

Consumer decision on phones 6667

[Business](#), [Marketing](#)



Due to the speed of technological advances nowadays, it is increasing difficult for anyone to predict the marketing strategy for an electronic device. As for telephones today, they are becoming more and more sophisticated in both capabilities and application of these capabilities. A potential buyer is nevertheless confronted with decisions cordless or non-cordless, caller ID or no caller ID and so on. Well, by analyzing this market through an economist's point of view, the quality of product almost always grows directly according to price.

To analyze the 1999 phone market fully using the neoclassical approach, many factors would have to be discussed. As discussed in the Time article by Katie Hafner, *Everything but a Dial: Phone Choices*, telephone prices ranges are related to their capabilities. The amount of consumption of these various goods solely depends on the price and the utility that consumers receive from purchasing the product. When deciding to purchase a telephone, a consumer would most likely to separate telephone capabilities into different categories first and then choose from a selection of phones that best suit their needs (their utility). The amount of goods sold by a company would depend on the price of the phone and how it competes with other companies in the market. Therefore, in order to effectively market a new line of telephones, the capabilities of a telephone and its price must be taken into consideration. First, a research must be done on consumer preference and what population it would be served. Empirical data must show a significant number of demand for a specific capability before the production is run (ex. whether if there are enough couch potatoes in United States that desire a telephone which is integrated into a remote control for the television).

Second, the price of the new product must be competitive in the market. By comparing the new line of product to its competitors, the price should be set at a level that is weighted according to its unique functions. Henceforth, it is with these above factors in consideration that a company will be able to do business more successfully.

Since this is not a perfect world, consumers do not have perfect information about the products they have purchased. In addition, there are important issues that the neoclassic theory of consumer demand failed to address above. The neoclassic theory of consumer demand cannot predict the demand for new products and explain the theory of want creation through advertising and effective marketing. Therefore, I propose a new approach to the telephone marketing issue which will be more directly relevant to what is happening in the 1999 phone market. The Lancaster approach, which is also known as the Characteristic Theory, not only address the weaknesses of neoclassic theory but also introduces new concepts that will make marketing specific goods more practical. The characteristic theory has components that takes consumer s preference and consumer s view on the quality of the product. The marketing strategy, using the Lancaster approach, would consider the amounts of characteristics provided and a consumer s preference for that characteristic. This kind of pricing, or hedonic pricing, breaks down consumer demand by how much a consumer would be willing to pay for a unit of the characteristic (or capability). With all these new functions and abilities that telephones can come equipped with today, this kind of hedonic pricing is inevitable. Arm with this new approach, I believe, a better marketing tactics could be implemented.