ABSTRACT

Objective – To increase firm performance, the stakeholders have been striving and working hard to achieve company goals. Prior research on entrepreneurship theories and influencing factors have been abundant especially in the sensemaking of the current dynamic environment and disruptive innovations. Social conformity is an act of following the majority in order to be liked, to be accepted or due to the group pressure. The literatures on social conformity mostly are in journals of psychology and very limited number of these journals are in the field of entrepreneurship.

Methodology/Technique – This paper aims to examine the effects of social conformity hereinafter refer to purchase conformity and the factors influencing the purchase conformity to boost sales rate, namely social status, social influence, social ties and social comparison using the mixed-method methodology on 86 adult respondents located in Jakarta.

Findings – The result shows that the social comparison has the biggest influence compared to social influence and social ties. Conformity in a deeper sense can benefit the company by predicting the future trend of the majority.

Novelty – The ability to predict or even create the majority trend before the trend hits will boost the sales rate and give more competitive advantages to the company. Future research should address the individual psychological factors and the strategies of the firm to increase purchase conformity.

Type of Paper: Empirical

Keywords: Social Conformity; Social Ties; Social Comparison; Social Status; Purchase Conformity


JEL Classification: M31, M21.

1. Introduction

With the massive technology development, people are getting more exposed to information especially those who are socially active. Nowadays, people cannot live without internet and people can do almost everything with the touch of their thumbs, which will make them more and more dependent to electronic devices (Afonasova, Panfilova, Galichkina, & Ślusarczyk, 2019; Dawson & Kim, 2009; Park, Kim, Funches, & Foxx, 2012).
The constant interaction with the social media has changed the way people act and respond to the information they receive, and slowly but surely affect their way of thinking. Recent new job titles such as selebgrams and youtubers are examples of people who take advantage of social media to gain profit known as digital influencers (Chen & Lu, 2015; Joireman & Durante, 2016; Kurniasih, 2019; Warner-Søderholm et al., 2018). Not only through social media, the way people interact with one another in daily lives has given effects on how people do things. Some of them will follow what others do due to many reasons and some of them will not because they choose to be unique. They are called conformists and non-conformists respectively (Durand, Hawn, & Ioannou, 2019; Katrishen, 1994; Lazzaro et al., 2019; Wang, Yu, & Wei, 2012).

Conformity happens when one responses to the information around him by matching the group’s opinion. (Beran, Drefs, Kaba, Al Baz, & Al Harbi, 2015). The study of Conformity has gone a very long way beginning in 1935, M Sherif studied cases of individual differences in response to social environment where each individual has different ways of perceiving social situations due to own personal habits. These variations of perceiving, thinking and acting in response to norms have left the norm considered stupid and contradictory to common sense. This research is the start on the journey of studying human behavior that changes due to social situations.

Solomon E. Asch, (1955) proved that people still conform to the majority even though they know the majority is wrong. He then concluded three reasons why people conformed to wrong answers, namely Distortion of Perception, Distortion of Judgement and Distortion of Action. In 1956, Asch tested the power of majority against minority, where freedom and resistance are against conformity. He related this tendency to group passion and social pressure, by classifying the conformity groups into two, first normative conformity, the act of conforming to avoid conflict and informational conformity, the act of conformity after being informed on proper views.

In 1999, Levine examined Asch’s four ideas to understand social influence in groups and replicated by using no confederates and reported that the minority women participants conformed to the majority, minority men did not. With so many debates on conformity the latest research by Wu, Luo, and Feng (2016) and Sowden et al. (2018) employed a coordinate-based meta-analysis to test social conformity and concluded that group opinions do not only influence people’s overt behaviors but also result in altered valuation, which contribute to agreement and acceptance.

Beran, (2015) examined the negative side effects of conformity in the fields of medical education and found that conformity lower the students’ achievement as they are uniformed to study in groups and deal with challenges together instead of a peer achievement. This will prevent any outstanding performance among the students as they want to stay in positive affiliation.

2. Literature Review

In life, social influence happens constantly and continuously and has impacted our lives. Whatever we do, especially right now during the era of internet where we are exposed to unlimited information everywhere, just by having an electronic device in our hand, the world is open for us to explore. This fact reminded us on how important it is to understand the social influence. A research on how majority influences the passive minority done by Latané and Wolf (1981), used the Social Impact Theory to view social influence as forces emanating from either the majority or minority based on their strengths, time span and the group size. Bohner (2014) examined the normative influence and informational influence in the sense of distinction and found that the research on informational influence has been so far neglected due to the frequency of normative influence where individual try to avoid conflict and choose to follow the majority in the group. Being normative has been considered as the consequences of an individual to be in the group, so they have to follow the group norm, except if they choose to be not in the group. This research described the meaning of normative and informational influence as nothing but two surface factors, among many others. The
distinction lies on the evidence on how the individuals respond to group norms (Miles 2012, Ansari, Fiss, and Zajac 2010, Zhang, Wang, and Zhou 2019, Zhang, Wang, and Zhou 2019).

Conformity involves a change in public behavior. Attitude change involves a change in internal perceptions or private beliefs. Being influenced by common norms, conformity and attitude also affect each other. In short, behavior (conformity or non-conformity) may affect internal states (attitudes), and internal states (attitudes) may affect behavior (conformity or non-conformity) (Montgomery, 2011). The social conformity has lots of influencing factors and as years pass, more and more information regarding the factors of conformity that are revealed. The previous studies show that the social status holds a very important role as to reflect how intense the interaction of the individual to the social world around them online and offline (Baer, 2010; Gommans, Sandstrom, Stevens, ter Bogt, & Cillessen, 2017; Prato, Kypraios, Ertug, & Lee, 2019; Y. Zhang et al., 2019; Zimmerman, 2010).

H1: Social Status has positive influence on Social Influence.

H2: Social Status has positive influence on Social Comparison.

Another research by (Boh, Wai Fong; Wong, 2005) to examine the effects of social influence on external knowledge sharing by integrating the social influence theory and the theory of reasoned action (TRA) with two units, namely one’s unit manager and unit co-workers influence the perceived norms, attitudes and behaviors related to external knowledge sharing, which we define as knowledge sharing outside of one’s work unit. They conducted two surveys, a managerial survey and an employee survey, and concluded that individuals’ perceived norms, attitudes, and behaviors relating to external knowledge sharing are shaped by the behaviors of important referents.

Javarone (2014) studied the effects of social influence in opinion dynamics between the conformists and non-conformists as agents. Results show that the amount of nonconformist agents in the population plays a central role in these dynamics. Conformist agents play as stabilizers in fully-connected networks. Over time, conformists can become nonconformists and vice versa. Social Influence has proven over period of time and research to affect how people conform to conduct a purchase of an item (Kim, Forsythe, Gu, & Moon, 2002; Reis, Sprecher, & Fingerman, 2013; Santibáñez, 2017).

H3: Social Influence has positive influence on Purchase Conformity.

Individuals change their behaviors in the direction of the social norm even when their identities stay hidden due to social comparison and. Individuals conform to the choice of the group once identities and choices of group members are revealed (Zafar, 2011). The present analysis suggests that whenever a majority and a minority are at the same level of strength, the majority will have greater impact than the minority. With no constraints, the interaction between the majority and minority will remain on the majority side of the issue, with exception of no minority position, which would be more extreme (Latané & Wolf, 1981). Social presence as social pressures could exert influence in face-to-face events (Beran et al., 2015). When people are being compared to peers or they compare themselves to their peers, their groups or their surroundings, their behaviors tend to change and they conform to their surroundings by following the choice of others (Afonasova et al., 2019; Chen & Lu, 2015; Goethals & Darley, 1987; Levine, 1983; Zafar, 2011).

H4: Social Comparison has positive influence on Purchase Conformity.

Social Ties are considered in two categories, strong ties (the relationship between very close people, family or friends) and weak ties (relationship with acquaintances) within informal connection. The weak tie is thought to be more information revealing than the strong tie (Tümen, 2017) and collectively useful (Gee, Jones, Fariss, Burke, & Fowler, 2017). The previous studies have shown that social ties hold a vital role in changing individual’s opinion (Brashears & Quintane, 2018; Davoudi & Chatterjee, 2018; Ellis, 2010; Gee et al., 2017; Tümen, 2017; Wirtz, Orsingher, & Cho, 2019; Zafar, 2011) and this tendency can be used and can be beneficial in delivering purchase conformity.

H5: Social Ties have positive influence on Purchase Conformity.
The relationships of all the variables are described by the research framework in figure 1. There are five hypotheses that are tested in this paper with the purchase conformity as the dependent variable. Social status and social ties are the independent variables.

3. Methodology

3.1 Sample

The sample included 87 people between the age of 24 - 55 chosen randomly. The criteria were adult people who are working and have fixed income. The total sample is represented by 21 male (24,1%) and 66 female (75,9%) respondents. The survey was done in Jakarta. The respondents are classified into three working categories: employees 46 respondents (52,9%), housewives who earn money from the husbands 26 respondents (29,8%) and self-employed 15 people (17,2%). There are three income levels with 49 respondents (56,3%) earn less than 120 million a year, 29 respondents (33,3%) earn 120 – 300 million a year and 9 respondents (10,32%) earn more than 300 million a year. These three categories are referred to as low, medium and high income for later description.

3.2 Procedure

This research used a mixed-method methodology, by first conducting a preliminary research through systematic literature review to draw hypotheses, then the writer will use quantitative analysis to test the hypotheses. The 87 respondents of the survey were chosen randomly, with no demographic control. This is done due to the fact that actually all people can make a purchase, especially in today’s digital world, the ease of loan funding, and credit companies. From 87 questionnaires only 86 are valid and used to test the hypothesis.

The quantitative result is the basis for qualitative method. The writer wrote interview questions based on the quantitative results, conducted interviews and confirmed the results while finding new variables in the process.

The writer will use Smart PLS to test five hypotheses. There are two sets of questions for the respondents, the first part is to test the relationship between the social conformity to the purchase making of individual preferences. The second part is done to question the number of credit cards and loans owned by the respondents. This section is needed to prove that the people´s level of consumption is getting higher and the existence of financial and funding services have changed the way people do purchase. The next section is
done in the scale of 100%, the respondent must give a number between 1 to 100 to the two factors given, social influence and individual preferences.

Results and findings

From the data processes through quantitative analysis using Smart PLS, the result shows the construct reliability and validity test result. All the indicators which are below 0.5 were omitted and not used in the next process. Figure 2 shows the result of all the valid indicators used in the hypothesis testing and summarized in table 1.

Figure 2. PLS Algorithm Test of Purchase Conformity Model

Table 1. Construct Reliability and Validity

<table>
<thead>
<tr>
<th>Variables</th>
<th>Cronbach’s Alpha</th>
<th>rho_A</th>
<th>Composite Reliability</th>
<th>Average Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Conformity</td>
<td>0.676</td>
<td>0.715</td>
<td>0.858</td>
<td>0.752</td>
</tr>
<tr>
<td>Social Comparison</td>
<td>0.546</td>
<td>0.546</td>
<td>0.815</td>
<td>0.688</td>
</tr>
<tr>
<td>Social Influence</td>
<td>0.746</td>
<td>0.746</td>
<td>0.887</td>
<td>0.797</td>
</tr>
<tr>
<td>Social Status</td>
<td>0.712</td>
<td>0.713</td>
<td>0.874</td>
<td>0.776</td>
</tr>
<tr>
<td>Social Ties</td>
<td>0.546</td>
<td>0.594</td>
<td>0.810</td>
<td>0.682</td>
</tr>
</tbody>
</table>

The result of the algorithm test result was then continued to bootstrapping result to test the strength of each relationships. Figure 3 shows the result of the bootstrapping result.
Figure 3. Bootstrapping Test of Purchase Conformity Model

From the result we can see that Social influence has no significant or very weak influence on Social Ties, and social comparison has the strongest influence on Purchase Conformity compared to Social Ties and Social Influence.

The hypotheses test result is as follow:

- H1: Social Status has positive influence on Social Influence (proven significant)
- H2: Social Status has positive influence on Social Comparison (proven significant)
- H3: Social Influence has positive influence on Purchase Conformity (proven significant)
- H4: Social Comparison has positive influence on Purchase Conformity (proven significant)
- H5: Social Ties have positive influence on Purchase Conformity (proven significant)

And to relate how financial company influences the purchase conformity, a short interview was made with the respondents with the following results:

Table 1. Number of Credit Cards and Loans / Installments owned by the respondents

<table>
<thead>
<tr>
<th>Questions</th>
<th>0</th>
<th>1</th>
<th>2-5</th>
<th>&gt;5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Credit Cards</td>
<td>51</td>
<td>23</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>Number of recent loans</td>
<td>42</td>
<td>22</td>
<td>20</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 1 shows that there are 49% of the respondents own one or more credit cards with 58% of the respondents have one or more loans. The table indicates that the people nowadays are getting more consumptive. The customers take advantage of credit cards and loans from financial companies, more often without considering their abilities to pay for the installments, which will not be discussed in this paper.
Table 2. Percentage of Social Surrounding and Social Ties influence on Purchase Conformity

<table>
<thead>
<tr>
<th>Questions</th>
<th>0</th>
<th>1 – 25</th>
<th>26 -50</th>
<th>51 - 75</th>
<th>76 - 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the scale of 100%, how far does the social surrounding influences your purchase conformity?</td>
<td>2</td>
<td>13</td>
<td>41</td>
<td>25</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>2%</td>
<td>15%</td>
<td>48%</td>
<td>29%</td>
<td>5%</td>
</tr>
<tr>
<td>In the scale of 100%, how far does the social tie influences your purchase conformity?</td>
<td>2</td>
<td>8</td>
<td>44</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>2%</td>
<td>9%</td>
<td>52%</td>
<td>20%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Table 2 revealed the facts that the influences of our social surrounding and social ties are getting massive nowadays. This finding matches several independent reports from private reputable consumer trend watch institutions stating that in 2020 and over, online reviews hold 17% percentage and experiences from friends and families hold 33% among other reasons. This finding is also completed by the summary that the biggest reason for people to buy a product is the experiences from family, friends or colleagues. The results are confirmed in Australia, France, Germany, Malaysia, Singapore, Mexico, United Kingdom and United States with only Spain has a different result (Qriously, 2020). Another report in 2019 posited that future costumers demand experiences not transactions, and the main reason of buying a product will not be the status brand, but the unique experience. These two independent reports on future consumer trend strengthen the finding of this paper.

Related to previous research, this paper has moved further and confirmed what have been studied before on the effects of social influence (Durand & Jourdan, 2012; Hagedoorn, 1996; Lee & Park, 2008; Zimmerman, 2010), social comparison (Bearden & Rose, 1990; Chen & Lu, 2015; Faith, Leone, & Allison, 1997; Latané & Wolf, 1981; Levine, 1983; Perloff, 2014; Zafar, 2011) and social ties (Brashears & Quintane, 2018; Davoudi & Chatterjee, 2018; Wirtz et al., 2019; Zafar, 2011; K. Z. K. Zhang & Benyoucef, 2016).

Thus, both tables show two findings. First, the level of consumption of people are getting higher. One person can own more than one credit card, which is primarily used to pay for daily activities. Table two shows that social surrounding and social ties have very significant influence on the way people purchase things. With this result, we cannot deny the fact that the social influence gives impact on people’s purchase conformity which affects the financial performance. Hence, the result shows that without social ties, the purchase conformity will heavily depend on social influence and social comparison.

Conclusions, implications and significance

From the results and findings, the writer posits that social conformity factors, namely social status, social influence, social ties and social comparison have very important roles in delivering purchase conformity but with different strengths. Social comparison has the biggest strength in purchase conformity while social ties have the weakest strength. This is an important issue that must be given consideration by the company. Thus, without superior sales performance, the firm performance cannot be increased. Social Conformity is a new tool which can be used by the company to look further into the market opportunities. Furthermore, the previous research on social conformity are mostly psychological and this paper gives a new perspective to the idea, which has never been investigated thoroughly before. This paper shows some conclusions. First, the firm must create a majority trend as a tool in social influence to influence individual preferences in making purchase conformity. Second, social influence, social ties and social comparison are the key factors to shift the non-conformity group to conformity group. Third, the firm should make use of supporting agents such as financial aid company and interesting package offerings to influence the non-conformity group to boost purchase rate. This result will have good implications to the entrepreneur world, as there has been very limited research done on social conformity in the theory of entrepreneurship.
References


