff et al., 2010).

Additionally, three sub-groups of primary groups can be also identified;

1. Kin (relatives)
2. Close friends
3. Neighbors

(Litwak & Szelenyi, 1969)

2.3.1.2 Secondary groups

Secondary groups are quite different compared to primary groups. Usually, they are impersonal and short term, and the intensity of interaction is also less as compared to primary groups. People that are part of secondary groups do not possess the same

intimate relationship as found in primary groups and much of the communication that occurs is formal in nature.

A person's group at school or at work is an example of a secondary group. They interact but only for practical reasons and the relationship is formal in nature (Guidi & Michienzi, 2021). A secondary group is a comparably large group of indifferent and target-directed interaction that is usually brief. These groups are frequently based on shared objectives beyond the relationship and require much less sentimental contribution. Because secondary groups are formed to behave tasks, specific roles can be changed quite easily, allowing members to leave and out groups to join with great ease. These are groups in which entities exchange specific goods (e.g., labor for wages, services for compensation, etc.).

Examples include scholar groups, adventure teams, classmates, teacher-student, and boss-employee relationships, colleagues, etc. (Nurochim & Ngaisah, 2020). Cooley distinguishes between large and small groups, taking the note of the latter term typically points out the bond that formed later in life and may have fewer impact on a person's identity than large groups.

2.3.1.3 Reference groups

Reference groups are those groups to which we look for direction so as to assess our practices and demeanors. They can be classified as basic form of role models. A person may or may not possess a place with the gathering but usually he or she can utilize their guidelines of estimation as an edge of indicating (Ding et al., 2020).

For example, if a person needs to know he is good footballer or not, he may compare himself to a known football player as a reference. These reference groups influence people in many ways. Often what they say or do can be cultivated in everyday demeanors for a particular individual.

A group that compares singular or other group, and researchers use it to refer to any group that an individual use as a criterion for analyzing himself and his nature is known as reference group. These groups are "the groups to which people refer when assessing their character, actions, belief, ideals, and acts."(Pariasa et al., 2021).

Reference groups are used to check and resolve the distinctive and sociological qualities of a particular single or other group. It is the group with which an individual is intellectually related or wants to have a relationship with them. It serves as a frame

of reference and a source of personal experience, perception, cognition, and self-concept for the organization. This is important in determining one's own identity, attitudes and social relationships. It develops into a reference for comparing or contrasting and evaluating a person's advent and act (Al-Abdallah & Bataineh, 2018).

Reference group shows the comparisons and contrasts which is required to correlate and classify group and particular distinctive. Robert K. Merton assumes that individuals correlate themselves to a reference group that occupies the social role the individual desires (Merton, 1968).

2.3.2 Types of influence exerted by social groups

Regardless of what type of social group is in consideration, all groups' impact consumers in three basic ways:

- 1) Informational influence
- 2) Normative influence
- 3) Value expressive influence

2.3.2.1 Informational influence

Informational influence takes place when an individual acknowledges information obtained from numerous users as evidence about reality (Wei & Lu, 2014). This type of information may be solicited or can be acquired due to any indirect observation. For example, with regards to automobiles, if a consumer is informed by his or her mechanic that hybrid vehicles are costly to buy and maintain, their stance regarding this issue will reflect the opinions and information conveyed by that mechanic.

(Abrams et al., 1990) argue that interpreting the Asch consistency experiment as a normative effect is inconsistent with the data. They noted that post-experiment interviews showed that participants were unsure of their own judgments during the experiment. While the correct answer was obvious to the researcher, this was not necessarily the participants' experience. Subsequent studies have shown a similar conformity pattern in which participants are anonymous and thus not socially punished or rewarded based on their responses. From this perspective, the Asch conformity

experiment is seen as proof of self-classification theory explaining social influence (also known as referential influence theory).

2.3.2.2 Normative influence

Normative influence takes place when a person conforms to the desires and hopes of others to acquire a reward or evade a punishment (Wei & Lu, 2014). For example, in fear of being awarded a bad grade by the teacher, a student will try to study hard even if he does not intend to do so. This type of influence is observed in many situations because most of what people do is done to get either some reward or to escape any negative situation.

Certain individuals crave for a reward such as work bonuses, flexible hours, fear of getting fired etc. To reach or prevent the particular situation which depends upon its nature, people will be influenced to behave in a more unconventional way (Bhattacharyya & Bose, 2020).

A behavioral change deemed necessary for integration into a specific group is referred to as normative social influence. The desire to cultivate positive relationships with those around us fosters compatibility. In order to be accepted by the group, people generally demonstrate broad adherence but not necessarily particular approval of the group's social standards. Social norms are unwritten principles that regulate social conduct.

Normative Influence is conformity motivated by a desire to meet the expectations of others and gain acceptance. The desire to be liked and accepted also has a normative influence. For good reason, most people think of teen peer pressure when they think of conforming to standards (Hartmann et al., 2021).

Subjective norms are the product of normative beliefs and compliance motivations. Normative beliefs reflect the perceived pressure of an individual to behave or not to behave with people or organizations that are important to him. The role of subjective norms as drivers of behavioral intention is widely recognized in the marketing and tourism literature (Fernandes & Panda, 2018).

2.3.2.3 Value expressive influence

This type of influence takes place when people set as their standards other people's norms, practices and values as a model for their own particular dispositions and attitudes (Li & Sun, 2021). People have a need of satisfying themselves by associating with someone else who approves of their actions and beliefs. This type of influence is not uncanny and can be witnessed in both public and private settings.

A function of attitude that allows individuals to express their self-construct, the value expression function is served by the attitude of showing one's self-image to others. Attitude functional theory proposes it as one of the attitudes functional. Individual self-protection is provided by attitude. The self-defense activity protects one from risk by masking the "true" self as well as socially unwanted emotions and needs. Impact on those around us will fall into three categories, whether at home, at work, at play, or anywhere in between (Procter et al., 2019).

2.4 Personal experience

“Personal experience can be defined as a phenomenon of learning in which the learner is in direct contact with the realities that are being studied” (Kolb, 2014). Personal experience is often used as a criterion for purchase decision making and the learning a person gains from experience is quite different to attending a lecture or reading any descriptive content. During purchase situations or decisions relating to any topic or circumstance, people rely on information available in books, reviews and other similar guides.

Although nowadays, information on almost any product or service is widely disseminated to the society without any accessing costs, people still rely on their or other's personal experience to guide their purchase decision-making process. Decisions with respect to informative or descriptive content compared to decisions based on personal experience of others are normally quite contrary (Harman & Gonzalez, 2015).

Decision making is an intangible in psychology that leads to the choice of a faith or plan of activity from between a number of possible different options. It can be both balanced and absurd. Making a decision is a process of reasoning that is based on assuming about the decision maker's values, preferences, and beliefs. Each purchase

decision-making process can result in to an end result which can be applied or not applied (Hershauer& Simon, 1978).

In general experience indicates to certain events and perceptions more clearly, or the constructive know-how and acquaintance that result from these vigilant processes. Experience, accepted in the broadest sense, is a conscious event comprising a topic on which several components are offered.

For instance, seeing a white bird on a branch presents the subject "bird" and "twig" objects and their relationship to the "white" feature. It may also include phantom elements that occur when experiencing hallucinations or dreams. Only sense awareness counts as experience, with understanding having a narrower scope. In this case, experience is frequently compared to awareness and other kinds of certain cases such as assuming or picturing. In a kind of different case, experience shows the practical knowledge and familiarity generated by conscious events rather than the events.

In this sense, direct sensory contact with the outside world is an important mean of information. So, a professional hiker is the one who has completed numerous hikes, not just someone who has read numerous hiking-related books. This has to do with previous acquaintances and the ability to learn from them (Song & Lee, 2020).

Future decisions are often influenced by past experiences. People's past decisions impact their future choices. It stands to reason that when a decision has a favorable outcome; under the same conditions people are more likely to make the same decision. People avoid making any mistakes which were made before in their past (Sagi & Friedland, 2007).

This is necessary because decisions made for future is based on past experience are not always the best choices. People who are more successful tend to make decisions different from their past decisions which lead them to failures and instead observe their choices keeping in mind for their past experience; this approach contradicts expectations.

Furthermore, to prior experience, some recognizable biases are there that influence purchase decision-making. Recognizable biases are arrangements of thought based on views and abstraction capable of eliciting memory errors, misjudgments, and flawed logic. Cognitive biases include, but are not limited to: belief biases, excessive reliance on prior information when making decisions; backward biased people tend to unavoidably interpret events immediately after they occur; omission biases, in general,

people tend to ignore Information that is considered risky; and the confirmation bias one would foresee in conclusion (Fruzzetti, 2022)

Cognitive biases impact people's purchase decision-making by making them too reliant on or trusting more in awaited consideration and past knowledge, while exemption information or consideration that are deemed unclear, without taking the broader picture into account. Although this effect can occasionally point to poor conclusions, cognitive biases allow people to make good decisions using research (Z.-F. Song, 2019).

Furthermore, to prior perceptions and cognitive biases, increased commitment and sunk results, which are irreparable costs, can influence purchase decision making. According to (Fruzzetti, 2022) decision made by people is based on absurd increase in pledge, that is, they devote more time, money, and energy to decisions that individuals perceive as commitment. Also, when people are responsible of making decisions which lead them to failure in the past tend to make riskier decisions. Consequently, purchase decision-making can sometimes be affected by an individual's sense of being "in trouble".

Decision making is also impacted by personal differences. As comparable to study, age, socioeconomic status (SES), and cognitive ability all influence purchase decision-making. Decision-making has a significant impact across age groups; that is, as with the passage of age cognitive function declines and the purchase decision-making ability may also lower in case of declining. Moreover, experienced people may be more confident in their purchase decision-making abilities, which can make it difficult for them to implement strategies (Han et al., 2015). At last, evidence supports the notion that older people prefer fewer options than younger people.

Decision making is also influenced by age in simply personal difference. According to (MacPherson et al., 2006) people with poor socioeconomic status may have low accessibility to education and resources, making them more likely to experience adverse life events that are very much above their control; resulting, Decisions made by poor socioeconomic status might make poor decisions which are based on their past.

Beliefs about self-interest influence purchase decision making in addition to past experiences, cognitive biases, and personal differences. When people realize that the decisions, they make are very important it is seen that they would make them (MacPherson et al., 2006) studied patterns of voting for individuals and came to

conclusion that people are more likely to vote when they believe their views reflect public belief and, ultimately, when they think about their own importance. People vote because they believe their vote is significant. According to MacPherson and other, this voting phenomenon is ironic. Individual votes countless in election math as more people vote.

“Decisions made with respect to other people’s experience are termed as decisions from experience.” Other’s experience with a product or service is influential in our purchase decisions for any product or service. Also, for low involvement product as is the case here, people also acquire information from others if their purchase is congruent to their close one’s experience of that product (Ensign et al., 2018).

What others have experienced in the past is often a guideline for our decisions. People tend to eliminate the risk factor from their purchase decisions for many products and services taking into account how those products served others such as their friends and family. Those past experiences of our closed ones affect our future decisions (Vink, 2011). One big aspect of personal experience of others with regards to our own decisions is how positive or satisfying that experience was for them.

If for example, the purchase of a product has been a really satisfying and positive experience for someone, then there is a high probability that we will feel and act in a similar way. However, in those situations where others had a deplorable experience with a product or a service and their expectations were not fulfilled then we will be inclined to reject that product or service and not repeat the mistake of others (Bui et al., 2011).

For decisions that require high involvement on part of the consumer, the experience of others is often the final criterion on which their ultimate decision is based. This was also observed in a study by (Harman & Gonzalez, 2015) in which respondents were placed in two groups and their choices were quite contrary owing to the fact that decisions made on the basis of other people’s experience had more impact as compared to decisions based on descriptive information.

Closely related to this is the reputation of the person whose experience is considered a key criterion. It was observed that if the reputation of the person whose experience is acting as a guide for our own decisions is positive, then the impact of that person’s experience weighs heavily on our own choices (Molleman et al., 2013).

Although we have a lot of information nowadays regarding almost all products and services owing to technological advances but still, we as humans are bounded rational and cannot collect, process and comprehend all the information related to a given subject. Even if we can, we sometimes disregard that information in favor of the experience our closed ones had with their purchase decisions. In addition, there are cases in which the consumer has no choice but to indeed lean on the personal experience of others for lack of information and knowledge for specific product or service (Harman & Gonzalez, 2015). For example, a person buying a particular model of a car may not have the complete information regarding additional costs, wear and tear among many other things.

So, in this case, a person may make his decision on the basis of the experience of a close social person who owns that particular model and who can clarify everything there is to know about the particular model. Some researchers even drew similarities between humans and animals telling how in certain situations, both living things make their decisions on the basis of other's experience (Rodrigues & Martinez, 2020).

2.5 Purchase Decision making process

“Purchase decision-making process is the situation in which an individual or group of people have a criterion and certain options or alternatives from which to choose from” (Ansah et al., 2015). In essence, we are all decision makers because everything we do consciously or subconsciously is the consequence of a prior decision. These decisions can be made with respect to available information regarding anything or they may also be made intuitively by consumers relying more on the information they have already accumulated as a result of past experience (Ansah et al., 2015).

2.5.1 Steps of decision-making process

When faced with a good or service, a decision-making process will be adopted by the consumers. The process includes these five-step:

1. Problem recognition
2. Information search
3. Evaluation of expected outcome
4. Purchase decision

5. Post purchase behavior

(John Dillard, 2017)

2.5.1.1 Problem recognition

This stage marks the inception of the consumer decision process. It is thought to be the most critical step in this process because if there is no gap between the desired and actual state, then there will be no need for a decision. For example, if the consumer needs to buy a shampoo which is a fast-moving consumer good, he will make a decision because there is a lag between the two situations (i.e.) the actual state in which the consumer has no shampoo and the desired state in which he will have the shampoo.

So, this problem or need will trigger a decision to be made and the consumer will collect further information and will consider to decision making. The need of a product or a service is the first step of consumer's purchase decision-making process. Able to recognize a need, even if asked inside or outside, yields the exact result: a demand. When customers notice a demand, they collect the information in order to understand that how they can get that demand (Fruzzetti, 2022).

2.5.1.2 Information search

The consumer is now aware that there exists a gap between his actual and desired state and to mitigate that situation, he or she will collect further information for the possible solutions to the problem. The information collected will be based on how complex the choices are and also the level of involvement of the customer. We have witnessed in some studies how consumers collect a lot of information for products that require a significantly higher degree of involvement such as automobiles (Reza & Valeecha, 2013) and mobile phones (David Mudondo, 2014) Although internal information is sometimes sufficient for FMCG's, still consumers often collect information regarding the best possible choice.

When weighing their options, consumers consider inside and outside factors, as well as last positive and negative interactions with a product or brand. During the phase of collecting information, they have an option to check it online from website feedback from existing customers or they can check it out personally.

As a brand it is responsibility of the company to provide information to potential customer assuming that they will purchase the company's product or avail the service, making a funnel and predicting about the kind of customers you want which only be effective when the data and information is provided and presented in a trustworthy source (Talwar, 2015).

Word of mouth is another important strategy, because consumers tend to trust other customers rather than the brand itself, try to include customer reviews, video testimonials and positive feedback of existing customer on your platform. For instance: A customer searches on Google "Children winter clothes" to check out what options available. When he sees someone wearing a cute top, he reaches for the customer feedback asking them that where did they have it from and what do they think about the product and the brand.

When a customer recognizes a problem or needs to see what they believe is the best key, they proceed to the information search phase. It is an attempt to investigate the outside and inside business environments in order to analyze and monitor sources of information related to the buyer's targeted purchasing decisions. In the previous four decades, the realm of knowledge has advanced significantly, making knowledge discovery easier and faster. Print, visual, and/or audio media can provide consumers with information (Bunn, 1993).

2.5.1.3 Alternative evaluation

After collecting the information, the consumer will make a list of all the suitable alternatives that can fulfill his need. Fulfillment of the need will depend on the fundamental and objective characteristics of the product and also the perceived value to the respective customer. Based on information and experience, the alternatives which are also known as the "evoked set" will be subjected to a criterion and the alternative which best fulfills consumer's criteria will be opted (John Dillard, 2017). This evaluation will help the customer to select the best possible alternative for the most reasonable price (Stichter et al., 2019).

At this stage of purchase decision-making process potential buyers have determined the criteria of the product and now they are making a comparison of their alternative choices. For instance, the alternate choices are color, style affordable prices, and availability of the product, additional benefits of the product etc. Marketing

campaigns should be focused on how your product is superior than the competitors, also preparing yourself for instance having an acquirable knowledge about the competitor's products.

For instance: A customer compares few products of different brand which he likes, He already knows that he wants a bright color jacket which would complement his collection of clothes he owns, and he wanted to find a jacket made from sustainable materials while choosing to spend less.

Consumers compare various products/brands based on product features and whether these features provide the benefits that customers seek. Because "attitude makes one a mood: to like or dislike an object, to approach or move away from it," One's approach has a large impact on his stage. The other factor which influences the evaluation process is the level of participation. For instance, if level of participation of a customer is very high, they will highly likely evaluate multiple brands and if the customer's participation is low then most likely they will evaluate a single brand (Bunn, 1993).

2.5.1.4 Purchase decision

From the list of alternatives previously drawn, the consumer will select the best possible alternative and at this time will make the actual purchase decision. The purchase decision will be dependent on the criteria previously mentioned such as the perceived value of the product plus the objective characteristics (Marie Schulz, 2015). It is to be remembered that the final decision in some cases may be affected by other extraneous variables such as his or her shopping experience, a particular discount or promotion for a product or service among other things.

In stage the customer moves to his final decision, the customer collects all the information which consists of all the facts and figures, existing customer's reviews etc. The Customer comes to a conclusion with a logical solution about the product or the service which they are about to purchase, if the brand has done the job effectively the customer will move towards your product which will seem best option for him and will purchase it (Talwar, 2015).

For instance: A customer is interested in a brown leathered long shoe which happen to be on a sale of 15% he places an order online after confirming that the leather is 100% pure and also reading online reviews on different websites.

This is the fourth stage of the purchasing process. According to (Talwar, 2015), two factors and effect the decision of a customer's final decision of purchase, a negative review on the website and feedback from a friend.

For instance, after the three stages discussed above the customer intends to purchase a product for example a DSLR Camera of a company Nikon, he shares his intentions to a close friend which happens to be a professional photographer. The friend who has already purchased the product is unhappy with the camera and its battery performance and he share the negative feedback about the product, the person who was about to purchase the product immediately changes his mind about purchasing and decides not to purchase that product. The second factor can be an event such as a loss of a business, or the closure of the retail store.

2.5.1.5 Post purchase behavior

After buying the product and using it, consumers will assess whether the gap identified in the problem recognition stage has been filled or not. Here he will determine whether or not he made the right choice (Power et al., 2019). If the consumer is satisfied or delighted after purchase, that means his needs have been fulfilled and he made the right choice. Consequently, he will feel a sense of dissatisfaction if the product fails to live up to expectations.

In purchase Decision making process both customer and the brand is involved and are equally participants, trying to qualify as a seller is very important asking yourself few questions for instance:

- Does the buying meet the needs analyzed by the customer?
- Are customers happy with their purchases?
- How do you continue to engage with this customer?

Keeping in mind that it's the responsibility of the brand to ensure that the customers are happy with the product and have positive feedback. Additional purchases by customers can be made if the brand keeps in touch with them for example by follow-up email, sending them newsletter, providing discount coupons these are the strategies to make an effort by a brand in order to make customer make an additional purchase. It's a brands duty to make a customer happy and they have the positive reviews not to mention we live in an era where customers can write reviews about the product online which will be available to rest of the world and now in this era it is

more important to keep customers happy than ever. These stages are critical for retaining customers (Talwar, 2015).

Customers compare the product to their experience to determine whether or not they are satisfied with the product. A This influences future purchases of similar products from the same company, particularly during the information search and alternative evaluation phases. Customers who are loyal to a brand often speed up or skip the replacement phase of information search and evaluation entirely.

Customers, whether satisfied or not, spread positive or negative opinions about a product. Companies try to establish positive post-sales communication at this stage to encourage customers to buy.

2.5.2 Types of decision-making processes

For generations it has been studied that the purchase decision-making process is both art and science. The essential to marketing is to know what the customer wants and how it will influence the customer's decision to purchase our service or product as respect to other competitors (Han et al., 2015).

There are numerous thought processes that influence a simple purchase decision-making process. A buyer's purchasing decision may be emotional, impulsive, or well thought out and researched. Various purchase decision-making processes can be identified based on his observations (Han et al., 2015).

Customer involvement is crucial in making decisions. There are products that have high engagement and products that have low engagement. There is also consumer and industrial products. Because of the large investment in industrial products, their participation is generally higher than that of commercial products. We have previously explained the steps involved in purchase decision-making when a consumer plans to buy a product. There are however diverse types of purchase decision-making processes due to level of participation:

2.5.2.1 Nominal decision making

Nominal decision making takes place when a consumer plans or buys a product or service which requires a low degree of involvement (Singh et al., 2016). Low degree of involvement usually involves common products such as FMCG's so nominal

decision making will play a key part as our study is based on consumer behavior related to FMCG's. Although this is categorized as routine buying, still there is a significant possibility that other factors may influence the ultimate decision of the consumer.

Everyday decisions, such as purchasing soap or shampoo, occur in everyday life. In this case customers are more likely to stick with a single brand and purchase its product for a long period of time. The customer is highly unlikely to go for another brand because he wants to spend as little time as possible in making decisions daily. There are various amounts of factors that affect daily purchase decision-making, such as FMCG company advertisements. This is because routine items are brought in repeatedly. Once a company acquires such a customer, the same customer is likely to generate long-term profits.

The Nominal Group Technique (NGT) is a process in which involves the identification of the problem, developing solutions, and making decisions. It can be used for large groups that need to make fast decisions (like voting) but keeping in mind everyone's viewpoint (as opposed to traditional voting that only considers the largest group). The calculation method is unique. First, from every group each member briefly explains their position on the solution. Duplicate solutions are then removed from the entire solution list, and members rank solutions as first, second, third, fourth, and so on. Continue in the same order (Chua et al., 2009).

Some facilitators will encourage group members to share and discuss the reasons for their choices, identifying commonalities and multiple ideas and approaches. This variety enables the making of a combined idea (two or more ideas of a combination part) that generally looks better than the original idea.

In the basic approach numbers collected by each solution are summed up, and the solution with the top overall ranking (preferred by most) is chosen as the final decision. There are variations in how this approach is applied. Instead of being used as an alternative to decision voting, it can, for example, identify strengths and areas for improvement. Also, options do not always need to be ranked and can be more subjective (Guidi & Michienzi, 2021).

2.5.2.2 Limited decision making

In limited decision making, there is only a limited degree of external search and only a few alternatives are considered. The consumer may have set criteria and may

also have some experience with the product or service but may still be undecided regarding the final purchase decision. Social influence often plays a role in this type of decision making (Martin & Bush, 2000). These types of decisions are normally related with occasional buying items such as apparel, video games and things like such.

Buying a TV or a car will be a restricted purchase decision-making process. When purchasing such white goods, the investment is modest and not particularly costly. You also have some product knowledge because you watch a lot of TV and drive a lot. As a result, you will not spend much time purchasing these items. Today, the emergence of internet media is further assisting the constrained purchase decision-making process in which individuals know so much about items while sitting at home. The speed of restricted decisions is determined by the customer's experience, product knowledge, and the time it takes to make a decision (Stichter et al., 2019).

Donald approached the counter at her favorite burger joint. "I'll eat properly," he remarked, looking through the dollar menu. Tiny hamburgers, please, with kimchi, small fries, and Diet Coke. He paid for the food and returned to the corner booth. This is referred regarded as a regular decision since the buyer does not need to compare brands or models before purchasing (Stichter et al., 2019).

Donald set the tray down, sat in his recliner, and took a couple colorful brochures from his coat pocket. His eyes sparkled as He spread them around the table. After months of dealing with a broken notebook laptop, he saved enough amounts to purchase a brand new. The issue now is which of the new laptop he wants? According to (Singh et al., 2016) each laptop appears to be brighter and more exquisite than the previous. But Donald is familiar enough with computers to understand that appearances aren't everything. He will need to take some time to evaluating the capabilities of the various different laptops and assessing the edge and drawback of each.

To make a decision, it will blend its prior knowledge with the new information it has received. Donald's new laptop purchase is an example of a transaction requiring minimal decision making. Limited purchase decision-making is the process that customers undertake when purchasing a product that they are acquainted with but require additional information about which brand or model is best for their needs. Donald evaluates things and considers purchasing a computer more than an ordinary hamburger and fries, but less when purchasing a significant item like as a new home.

2.5.2.3 Extended decision making

Extended decision making involves a high degree of involvement and as a consequence, the purchase decision process is longer and also complex. Situations such as property purchase, car purchase and the lot require a high degree of involvement. We have seen previously how role models can influence purchase intentions of young executives regarding automobile buying (Reza & Valeecha, 2013). Also, a consumer may lack sufficient knowledge so information from others may also affect the buying decision (Martin & Bush, 2000).

This form of decision-making procedure is employed when the product requires a top level of participation and maybe a high top of investment. For example: purchasing a flat for a customer or, in industrial case, establishing a new production plant. In both circumstances, several people are engaged, and the choice is thorough since the customer wants the best outcome. There are hazards associated with such an endeavor, so make an informed decision (Bui et al., 2011).

2.5.3 Factors affecting purchase decision making process

Purchase Decision-making process has been scrutinized in many studies. Many internal factors to consumers such as motivation, perception have a bearing on the purchase decision-making process alongside many external variables such as social influences, trust on sources as well as the perceived risk of the decision (Valerio et al., 2019).

Social influence from our family, friends and other reference groups has a lot of influence in the choices we make and our key decisions. Being member of a group, the salience the group attaches to a particular subject also has a bearing on our decision making (Jordan et al., 2010). Our decisions also involve a degree of risk sometimes. No matter whether the product or service demands a high level of involvement or a low level of involvement, consumers want to eliminate the risk of the purchase. The trust and credibility we attach to our social influencers will then affect the final outcome of our decisions (Bhattacharyya & Bose, 2020).

Purchase Decision making sometimes requires complex information gathering and problem-solving skills. That requires some time and energy on the consumer's part. Hence the quality of the final decision that the consumer will make will also be

dependent on the attitude of the consumer prior to the decision. It was observed in a previous study that positive affect has the tendency to elicit efficient consumer response to problem solving and thus inducing more creative and innovative purchase decision making (Lewis, 2013).

Future decisions have more impact from past experience often. (Bui et al., 2011) stated that People's decisions in the past influence their choices in the future. It appears to follow that when a choice has a good outcome; a similar decision is often made by the people in the same given comparable conditions. Alternatively, people tend to not repeat their previous mistake which they made in the past. It is marvelous because future selections based on prior choices are not always great experiences. Highly successful tend not to make investment selections established on buried outcomes in the past and instead assess possibilities without regard for prior experience; this approach violates assumptions (Singh et al., 2016).

Purchase Decision making is often impacted by cognitive biases. Cognitive biases are thought trends based on investigation and generalizations that can lead to memory problems, false judgments, and incorrect logic (Talwar, 2015). Cognitive biases include, but are not limited to, belief bias, which is an overreliance on past knowledge in decision making; farsightedness, in which individuals invariably perceive an event as it occurs; and Persons A prefer to ignore information judged harmful due to omission bias, whereas people B observe what they anticipate due to confirmation bias.

Cognitive biases influence people's purchase decision-making by making them too reliant on or placing higher faith in foreseen consideration and past experiences, while dismissing information or consideration deemed dubious, beyond examining the insight into the complexity. Although this effect can sometimes lead to inadequate summary, cognitive biases allow individuals to make good decisions using heuristics (Talwar, 2015).

Furthermore, to prior experience and cognitive biases, higher commitment and sunken results, which are permanent expenses, can influence purchase decision making process. (Molleman et al., 2013) found that decisions that are by people are based on a rise in unjustified commitment, i.e., more time and money is spent by people, and more energy in making decisions they believe to be committed. Furthermore, when individuals feel answerable for the lost cost, time, money, and effort put into initiatives,

they are more likely to make riskier judgments in the future. As a result, personal perceptions of being "in grave danger" can occasionally impact purchase decision-making.

Purchase Decision making process may also be impacted by variation of different individuals. Cognitive capacity, age factor, (SES) Socio-economical level are the factors which are proven to have impact on purchase decision making process.

Purchase Decision-making has a substantial influence across age groups; that is, when cognitive function drops with age, purchase decision-making capacity may also lower. Moreover, older persons may have stronger certainty in their purchase decision-making abilities, which might make it difficult for them to apply methods. Finally, data supports the notion that elderly individuals prefer fewer options than younger people (Y. J. Song & Lee, 2020).

2.5.4 Social and reference groups' influence decision making

When worried about edifying or social ramifications of judgments, consumers focus attention on product or service attributes which pertinent to an understanding reality, relations with other people or desirable identity (Marie Schulz, 2015).

Consumers through this means alter the meaning of a brands and products and thus socially build its reality. Social and other groups basically affect the meaning attached to the product or service rather than the judgments of individuals and in this way manipulate the final decisions of people. In social effect settings, changes to the meaning conceivably grow as individuals to try to understand, identify themselves with the others, and act naturally (Cawley & Ruhm, 2021).

Through this influence, consumers try to align their decisions with what will be socially acceptable rather than exercise their own preferences. In order to make purchase decisions, buyers acquire information, expertise, and provisions by virtue of being exposed to social models.

2.5.5 Personal experience of social and reference groups and decision-making process

Previous work in this area has identified a relationship between personal experience and purchase decision-making process (Koech, 2020). Past experience is

always a useful guideline for future decisions. Naturally, a person would repeat the decision if it was rewarding in the past and will avoid those that were not rewarding. In many cases, consumers feel the energy that will be expended to come to a decision may not be worth it and hence rely on those experiences and heuristics.

For example, it was observed in an experiment that students who hung out with their peers and colleagues the night before a test achieved low grades and as a result their behavior was changed before the next test as their previous experience was not rewarding. In another study, it was observed that approximately 34% people in California believed that insurance against earthquake was useless and after the event, only 5% people had that opinion which indicates if past experience is not rewarding, the decisions that were made at that time will not be made in the future (Piekarz et al., 2017)

2.5.6 Word of Mouth's Influence on Decision making

Word of mouth plays an important role in decision making, it's impossible for human beings to survive alone, from the start of the time, Humans tend to share their thoughts, feelings and experiences with their friends and family to make their bond stronger and to form a relationship. The process of sharing connects people together and forms a trust among them, eventually the Word of Mouth (WOM) concept came up in the civilization. Word of mouth provides a comfort to consumers (Hossain, Kabir, & Rezvi, 2017)

First ever Word of mouth (WOM) was defined by Ardnt in 1967, as he stated that Word of mouth is an exchange of information among people, one person sends the information verbal about a product or a service on a non-commercial way (Zhenquan & Xueyin). Word of mouth concept have tremendously increased in last three decades, with the use of internet which provides a massive online platform to share the reviews after purchasing a product, it has become a trend to share experiences after buying a product and there are hundreds of people especially for this expertise on the internet to help out other possible consumers.

The review of a customer of a product or a service is called Word of mouth (WOM) it can either be a positive statement or a negative. Word of mouth can also be explained as the distribution of the information; Word of mouth plays an important role for possible consumer about a product or a service. WOM can certainly change a

customer's mind for the decision to purchase a product a service (Hennig-Thurau & Gremler, 2004).

Example: David who currently owns an android with a pen and loves the phones with stylus and pens is thinking to switch from android to apple after receiving a handsome amount of bonus from his organization where he works at, His decision to switch from android to apple was evolving through his mind months ago, being a technology enthusiast, he shares his thoughts with his college Parker who is also interested in technology. Parker who already purchased apple cellphone few months ago have an experience using both android and apple so David tells parker about his intentions.

Parker shows his Reviews that what limitations and setbacks did he went through from switching from android to apple, in details he shares that there is set of application that he can't access, rooting of the cellphone isn't an option due to security of apple, no headphone jack, no stylus or Pens details and more options for settings, Replacements for launchers, tons of customizable themes, USB C etc. and many other things which parker was missing in an apple phone.

David after listening to his college thinks about all of this information and thinks about how much he loves to use S-pen on his phone during presentations lectures and other things it really influences him to not to switch, rather upgrade his current android to a new Android. This here is an example of Negative Word of mouth (WOM).

2.6 FMCG industry in Pakistan

Many people and other experts believe the FMCG sector of Pakistan to be a safe haven. The sector has grown despite many political uncertainties and civil unrest in the country. Due to increases in middle class income and massive urbanization, the FMCG sector has grown both in terms of margins as well as volume.

After India, the Pakistan market is considered to be the fastest growing in South Asia. With the introduction of modern trades such as hyper star and Metro, the FMCG sector has received a massive boost. There are many big players in the market such as Unilever, Nestle, and Engro Foods among others. Companies venturing in this sector in Pakistan have witnessed exorbitant growth in terms of turnover. Unilever alone had a growth of 180% from 2007 to 2011(Maljugić et al., 2022).

Pakistan is one of the biggest growing marketplaces in Asia and it has a tremendous impact in segment of fast-moving consumer good (FMCG). The top of the list FMCG companies are Nestlé, Procter & Gamble and Unilever & Engro foods etc. These companies made a huge impact and the sales growth from the year 2014 to 2016 was around 17.8% of the global revenue. (Fahad & Ali, 2020)

The FMCG sector in Pakistan possesses all the ingredients for sustainable growth. By benchmarking consumer size as a criterion, at present Pakistan is the 6th largest market in the whole world and the percentage of consumers in the independent disposable income category keep increasing.

Nestle Pakistan due to its diversified portfolio is currently the market leader in the consumer goods section in Pakistan and contributed more than 60% in industry sales. By and large, the industry has kept its cost of promotion, distribution and other similar costs close to 1QCY14 as an extent of the business top line; it remains at 15 percent against 15.3 percent in 1QCY14.

As of now, the industry is diminishing its leverage due to which the finance expenses have decreased for the industry. Before the end of 1QCY15, financial expenses as a rate of the industry's stop line remained at 1.7 percent, as against 2.3 percent for 1QCY14.

Pakistan ranks 2nd biggest growing country in South Asia, FMCG industry of Pakistan is the top evolving industry, even though current economic condition of Pakistan is not stable FMCG industry still gradually increases the GDP of the country. It is seen that the consumer spending in FMCG market is expected to increase three times quickly. (Will Kenton, 2021)

Even in an unstable and politically and economically uncertain environment, companies are curious to use new products and have been experimenting for some time because people also tend to move from one brand or product to another (Raza et al., 2020). Local firms such as Engro Foods have diversified into new industries and have achieved significant growth against the likes of Nestle Pakistan in a very short period of time.

Engro alone has grabbed more than 50% of the market in the UHT milk area. This growth has been achieved by serving population in the remote and underserved areas and creating new market segments. Many new products introduced under this brand name now contribute more than half of its sales. Even in the face of large-scale

distribution issues, the company has still managed to keep hold of its market share in the face of this uncertainty.

Companies operating in this sector have and are still facing obstacles such as increased inflation, increase in taxes, and slow growth in remittances but even due to this conundrum, they have managed to increase the market growth rate as a whole and the prospects still look very bright for this sector.

2.6.1 FMCG's Sales & profit of Famous Companies of Pakistan

The Sales over last few years have frequently changed because of the pandemic situation of Covid-19 in Pakistan and it have really impacted on the shopping habits and retail experiences. Relatively while other sectors suffered with loss and financial instability, FMCG sector remained in the safe zone.

FMCG sector survived because of their products of daily needs of a consumer. Even are lockdowns and other kind of slowdowns for business terms, FMCG performed better than expected.

Well, take a look at following FMCG companies in Pakistan

- Nestlé Pakistan
- FrieslandCampina Engro Pakistan (Previously known as Engro Foods)

The following companies are the top FMCG Companies with vast varieties of products some of the products.

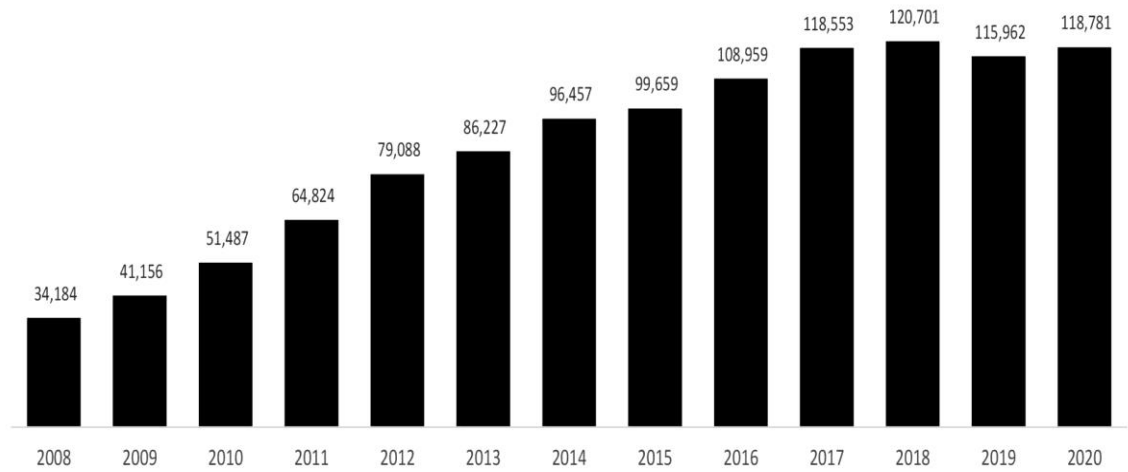
2.6.1.1 Sales & Profit of Nestlé Pakistan

Following are the turnover revenue and profit for FMCG companies listed above for last few years, the profit after tax and total sales are discussed below in the figures and are as following:

2.6.1.2 Sales of Nestlé Pakistan

The figure below shows the Annual turnover in Rs. Millions from year 2008 to 2020 for Nestle Pakistan

Sales at Nestle Pakistan
Annual net turnover, in rupees millions



Source: Company financials

Figure 2. 2 Nestle Sales in Pakistan

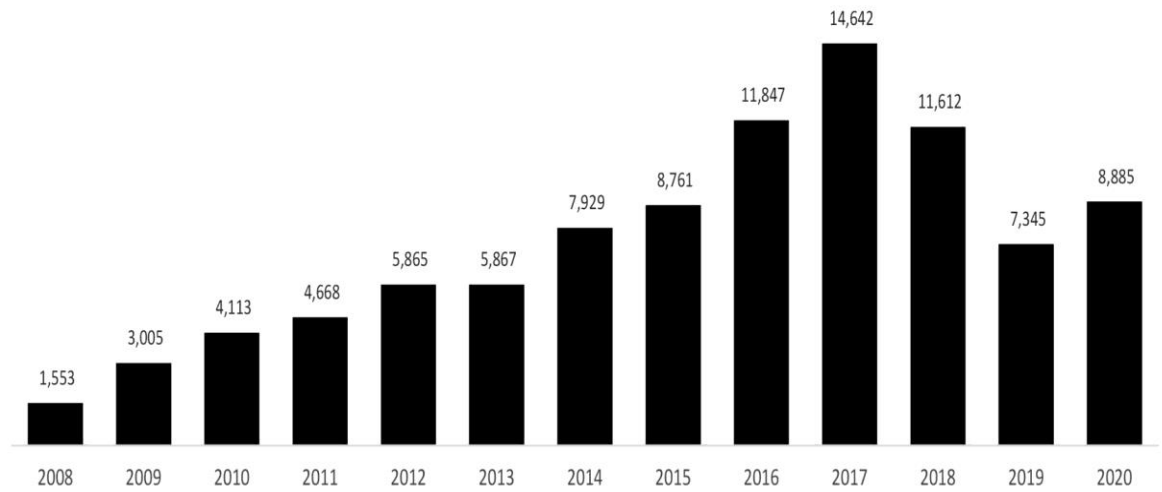
As seen in the figure above there is a slight change of annual sales for the total of 2.43%, the difference in amount for year 2019 and 2020 is Rs. 2819 million. Compared to years before 2019 the trend was shifting upwards at a great change. Moreover, highest sales seen are of year 2018 with an amount of Rs. 120,701 million.

Nestlé Pakistan recorded total revenue of Rs. 65800 million for the 1st half year of 2020 which is an increase of 12.7% as compared to last year's first half. (ptProfit, 2021)

2.6.1.3 Profit of Nestlé Pakistan

The figure below shows the Annual Net Income in Rs. Millions from year 2008 to 2020 for Nestle Pakistan

Profit at Nestle Pakistan
Annual net income, in rupees millions



Source: Company financials

Figure 2. 4 Nestle Profit in Pakistan

The trend of profit for Nestlé Pakistan shows a rise of 20.96% for year 2020, as seen in the figure above. The profit for year 2019 was Rs. 7345 million and it increased by an amount of Rs. 1540 million and the total value was Rs. 8885 million. As of year 2017, seen with a highest amount of Rs. 14,642 million. The profit after tax recorded at an amount of Rs. 5700 million as compared to its last year which was of Rs. 3876 million.

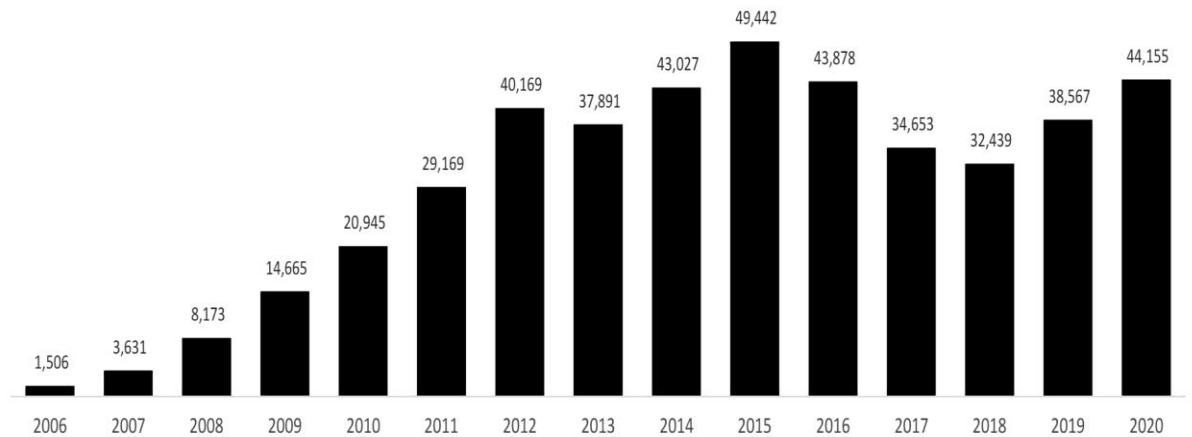
The Top FMCG product of Nestlé Pakistan is Nestlé Milkpak (butter) & (Milk), Nestle Fruita vitals (juice), Chilled Mocha, Nido (dry milk), Nestle Yogurt, Maggi (Noodles), Nestle Pure life (water) and various other products. (ptProfit, 2021)

2.6.1.4 Sales of FrieslandCampina Engro Pakistan

The figure below shows the Annual turnover in Rs. Millions from year 2006 to 2020 for FrieslandCampina Engro Pakistan

Sales at FrieslandCampina Engro Pakistan

Annual net turnover, in rupees millions



Source: Company financials

Figure 2. 6 FrieslandCampina Engro Pakistan

The Figure above shows a great change for the year between 2019 and 2020 for the amount of Rs. 5588 million which is 14.48% higher than the last year. Overall, the year 2015 was seen as the peak of Rs. 49442 million, if we compare 2020's amount to the peak year the difference isn't so big and it shows the tremendous increase of sales.

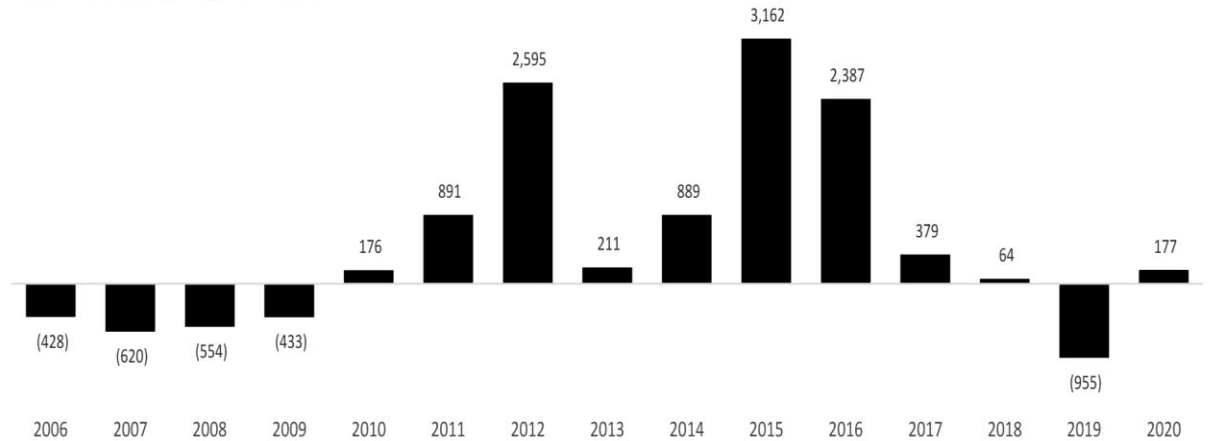
The 1st half of year 2020 recorded Rs. 24500 million as compared to its last year with the same period of time with an amount of Rs.20100 million. (ptProfit, 2021)

2.6.1.5 Sales & Profit of FrieslandCampina Engro Pakistan:

The figure below shows the Annual Net Income in Rs. Millions from year 2006 to 2020 for FrieslandCampina Engro Pakistan

Profit at FrieslandCampina Engro Pakistan

Annual net income, in rupees millions



Source: Company financials

Figure 2. 8 Profit at FrieslandCampina Engro Pakistan

The trend shift of FrieslandCampina Engro Pakistan has its ups and downs frequently but the above figure shows a huge change for last two years. The Profit for the 1st half of year 2020 recorded at Rs. 1400 million, as Compared to last year's 1st half which only Rs.292 million it is a huge shift of profit for FrieslandCampina Engro Pakistan. The top selling products of the Company are listed as Olper's flavored milk, Olper's Full cream, Olper's dry milk, Olper's Tea whitening powder etc. (ptProfit, 2021)

2.7 Theoretical reflections

This study will assist us in determining how a consumer's close social circle which consists of family and friends, peers and other colleagues influence the choices they make regarding numerous FMCG products in Islamabad. It has long been argued that in one way or another, consumers are susceptible to social influence in their respective decisions.

Through this study, with the intervening role of personal experience of those social groups, we will uncover how this theory is practiced in real life situations by observing the consumers in Islamabad and also uncovering their hidden responses through specially designed questionnaires to reflect their opinions and to measure as to how the theoretical inclination aligns with real time circumstances.

2.8 Literature gaps pertaining to the topic under study

It has long been discussed that people sometimes present a different image of themselves and change their decisions and choices and adopt a behavior that is socially rewarding (Sowden et al., 2018). Studies have been conducted in various societies with different variables and often involve high involvement products such as houses, automobiles and cell phones. Some researchers have also conducted studies regarding social influences in different settings such as how individuals make choices in public settings and what differences are there when those choices are made in a more private setting (Sharmin et al., 2019).

We intend to further this research by emphasizing the influence these social and the reference group has on the purchase decision-making process of the consumer for low involvement FMCG products as they often heed the advice of others during purchase situations.

Also, a significant amount of time has passed since any investigation has been conducted in this area, and owing to the new generation, the results today may not be on the same wavelength compared to the results of previous studies. Many scholars who have contributed in this area have mostly focused on the direct relationship amongst social and reference groups, peer groups, celebrities and role models and their impact on consumer purchase decision making process but the absence of a mediator or moderator variable which in some way affects this relationship has not been examined so a gap exists which we intend to fulfill by incorporating the personal experience of the groups to the products as a mediator variable through which we can explain the manipulation in the consumer purchase decision making process.

As explained before, certain studies have been conducted in this area with regards to high involvement products and not necessarily FMCG's. The social influence on purchase decision making process for cell phones of customers was measured between users of USA and China (Hollebeek et al., 2022). But so far, no light has been shed on this influence in our local market regarding low involvement commodities, so this provides a good opportunity to us to measure the attitudes and perceptions of consumers in this market.

2.9 Substantiating evidences from the literature

Although our study includes the intervening role of personal experience of those groups to affect purchase decision making process, previous studies which are a little similar to ours also cite regarding the impact those groups have on consumer's choices for various products and services. In our local market of Islamabad, a study observed the impact of these groups on young executives with respect to automobile buying (Reza & Valeecha, 2013).

Similarly, it was observed that when associations to a particular group are strong, it may alter consumer perceptions to change their choices and decisions to be more conforming (Fitzgerald et al., 2017). So, previous literature claims that there is a certain impact on consumers by social and reference groups.

2.10 Theoretical framework

Theoretical framework is a simplified model that provides us with a structure and justification for conducting the study and to investigate a specific research issue. It provides us with a foundation that supports our study and provides the readers with a rationale for the investigation of a specific research problem. It incorporates the variables in the study and their relationship with each other.

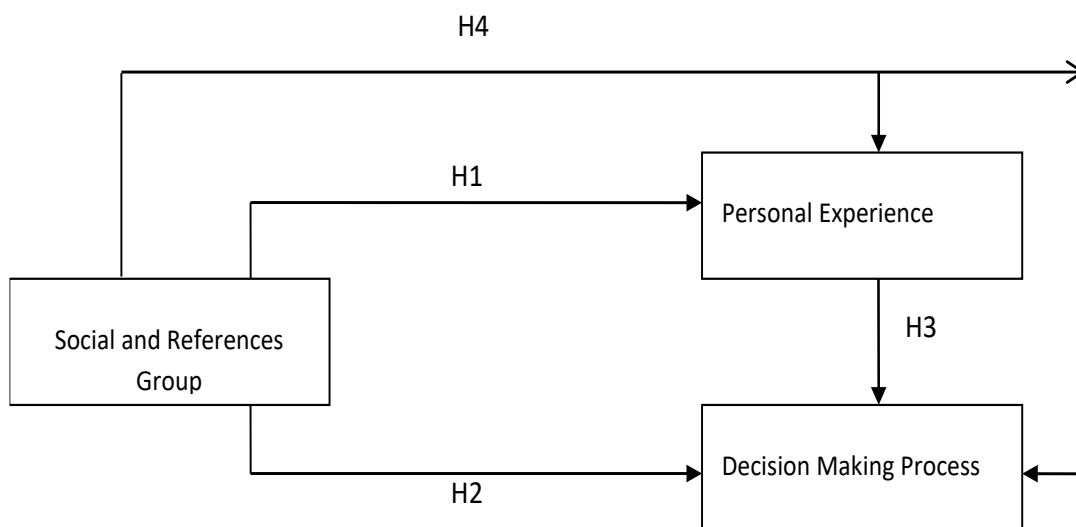


Figure 2. 10 Theoretical Framework

2.11 Proposed hypotheses

Following in the hypotheses were nominated for the research:

H1: Social and reference groups affect personal experience

H2: Social and reference groups positively impact the decision-making process of consumers

H3: Personal experience has a positive effect on the decision-making process of consumers

H4: Personal experience has played a mediating role among the relationship of social and reference groups and decision-making process

CHAPTER 3

3 RESEARCH METHODOLOGY

3.1 Research Strategy

Primary objective of our study was to explore how social and other reference groups through their personal experience affect the purchase decision-making process of consumers for FMCG products. To accomplish this, we have ensured that accurate and precise research techniques will be deployed for better understanding and evaluation of the research outcomes, Due to the nature of the topic, this will be quantitative research for collection of data and also for the development of appropriate hypotheses for fulfilling the research objectives (Malhorta& Birks, 2017) describe this investigation as a “participation in the use of structural questions in which the survey participants’ choices were pre-arranged and an extensive number of respondents are involved”.

Consequently, through this type of study, we can establish the links and relations between all the variables in our system. For us to collect data we have made use of the survey method and questionnaires have been circulated among the masses of Islamabad. Questionnaires are conveyed to every respondent and gathered once they have completed answering the questionnaires (Saunders et al., 2019). As stated by (Saunders et al., 2019), research objectives validate the requirement for sampling. In some rare situations, it is possible to gather information from every conceivable case. Nevertheless, in case of majority of research projects, there is no probability to gather and analyze the information from all conceivable cases because of constraints of access,

time and money. As a result, several sampling techniques empower us to reduce the amount of information and data by opting for sub-groups rather than select all cases.

“This procedure of selecting sub-groups or a portion of the largest population to manufacture the conclusion for the whole population is called sampling” (Zikmund, 2003) defines the human population as “any collection of entities that possess some common set of characteristics”. For the major part, it is practically unfeasible and impossible to study the whole population as it requires money, time and other things in a large excess (Saunders et al., 2019), therefore we depend on the sample of the population for data collection and generalization purposes. For the target audience, we have focused on consumers of FMCG products in Islamabad of all age groups and genders. For any probability sample, the sampling frame will be the aggregate listing of all the items in population from where we will draw the sample (Saunders et al., 2019).



Figure 3. 2 Research Plan

The current population of Islamabad is more than 1.8 million and data was collected from 245 respondents (300 questionnaires were floated out of which 55 were either incomplete or weren't responded to by the consumers and hence had not been included in the analysis) to generalize results. The sampling technique included utilizing a small number of parts or items of the total populace and making a

generalization about the whole population. So out of the total population of Islamabad, a small portion was selected as sample to draw a conclusion about the whole market.

There are numerous techniques for sampling but the main ones are “probability or representative sampling” and “non-probability or judgmental sampling” (Sowden et al., 2018). For our study, we have made use of convenience sampling which includes obtaining information and data from the respondents who are most easily accessible. The respondents are both males and females of all age groups.

The research instrument through which data has been collected from the respondents is “self-administered questionnaire” whereby the respondents give answers to specific questions. (Cahyati, 2015) Questionnaires are an effective way to gather data from a large number of respondents economically. For this study, the questionnaire has been adapted from (Martin & Bush, 2000). “Do role models have an impact on the teenager’s buying intentions and behavior?”.

The items in the questionnaire will provide limited options to the respondents from which to select and the chances of gaining the right information will thus be greater. Respondents have notified regarding the objective of the research and the questionnaire contains two parts; in the first part they will provide their basic general information and construct measurement will be done in the other part. For questions regarding general information of the respondents, the items were arranged in a multiple-choice format and for construct measurement; the questions were organized according to the Likert scale.

The respondents were given adequate time to complete the questionnaires with the specific goal to guarantee that respondents can comprehend and study the questions thus giving the right answer which eventually has enhanced the reliability and validity of the study. Although the sample selected constituted 300 respondents, due to errors in filling questionnaires by the customers, 55 questionnaires were declared void and hence were not included in the analysis. For this reason, the final analysis and findings were based on responses of 245 customers. The reliability of the items in the questionnaires was examined by applying Statistical Package for the Social Science (SPSS 20).

3.2 Research Design

Three categories of the study design (i.e.) qualitative, quantitative, and mixed method. Quantitatively study, collected detain numbers and reviewed according to the statistics. Qualitative study design, data collected into words and thematic analysis are used to achieve findings. In mixed design, data is gathered into numbers and words in order to achieve the results.

There are three subsequent paradigms of research (i.e.) positivism, interpretive and pragmatism. In positivism paradigm, theories were already tested in various perspective and researcher gathered data independent in quantitative formed for studies. In interpretive, researcher gathered data in form of theories and words according to available data. In pragmatism, mixed methods mean researcher collected data in form of numbers and words; it is the combination of positivism and interpretive. Current study is quantitative in approach and is followed by an empirical paradigm.

Study designs of hypothesis testing, type of research is causative and cross sectional. Three categories of research designs (i.e.) quantitative, qualitative and one mixed method. Participating in quantitative studies, the data are collected in numbers and examined according to the statistics. Qualitative investigation design, data are collected in letters and thematic analysis will be utilized to reach the conclusions.

In mixed design, data was collected in both words and numbers in order to achieve the results. These three are the research paradigms (i.e.) positivism, interpretive and pragmatism. The positivism paradigm, investigator continues to remain independent of studies, quantitatively data gathered, and used already defined theories in different context.

In interpretive, scientist is not a separate in the investigation, data collected in words and theories are established through using based data. In pragmatism, mixed with the method approach is being used where information is collected in words and numbers. This research is quantitative in nature and follows the positivism paradigm method. Study design of this research testing hypotheses, the kind of research is Exploratory and cross sectional (Uma Sekaran and Roger Bougie, 2016).

3.3 Instrument development

The tool used to collect data was a self-administered questionnaire that includes the close ended questions. A questionnaire had two parts. The Section-A contained of demographic data like gender, age, income and marital status and Section-B contained the questions enclosing of various items for measuring answers about the variables.

Table 3. 1 Measurement Instrument

Variable	Types of Variables	Source	No. of Items
Social and reference groups	Independent	(Martin & Bush, 2000)	10
Personal experience	Mediator	(Martin & Bush, 2000)	7
Decision making process	Dependent	(Martin & Bush, 2000)	8

3.4 Population and sample

Population of the study was customers of Islamabad. Sample sizes of the study involved customers of FMCG products in Islamabad. The sampling strategy employed for researches a useful sampling technique.

3.5 Unit of analysis

Business research have three categories of the unit analysis (i.e.) individual, a single group, and organization. Unit's analysis of the present research is based on individual analysis that includes FMCG customers in Islamabad.

3.6 Time horizon

Time horizon is in the sense of collecting cross sectional and longitudinal data. Data which is collected in specific point of time is called cross sectional data and those data which have been collected in various point of time is called longitudinal data.

This study follows cross sectional time horizon and according to this data has collected at one point of time with FMCG customers of Islamabad.

3.7 Pilot testing

Pilot study of fifty people surveyed was carried out by customers. Outcome of pilot test pointed out that all components of the instrument have been dependable with ($\alpha > 0.600$) with high degree of internal consistency for all variables (Nunnally, 1978).

Table 3. 2 Reliability Analysis

Variable Name	Items	Reliability
Social and reference groups	10	0.854
Personal experience	07	0.880
Decision making process	08	0.868

Nunnally (1978) claimed that value of alpha will be acceptable if its value above 0.60. Primary analysis of the survey questionnaires the pilot test conducted (N=50) to check the data reliability. Pilot table (Table 3.2) illustrates the findings of pilot test and provides evidence that the items in the instrument were reliable and can be used to gather data from the respondents.

3.8 Statistical tests used for data analysis

Data collected through the questionnaire were coded by SPSS version 20 and applied several of tests in order to analysis the data and to test the hypothesis. Firstly, to check the instrument reliability and internal consistency by using Cronbach's Alpha for the pilot testing and after that overall reliability for all the respondents also measured. Secondly, after collecting data and demographic characteristics about the sample was calculated. Thirdly, at the initial stage data descriptive statistics variable analysis have been calculated mean, standard deviation, skewness and kurtosis.

Fourthly, Pearson's correlation calculated between various variables for measuring the direction of the relationships under study. Fifthly, the direct hypotheses testing and simple or multiple linear regression analysis was used. Mediation analysis check through the Macro process was installed in SPSS and boot strapping method was used as recommended by (Hayes & Preacher, 2014). Model used to analyse overall, direct and indirect mediation impact. Moreover, mediation results the Sobel test applied in order to confirm the mediation results. This study was used following descriptive, correlation and regression analysis.

3.9 Ethical considerations

We make sure the respect and the integrity of all the respondents was upheld. It has been highly warranted to protect privacy of the study. Ensure the confidentiality of research information and also protect the anonymity of the individuals that participated. Participants were given in advance information regarding the purpose of the research and have given an assurance that their data would remain confidential. While communicating about the research a complete fairness and transparency has been maintained.

3.10 Data preparation

Data preparation is necessary because it can greatly improve the quality of results and also results in better management choices (Fuller et al., 2016). Data processing comprises many steps such as checking, coding, editing, transcribing and analysis.

3.11 Data checking

Data checking also facilitates early problem detection in the instrument so appropriate measures can be taken early on. It eventually results in accurate data collection from the respondents. The second step of data processing is data editing in order to increase the precision of the questionnaire (Bahorka et al., 2021). Data coding is done after data editing so that the converted variables using numbers can be fed into the software in the computer (Glazer, 2014). After that we proceed towards data

cleaning in order to check for any logical inconsistency, missing responses and extreme values so that only analysis is only done on the completed questionnaires

CHAPTER 4

4.RESULT AND ANALYSIS

The study measured impact of social and reference groups through personal experience on the purchase decision-making process of consumers of FMCG products in Islamabad. We found that a direct and indirect relation exists between the following variables and will also explain the percentage change in one variable due to another. Our results will also clarify the degree of direct change about the purchase decision-making process of the consumer and the degree of indirect change through personal experience as well

Table 4 .1 Demographic Analysis

Gender	Frequency	Percent	Valid Percent	Cumulative Percent
Male	126	51.4	51.4	51.4
Female	119	48.6	48.6	100.0
Total	245	100.0	100.0	
Age	Frequency	Percent	Valid Percent	Cumulative Percent
18-30	121	49.4	49.4	49.4
31-50	85	34.7	34.7	84.1
Over 50	39	15.9	15.9	100.0
Total	245	100.0	100.0	

Marital status	Frequency	Percent	Valid Percent	Cumulative Percent
Single	123	50.2	50.2	50.2
Married	122	49.8	49.8	100.0
Total	245	100.0	100.0	
Income	Frequency	Percent	Valid Percent	Cumulative Percent
less than 10,000	46	18.8	18.8	18.8
10,000-20,000	22	9.0	9.0	27.8
21,000-30,000	31	12.7	12.7	40.4
31,000-40,000	21	8.6	8.6	49.0
41,000-50,000	44	18.0	18.0	66.9
Over 50,000	81	33.1	33.1	100.0
Total	245	100.0	100.0	

Table 4.1 provides the frequencies of respondents according to numerous categories. Overall, data was gathered from 245 respondents from the customers of FMCG products in Islamabad and from the respective respondents, 126 were males and 119 were females.

Maximum respondents were in the 18-30 age group, 85 were in the 31-50 group and only 39 respondents were in the over 50 years' category. Out of the data collected from the respective customers, 123 respondents were single and 122 were married. With respect to income, maximum respondents constituted the over Rs. 50,000 categories followed by 41,000-50,000.

4.1 Reliability Analysis

First, we conducted a pilot study to assess how reliable the instrument was in gathering data from the respondents. Our pilot study indicated that our items in the instrument are internally consistent (the results of which are provided in table 4.2).

And so, an overall reliability study was conducted on the 245 responses and the results of the overall study are indicated below in table:

Table 4. 2 Reliability Analysis

Variable Name	Items	Reliability
Social and reference groups	10	0.77
Personal experience	07	0.73
Decision making process	08	0.70

As mentioned before, the reliability values for the overall study were also assessed through Cronbach's Coefficient Alpha. As Nunnally (1978) stated that the value of Cronbach's Alpha lies between 0 and 1 and if the value is above 0.60, it means the adequate internal consistency exists in the items and hence was used in the study.

4.2 Descriptive statistics

By using linear regression prior to testing direct hypotheses using linear regression, it is important that data normality is ensured. All variables have been calculated, and their descriptive statistical results are presented in the above table 4.3. The mean, standard deviation kurtosis and skewness calculated of the variables. Values for a social and reference groups for mean is (M=3.5073), for standard deviation is (S.D = 0.63668), for skewness is (S= -0.262) and for Kurtosis is (K= 0.276).

Similarly, for personal experience, mean value is (M= 3.6245), standard deviation is (S.D =0.65957), for Skewness is (S= -0.649) and for Kurtosis is (K=0.601). The values for decision making process for mean is (M=3.6224), for standard deviation is (S.D =0.62974), for Skewness is (S= -0.745) and for Kurtosis is (K=1.976). The descriptive statistics value of variables which confirmed the familiarity of the data value of skewness between -1 to +1 and of kurtosis -3 to +3

Table 4. 3 Descriptive statistics

Descriptive Statistics(N=245)						
	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
SRG	3.5073	.63668	-.262	.156	.276	.310
PE	3.6245	.65957	-.649	.156	.601	.310
DMP	3.6224	.62974	-.745	.156	1.976	.310

4.3 Correlation Analysis

The correlation analysis conducted to verify the directional relationship among the studied variables. The positive or negative sign of correlation signifies the direction of the relationship and value indicates the strength between relationships. The value of Pearson's Correlation ranges from -1 to +1 with -1 that indicates a perfect negative relation among the variables while +1 points out a perfect positive relationship and 0 indicates no relation exists. If the magnitude ranges from 0.2 to 0.3, we can say they have a weak relation, if it ranges from 0.4 to 0.6, we can say they have a moderate relation and if it goes above 0.6, we can say the variables have a strong relationship. For current study, Pearson's Correlation had been calculated and results are presented above table 4.4.

The correlation between social and reference groups and the resulting decision-making process is positive and significant ($r=0.48, p<0.01$). This means that there is a moderate relationship between both variables. The correlation between personal experience and social and reference groups is also positive and significant ($r=0.47, p<0.01$). We can state that a positive and moderate relation exists between these two variables. The correlation between personal experience and decision-making process

is positive and significant ($r=0.61$, $p<0.01$). A moderate relation exists among these two variables.

Table 4. 4 Correlation analysis

Correlations			
	SRG	PE	DMP
SRG	1		
PE	.47**	1	
DMP	.48**	.61**	1

** . Correlation is significant at the 0.01 level (2-tailed).

4.4 Linear regression

Linear Regression is applied on this study to test the direct hypothesis and the results are shown below in table 4.5. Hypothesis 1 suggested that the social and reference groups have a positive impact on personal experience. Findings of regression analysis show that 22.6% variation ($R^2=0.22$, $F=70.878$, $p<0.05$) in personal experiences due to the fact of social and reference groups. The F value indicates that the model fit for regression.

The coefficient value ($\beta=0.492$) points out that change in one unit of social and reference group, 0.492 units will change to personal experience. The outcomes show a significant impact ($t=8.419$, $P<0.05$) of social and reference groups on personal experience. Therefore hypothesis 1 is supported that social and reference groups and their personal experience have a positive relationship.

Hypothesis 2 suggested that that social and reference groups have a positive effect on the decision-making process. The findings of regression analysis show that 22.6% variation ($R^2=0.22$, $F=71.04$, $p<0.05$) in decision making process is there because of social and reference groups. The F value specifies that model is fit for regression. The coefficient value ($\beta=0.47$) signifies that with a unit change in social and reference group, 0.47 units will change in decision making process. Results suggest a considerable impact ($t=8.429$, $P<0.05$) of social and reference groups on decision making process. As a result, hypothesis 2 is supported that social and

reference groups positively influence the decision-making process of consumers for FMCG products.

Hypothesis 3 proposed that personal experience has a significant impact on the decision-making process. The regression analysis findings show that 37.8% variation ($R^2=0.378$, $F=147.472$, $p<0.05$) in decision making process is due to the fact of personal experience. The F value indicates that the model suited for regression. The coefficient value ($\beta=0.587$) makes it clear that one unit change in personal experience, 0.587 units will change to the decision-making process. Results indicate considerable impact ($t=12.144$, $P<0.05$) of personal experience on decision making process. As a result, hypothesis 3 is supported that personal experience of social and reference groups have a positive relationship with decision making process.

Table 4. 5 Regression Analysis

Hypotheses	IV	DV	R ²	F	Beta	t-statistic	Sig	Status
H1	SRG	PE	0.226	70.878	0.492	8.419	0.00	accepted
H2	SRG	DMP	0.226	71.04	0.47	8.429	0.00	accepted
H3	PE	DMP	0.378	147.472	0.587	12.144	0.00	accepted

4.5 Hayes and Preacher boot strapping method

1. No. of bootstrap samples for bias corrected bootstrap confidence intervals: 1000

2. Level of confidence for all confidence intervals in output: 95.00

To evaluate indirect hypothesis, (i.e.) mediation, Hayes & Preacher (2014) Boot Strapping Method had used. The Macro Process installed in SPSS. Model 4 and used in order to check the overall, direct and indirect impact to measure mediation. The table 4.6 indicates the total direct and indirect results about Social and reference groups on decision making the process by personal experience. Results show that the total effect of social and reference groups and personal experience on decision making process is significant ($\beta=0.4704$, $t=8.428$, $p<0.05$, CI (0.36, 0.58)).

The outcomes of a direct impact have also been a significant ($\beta=0.23$, $t=4.26$, $P<0.05$, CI (0.12, 0.34)). This shows that social and reference groups have a direct impact on the decision-making process.

The result of the indirect impact indicates ($\beta=0.235$, CI (0.147, 0.351)) that the personal experience mediating relationship between social and reference groups and decision-making process. The Sobel test also provides support for the mediation results ($\beta=0.235$, $Z=6.137$, $p<0.05$). Based on the foregoing results, hypotheses 4 is being supported that personal experience partially mediates the relationship between social and reference groups and decision-making process.

Table 4 .6 Mediation Analysis

Hypothesis 4: Confidence intervals of total, direct and indirect effects of Social and reference groups on decision making process through personal experience.					
	Effect	SE	T	LLCI	ULCI
Total effect of X on Y	0.4704	0.05	8.428	0.36	0.58
Direct effect of X on Y	0.23	0.05	4.26	0.12	0.34
	Effect	Boot SE		LLCI	ULCI
Indirect effect of X on Y (Personal experience)	0.235	0.051		0.147	0.351
Normal theory tests for the indirect effect (Sobel test)	Effect	SE	Z	P	
	0.235	0.03	6.137	0.00	

CHAPTER 5

5.DISCUSSION AND CONCLUSION

5.1 Discussion

The primary objective of this research was to inspect and measure if any influence is exerted by social and reference groups on the purchase decision-making process of consumers with respect to FMCG products and also to measure if only direct impact is observed or can it be through the personal experience of those groups as well. This was a causal study and we observed and examined that personal experience partially mediates the relationship between social and reference groups and purchase decision-making process of FMCG consumers in Islamabad and also direct effect of social and reference groups was also observed. It has been argued for some time and quite often, human beings are mindful of the preferences of others with which they have close social contact. Also, the first-hand experience those people have had in those particular situations increases the credibility attached to their point of views (Piekarz et al., 2017). Regardless of a person's age, significant role model influence has been reported previously for other product categories (Martin & Bush, 2000).

Social and reference groups and their personal experience for products and services play a key role in many purchase decision-making situations. In many cases, consumers often do not heed the advice of others thinking that other's point of view may not be objective or they may be biased with respect to certain products and services. But when people have found themselves in those situations, they are in a better position to guide others and learning from experience can occur. In this way, personal experience acts as a bridge through which others can make better choices. We also observed in our study that social and reference groups and their personal experience have a positive relationship as well.

People in many cases are stranded and lack knowledge and skills to make well informed decisions. In circumstances when consumers lack adequate skills and do not have the sufficient knowledge, their perceptions will be positive when others in their close social circle offer their point of views (Reza & Valeecha, 2013). Although people regularly and quite often consult others for major and high involvement decisions, we wanted to observe whether this influence is apparent in low involvement FMCG products as well. Our study supported the assumption that social and reference groups will have positive relationships with the purchase decision-making process of consumers for these low involvement products. (Marie Schulz, 2015) in his study of “reference group influence on consumer behavior” also validated these claims in how people of different age groups are influenced others. Even when not dependent on others, some people often delay their purchasing decisions even for FMCG products as they review how others perceived those products and are more dependent on their evaluations. That’s why in many situations, early adopters may be the criteria and will automatically be the influencers for others’ purchase decisions.

Experience of other individuals and especially those of family members, close friends and colleagues manifests itself in many of the choices in our daily life. Those who have faced the decisions themselves firsthand are often considered by others to be more reliable for a purchase decision-making situation. Experiential decisions with respect to close social people are often used as a guideline to make many decisions (Molleman et al., 2013). We studied and solicited responses from the consumers of FMCG products of Islamabad about their perceptions of other’s personal experience as a guideline for different product choices. Our correlation analysis displayed almost a strong relationship between the two variables and also explained how much change is brought in the consumer purchase decision making because of personal experience.

This means that when individuals find themselves in a real-life situation, many of their product and brand choices will be made on based on the type of experience their close social circle had with the respective product and brand. If the product or brand surpassed expectations or even satisfied their wants, consumers will take that positive experience as a guideline for their own particular choices. Likewise, if their social peers did not find the experience particularly rewarding, consumers will not opt for the respective product or brand and will choose something else.

Although previous research has indicated how directly social and other close groups of consumers impact the purchase decision-making process, we wanted to

observe if the affect is also apparent through some other variable as well. For this purpose, we wanted to observe whether social and reference groups through their personal experience with the products have a bearing on the final decision of the consumers. Because direct experience of someone with a product or service lends more credibility and support to their views and opinions, we included personal experience of those groups in our study to examine if purchase decision making is influenced through this variable.

As our results in the in the (Hayes & Preacher, 2014) Boot Strapping method indicate, partial mediation was witnessed which indicates that apart from the direct influence exerted by social and reference groups, indirect effect through personal experience also impacts the purchase decision-making process of consumers for FMCG products. This explains how much importance individuals attach to the others and how in order to conform to others and reduce the element of risk in their decisions; they rely on others for their choices. Inadequate or incomplete information, expertise of others in special situations demand the involvement of others in order to make well informed decisions.

Quite often people make bad decisions and are forced to live with regret based on those wrong decisions. They feel that their decisions may not live up to the expectations. Because we live in an uncertain environment, our decisions no matter how planned can be subject to uncertainty which can affect our satisfaction levels (Chua et al., 2009). Many of the findings of our study are in congruence to the studies of other authors and researchers even though they had been conducted in other societies and for different product categories.

People almost always consult with others regarding their problems and normally their behaviors are a subject of the opinions and preferences of others (Martin & Bush, 2000). People regardless of their age groups or gender are susceptible to social influence. This means, many of our assumptions and results are on the same wavelength with other researchers who have conducted studies in similar areas. People also do this in order to keep up their group identity and to identify themselves with others. Many of the people part of our social groups are the benchmark with which we compare ourselves so when confronted with a purchase decision-making situation, many consumers often make the choices made by those “benchmark groups” in order to avoid making a wrong decision.

Collective wisdom is often necessary to prevent bias in purchase decision making situations. Often a person has a pre-determined outcome in his or her mind and their stance may not change even after being presented with reasonable facts and figures. In times like this, it pays to have someone who possesses knowledge and skills regarding the situation and to eliminate the bias element from the purchase decision-making process and to reduce the tilt from one side. This subsequently provides the consumers with better choices and ultimately assists them in making better decisions.

5.2 Conclusion

Based on the conclusions of our analysis, we concluded that the social and reference groups of FMCG consumers impact their purchase decision-making process for various products and brands. Personal Experience plays an important role in purchase decision making process, apart from the direct impact, impact on the purchase decision-making process was also reported indirectly through the personal experience of those social and reference groups with the products as well. With respect to our local Pakistan market, this research been confirmed by the effect of social and reference groups on purchase decision making

The study found a direct positive relationship between social and reference groups and customer purchase decision-making processes, as well as a partial mediating role for personal experience in those groups on customer purchase decision-making processes. This shows that no matter how much the degree of involvement with the product, social influence manifests itself in many purchasing situations. People feel that decisions made with the help of others tend to be better because even if we are tilted towards one side when the facts suggest otherwise, people who are part of our social groups may provide a more objective assessment of the situation and assist us in making the right choice.

Word of mouth also does strongly affect with Purchase Decision making, With the use of the internet, which provides a massive online platform to share reviews after purchasing a product, it has become a trend to share experiences after purchasing a product, and there are hundreds of people specifically for this expertise on the internet to help out other possible consumers. Also, in almost all situations, consumers are bounded rational and cannot process vast amounts of information to make the optimal decision. In such situations, people often seek the help of others like family members

or close friends to help them in the making better and more informed decisions. When our close social people make certain choices, their perceptions and experiences influence us in our choices and decisions.

Although previous studies have also supported our assumptions and also explained how experiential learning influences our decisions, no other study has incorporated that experience in the form of an intervening variable that explains the indirect impact on the purchase decision-making process of consumers. While only partial mediation was observed, we concluded that impact on purchase decision making process for FMCG products occurs both directly and also indirectly through the personal experience of social and reference groups.

Also, low involvement products have not been the subject of much research so our findings can be generalized for this product category and for this market as well. It can be used by marketing managers to influence different categories of customers in order to achieve their business objectives, and it is added to the theory of how personal experience of those groups plays an intervening role between social and reference groups and the purchase decision-making process of FMCG customers.

Through analysis of our results, we can deduce that customers of FMCG products in Islamabad are influenced by their friends and family members and others in their close social groups. Even though purchasing power in Islamabad is better than most cities and FMCG products are considered for nominal decision making which do not involve substantial effort and information search on part of the consumer, still they tend to make choices that have been beneficial for other in their groups.

5.3 Managerial implications

Managers and other decision makers can make use of this research to make better decisions. Using this research as a reference and guideline, they can change the marketing mix elements to appeal to a greater number of consumers. Managers now have increased awareness levels and know how important social groups; role models and celebrities are in influencing consumers in purchasing decisions.

This can be translated in changes in mass and interpersonal marketing and communication, changes in product shape, size, labeling and packaging. When managers know how people are influenced by their close social circle, they can appeal to those people in order to bring about indirect change in the target audience. Often

consumers may not understand the meaning or value of a brand but often with the help and knowledge of their social circle, they can increase their awareness and thus through “word of mouth” or “buzz marketing”, they can convince others in their social circle to opt for certain FMCG products and brands.

5.4 Theoretical implications

With respect to our local Pakistan market, this research been confirmed by the effect of social and reference groups on purchase decision making. Previously in one study, it was observed how these groups influence “automobile buying decisions for young executives” (Reza & Valeecha, 2013). Although automobiles are high involvement products and demand a greater degree of information search and alternative evaluation, our study results also followed similar patterns and showed how FMCG consumers are also influenced by social groups and how they align their choices with the preferences of their close social circle. We also incorporated the personal experience of those groups as to how change in purchase decision making can be brought through it. Not a lot has been studied in our local market but the results of our study are similar to those in other societies and for other product categories as well.

5.5 Limitations and future research

This research can provide a new path and direction to the already existing literature as it provides us insight into how decision making is influenced and how personal experience acts as a mediator between the social and reference groups and the purchase decision-making process of consumers but like other studies, the research has some limitations which are mentioned below:

- The data were collected at one point in time, future researchers can conduct the study and gather data at different points in time
- Time frame was a limitation as we were required to conduct the study in only four months
- Sample size can be increased in order to increase generalization of the research results

- Data was only collected from FMCG consumers of Islamabad, so in future researchers hoping to build on this study can collect data from other cities as well.
- Although previous researchers have not included a mediating variable, apart from personal experience, other variables can also be considered for a study.
- Other probability sampling techniques can be applied to increase generalization of results.

5.6 Recommendations

This research has uncovered the partial mediated relationship of personal experience between social and reference groups and consumer's purchase decision-making process apart from the direct impact. For major and high involvement decisions, social influence is quite prominent and word of mouth also plays an important role but decision makers in these field and other marketers and manager as well can use this information to change their business and communication strategies which can be beneficial for all the parties.

Furthermore, based on the outcome of this study, we recommend academics and others future researchers to incorporate other mediating or moderating variables to contribute to the theory in this field so that the society on the whole can be well off.

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APPENDIX 1

Questionnaire

****The privacy and anonymity of the respondents have been ensured for this study and results will be shared upon their request****

Section A: General Information

INSTRUCTION: Please read each question carefully and provide the correct information by placing a TICK (✓) in the boxes provided.

Demographic Profile

Q1. Gender

Male Female

Q2. Age

18-30 years old 31-50 years old Over 50 years old

Q3. Marital status

Single Married

Q4. Income

Less than Rs. 10,000 Rs. 10,000 – 20,000 Rs. 21,000 – 30,000

Rs. 31,000 – 40,000 Rs. 41,000 – 50,000 over Rs. 50,000

Constructs	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Personal Experience					
I alter my choice of brand after listening to my friend’s advice					
If I had a bad history with the brand recommended by my friends, I deny their recommendation and go for my own choice					

I recommend those brands to my friends which I have successfully used in the past					
Social and reference group's prior experience with the products/brands impact my information search					
Product experience of social and reference groups helps in purchase of product					
Personal experience of social and reference groups eases the decision-making process for FMCG products purchase					
Post-purchase behavior of my social and reference groups impacts my future purchases for FMCG products					
Decision Making Process					
When I make decisions, I tend to rely on my instinct					
I rarely make major decisions without consulting others					
When I decide, it's more important for me to feel like the decision is backed by rational justification					
I check again my information sources to make sure you I have the right facts before making decisions					
I like to have someone to guide me in the right direction when I am making an important decision					

When making a decision, I consider various sources of information for product and brand search					
I avoid making important decisions unless I have consulted with my social circle					
If I have the endorsement of my social and reference groups, it is easier for me to make purchase decisions					

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