

Consumers
understanding
towards planned
product obsolescence
marketing essay



The objective of our research was to determine the perception of consumers regarding planned product obsolescence that whether they know planned obsolescence is been adopted by a particular brand or not. After this we determine, still knowing that a product has planned obsolescence would they prefer to buy such a brand or will they switch towards another brand having more useful life or durability? For this purpose we had chosen product categories including computer, gaming consoles, cell phone and accessories, text books, garments and automobiles.

Automobiles are now partially seen as symbol of fashion and status that is why automobile manufacturers make use of it by introducing the same model of their cars with slight cosmetic changes every year through which the existing models of cars losses their durability psychologically. The objective of our research is to determine the perception of consumers regarding planned product obsolescence that whether they know planned obsolescence is been adopted by a particular brand or not. After this we would determine, still knowing that a product has planned obsolescence would they prefer to buy such a brand or will they switch towards another brand having more useful life or durability? For this purpose we have chosen product categories including computer, gaming consoles, cell phone and accessories, text books, garments and automobiles.

This section is related to all products whether hardware or software those are related to the computer category. Under this section we want to determine whenever new technology is introduced in terms of hardware or software, what is the preference of consumers would they buy such brands

that contain planned obsolescence or they prefer brands with more durable life.

Gaming consoles:

Since planned obsolescence is also practiced in gaming consoles in such a way that whenever firms launches a newer version of their console the games which then are developed for the newer version of consoles are not compatible with older version of consoles which forces consumers to buy the newer version of consoles.

Cell Phone:

Cell phone manufacturers also practice planned obsolescence because every time firms launches their models of cell phones with slight changes but those slight changes are highlighted in such a way that the effect is amplified and consumers perceive that changes made in new model of cell phone are really drastic.

Household Appliance:

Firms that manufacture household appliances also launch newer versions of their product with technological improvements and highlighting changes made in order to compel consumers to buy newer upgrades of their products.

Text books:

Text book publishers revise editions by slight changes and when course instructors follow the new edition the old edition users faced difficulty in following the information which increases the probability of buying new edition.

Garments:

Fashion changes more rapidly than anything else so the garment manufacturers take advantage of it and frequently introduces new range of out fits which are soon adopted by people and becomes a fashion.

Automobile:

Automobiles are now partially seen as symbol of fashion and status that is why automobile manufacturers make use of it by introducing the same model of their cars with slight cosmetic changes every year through which the existing models of cars losses their durability psychologically.

1. 2 Problem Statement:

To study the consumer's understanding towards planned product obsolescence and its effect on their brand preference.

1. 3 Hypothesis:

H1: Consumer brand preference is dependent on planned product obsolescence.

1. 4 Outline of the Study:

Organizations are widely practicing the strategy of frequent product upgrading so that it increases sales (Lu, Thompson & Tu, 2007).

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The degree to which the consumers favor planned product obsolescence will determine whether they prefer products with planned obsolescence or not (Levinthal & Purohit, 1989).

The study contains planned product obsolescence as an independent variable and brand preference as dependent variable.

Planned Product Obsolescence

Consumer Brand Preference

The study measured brand preference through the questionnaire in which it was asked from respondents that which product they would prefer whether products that has planned obsolescence with frequent upgrading or products having more durability. Their answer to the question determined whether they preferred the products possessing planned obsolescence as a strategy or not.

Total number of respondents was 250 for our research out of which 70% were male and 30% were female. In this study quota sampling technique was used to collect data from the respondents. The convenience sampling technique was also used to reach respondents as per our convenience. Questionnaire was the instrument used in this research. Two statistical techniques used for our research were Correlation and Chi-Square.

1. 5 Definitions:

Obsolescence: Obsolescence can be defined as loss in the improvements in terms of quality in upcoming versions of the product (Mansfield & Pinder, 2008).

Planned Obsolescence: Planned or built-in obsolescence is the process whereby a product is made obsolete and/or become non-functional after a certain period or it may not be fully utilized in the same amount as it was intended to by the manufacturer (Lamb, Hair & Mc Daniel, 2004).

Manufacturers design many products with short lives and the intention of manufacturer is to force consumer to repurchase the product more frequently. This phenomenon is known as “Planned Obsolescence” (Fishman, Gandal & Shy, 1993).

CHAPTER 2: Literature Review

When making a purchase decision price & quality are not just the only factors in a product that consumers' take into account but they also look into its future value and its future value is altered if new or even superior product is introduced which in turn makes the previous product obsolete.

Obsolescence can therefore is defined as loss in the improvements in terms of quality in upcoming versions of the product. Obsolescence can be more widespread and also impossible to tackle with (Mansfield & Pinder, 2008).

Planned or built-in obsolescence is the process whereby a product is made obsolete and/or become non-functional after a certain period or it may not be fully utilized in the same amount as it was intended to by the

manufacturer. That is why planned product obsolescence is widely used by marketers and manufacturers to encourage repetitive purchasing (Lamb, Hair & Mc Daniel, 2004). Innovating firms have advantage in frequently updating their products so that they can obsolete out the non-innovating firms which have comparatively old and out dated technology (Levinthal & Purohit, 1989). It is witnessed that for a firm it becomes difficult to survive in such intense competition unless it shows signs of planned obsolescence (Grout & Park, 2005). So planned obsolescence strategy is used by vendors to attract more profit margins from existing and as well as potential customers (Lu, Thompson & Tu, 2007). When speaking in terms of economists' there is greater amount of incentive involved for firms to make products that will become obsolete after certain period of time, i. e. to practice planned product obsolescence (Waldman, 1993). The firm has high incentive when they change the appearance of their product because new units of a product with distinctive style occupy higher value among consumers as compare to the old units of a product (Waldman, 1993). There is a certain need of firms to introduce new products in order to avoid decline in demand of their products when technology or the content of their product becomes obsolete (Iizuka, 2004).

At times firms adopt strategy to sell their new and old products at the same time or selling new product units and buying back the old product units. Therefore this strategy of firms results in making old products to obsolete more quickly and reduces prices of old products, these both increases desirability of buy-back policy (Levinthal & Purohit, 1989). On the other hand the firm only implements buy-back policy when it does not sell the old

version of product in the same period when it introduces and sells new version of product. This is because when the firm concurrently sells old and new product units in the same time period it will earn less profits that is why they encourage sales of new version of product by introducing buy-back policy of old version of product (Levinthal & Purohit, 1989).

Planned or built-in obsolescence strategy is widely used in majority of products ranging from automobiles, computers, buildings and in software etc. If we take example of cassette tapes outmoded vinyl phonograph record, then also compact discs made cassette tapes obsolete, so this type of obsolescence is highly appreciated by consumers so they are economically and socially desirable as it is in greater benefits to consumers and/or lower costs (Etzel, 2008). But obsolescence has certain disadvantages as well because some consumers may question the durability of a product and those consumers will opt to those organizations manufacturing durable goods with greater lives. Consumers are unwilling to invest in such products that will soon become obsolete and this is most witnessed in markets where are frequent technological improvements. And since computer market is inspired by great amount of technological improvements in hardware and software as well, so a more effective product is a result of such technical improvements (Hui, 2004). The economic life of a good is reduced when new technology is introduced that is the product with old technology would be comparatively of less use with the product having latest technology even if the old products is still productive or not (Lee & Lee, 1998).

In computer industry organizations use planned obsolescence strategies that ends the product life sooner or a superior product is introduced which makes <https://assignbuster.com/consumers-understanding-towards-planned-product-obsolescence-marketing-essay/>

the old product non-functional or is not compatible with the newer versions of other products, to increase their sales by repetitive purchase of customer. Frequent improvements in products are widely practiced in computer sector to increase sales of a product. So upgrading is preferred because there is a demand for it and consumers want additional functions, therefore by upgrading products the organizations can not only serve that market but can also attract potential customers to give rise to new demand. And all these improvements are at a fast rate in computer products which provide greater flexibility for new generation of IT products (Lu, Thompson & Tu, 2007).

Product does not changes when brand or fashion changes but it changes the mind of consumer because the style shifting is attached with extreme differentiation of product. Therefore consumers would be compelled to replace their existing goods when style changes frequently (Gregory, 1947).

Fashion is not about individuality but it conforms uniformity that is why consumers easily become victims because they themselves do not want to get out dated instead they want to follow the same fashion trend (Gregory, 1947).

The change in fashion forces consumers to abandon the use of garments that have now turned old fashioned but they may still have a useful life. The manufacturers and sellers of outfits intentionally destroy the psychological usefulness of clothing those are currently in fashion in order to provide space for the new fashion. Fashion changes rapidly in women's dresses; a woman may discard her belongings much early in order to be in fashion and avoids to be tagged as old fashioned. Fashion trends are mostly based upon social

acceptance and are destroyed immediately as soon as the society abandons its use. No matter how much useful life garments have they would be discarded soon as the new garments possessing latest trend occupies the market (Gregory, 1947).

Though the product obsolescence is widely practiced in necessities rather than luxuries and an automobile will give ample amount of service to its user having greater durability and more useful life. But the present market competition had become such severe that an automobile user thinks of discarding his/her automobile after some usage and especially when advertisement of a much appealing automobile strike his/her senses. The manufacturers does not practice any major breakthrough in the development of a new automobile but their emphasis is to produce the same model for as many years but with considerable technical improvements (Gregory, 1947).

The amount of obsolescence depends upon to what extent improvements are made in the new product and the degree interaction between the old and new products (Levinthal & Purohit, 1989). Now this brings in the uncertainty factor among consumers that to what extent improvements would be made in new product and what will be the degree of competitiveness interaction between old and new product products (Levinthal & Purohit, 1989). To tackle uncertainty related with the extent of improvements made in new product particularly in automobiles industry heavy advertisement is been done to convince the consumer that the new model of an automobile is loaded with plentiful of technical changes results in the loss of the market value of the previous model of the automobile much faster than they lose their durability or useful life (Gregory, 1947). While the uncertainty related to the degree of <https://assignbuster.com/consumers-understanding-towards-planned-product-obsolescence-marketing-essay/>

competitiveness interaction of old and new product is been dealt in such a manner that firms implements buy-back policy by not selling the old version of product in the same period when it introduces and sells new version of product. This is because when the firm concurrently sells old and new product units in the same time period it will earn less profits that is why they encourage sales of new version of product by introducing buy-back policy of old version of product (Levinthal & Purohit, 1989).

The change in annual automobile by a user is the effect of styling obsolescence (Purohit, 1992). The heavy advertisement been done to convince the consumer that the new model of an automobile is loaded with plentiful of technical changes results in the loss of the market value of the previous model of the automobile much faster than they lose their durability or useful life (Gregory, 1947). Another view is that durability is not a satisfactory substitute for obsolescence because the loss in value of a product is not because of becoming less useful but it is because the new product has outdated the current product (Levinthal & Purohit, 1989).

Obsolescence is also practiced in books. The phenomenon of obsolescence in books is very much similar to that of the obsolescence practiced in technology or garments industry that is the newer versions or editions of books does not bring changes in that book out of the box but the changes are in form of extension in knowledge and content the previous editions of those books had (Gregory, 1947). When introducing new version of textbook the publisher must make two important decisions. First, how often the publisher must revise the edition where the new version of textbook could result in sudden drop of value of old versions. Second, how what should be <https://assignbuster.com/consumers-understanding-towards-planned-product-obsolescence-marketing-essay/>

the degree of similarity between old and version of textbook that is how much compatible the new version of textbook is with the old version of it. If they revise the current version with more drastic changes then it could also result in the discontinuation of old version and thereby it might adversely affect the old version's value (Waldman, 1993). The books that are published round the year with newer editions possesses only slight changes in regard to some to changes in chapters or addition of fewer new pages. The resultant is that the new editions of books released become superior turning the previous versions of books to become obsolete. With such changes the professor demands the newer editions of books to be bought and thereby reducing the market value of older versions of the same book occupying space in library or bookshop (Gregory, 1947). It is a common practice of textbook publishers to revise the edition when they saw increase in number of used textbooks users to kill-off the used textbooks. According to an estimate the probability of edition revision increases up to 15% if the share of used textbook increases by 10% (Iizuka, 2004).

The revision of a textbook also depends upon the textbook category for example textbooks of "History" are less likely to be revised because their information and content would never become outdated. So this supports an argument that textbook publishers' motive behind introducing newer version of books is to bring the latest information and content to the textbook readers (Iizuka, 2004).

CHAPTER 3: RESEARCH METHODS

3. 1 Method of Data Collection & Procedure:

Personal survey was conducted from the respondents of Karachi. The respondents were approached personally and were asked to fill self administered questionnaire designed to measure the preference of consumers for products which have used planned obsolescence. The information was collected from literate respondents of Karachi, who at least had the capability to understand the scenario in the self administered questionnaire regarding preference for the planned obsolescence product. The total number of respondents was 250 out of which 70% were male and 30% female because males actually go and purchase a particular product. The age of respondents was above 19 because the respondents were mature enough to answer our questions, and they were able to tell what their preferences were. Respondent had education equivalent to Intermediate or O'level pass or more because it goes almost similar with the above reason that the respondents were literate enough to understand the questions and answered according to it.

3. 2 Sampling Technique

In this study quota sampling technique was used to collect data from the respondents. By using quota technique the number of respondents was divided into 30% of female respondents and 70% male respondents because males are mostly involved in purchases for most of the products. The convenience sampling technique was also used to reach respondents as per our convenience.

3. 3 Sample Size:

250 respondents were approached for the study.

3. 4 Instrument/s of Data Collection:

Questionnaire was the instrument used in this research and was close ended.

The questionnaire contained two sections the first section was about the behavior of the consumer through which consumer preferences were measured regarding the brand that has used planned obsolescence strategy. The second section was of the demographics which asked the respondents about their age, educational qualifications and income.

3. 5 Research Model Developed

Planned Product Obsolescence

Consumer Brand Preference

3. 6 Statistical Techniques:

Correlation & Chi-Square tests were used to measure the relation between variables.

CHAPTER 4: RESULTS

4. 1 Findings and Interpretation of results:

The hypothesis to be tested was as follows:

H1: Consumer brand preference is dependent on planned product obsolescence.

Two statistical techniques used for our research were Correlation and Chi-Square. The Correlation test was used to find the relationship of all questions

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that whether consumer brand preference is positively or negatively related to planned product obsolescence. The Chi-Square test was used to find out the dependency of consumer brand preference on planned product obsolescence. The Chi-Square technique was used individually for each question to find in which brand consumer preference is dependent on planned product obsolescence.

4. 1. 1 Correlations

Planned Product Obsolescence

Planned Product Obsolescence

Pearson Correlation

1

Sig. (2-tailed)

N

250

Consumer Brand Preference

Pearson Correlation

-. 084

Sig. (2-tailed)

. 187

N

250

As the Correlation table shows that there is no significance between consumer brand preference and planned product obsolescence. So this table

shows an overall result of all the questions that planned product obsolescence has no effect on consumer brand preference.

When Chi-Square test for finding dependency between planned product obsolescence and consumer brand preference were used for each question individually, the results showed that out of 12 brands (questions) there were only 2 brands in which consumer preference was dependent on planned product obsolescence.

4. 1. 2 Chi-Square Tests

Value

df

Asymp. Sig. (2-sided)

Exact Sig. (2-sided)

Pearson Chi-Square

4. 255a

1

. 039

Continuity Correction^b

3. 661

1

. 056

Likelihood Ratio

4. 152

1

. 042

Fisher's Exact Test

. 052

Linear-by-Linear Association

4. 238

1

.040

N of Valid Cases

250

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 23.10.

b. Computed only for a 2×2 table

The above table is an output of Chi-Square tested for Microsoft's Windows brand and the table shows that there is significance between consumer brand preference and planned product obsolescence.

4. 1. 3 Crosstabulation

Count

Will respondent still buy this brand or switch to another brand?

Total

Still Buy

What respondent thinks that whether this brand is following planned obsolescence or not?

Yes

128

45

173

No

47

30

77

Total

175

75

250

The above table shows that majority of consumers think that Microsoft

Windows is using planned obsolescence and knowing this consumers prefer

Microsoft Windows.

4. 1. 4 Chi-Square Tests

Value

Df

Asymp. Sig. (2-sided)

Exact Sig. (2-sided)

Pearson Chi-Square

5. 791a

1

. 016

Continuity Correctionb

5. 135

1

. 023

Likelihood Ratio

5. 710

1

. 017

Fisher's Exact Test

. 018

Linear-by-Linear Association

5. 768

1

.016

N of Valid Cases

250

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 29.44.

b. Computed only for a 2×2 table

The above table is an output of Chi-Square tested for Toyota's Corolla brand and the table shows that there is significance between consumer brand preference and planned product obsolescence.

4. 1. 5 Crosstabulation

Count

Will respondent still buy this brand or switch to another brand?

Still Buy

Switch to another

What respondent thinks that whether this brand is following planned obsolescence or not?

Yes

116

42

No

54

38

Total

170

80

The above table shows that majority of consumers think that Toyota Corolla is using planned obsolescence and knowing this consumers prefer Toyota Corolla.

4. 2 Hypothesis Assessment Summary:

There was only 1 hypothesis for our research which is as follows:

H1: Consumer brand preference is dependent on planned product obsolescence.

Against it an alternative hypothesis was:

H0: Consumer brand preference has no dependency on planned product obsolescence.

The findings of our research showed that there is no dependency between consumer brand preference and planned product obsolescence, therefore it rejected our hypothesis 1 (H1). We could conclude by saying that planned product obsolescence does not have any impact on consumer brand preference.

CHAPTER 5: DISCUSSIONS, IMPLICATIONS, FUTURE RESEARCH AND CONCLUSION

5. 1 Discussions:

The findings of our research are that the consumer brand preference is not dependent on planned product obsolescence i. e. whether the consumers understand or not about planned product obsolescence it has no impact on consumer brand preference. Our questionnaire consisted of 12 questions based on 7 categories i. e. computer, cell phone, gaming consoles, household appliances, text books, garments & automobile. Only two questions showed significant result out of 12, one is computer category i. e. question 4 on Microsoft windows brand and second is of automobile category i. e. question 11 on Toyota corolla. So as a whole the result was that there is no significant relationship between planned product obsolescence and consumer brand preference.

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5. 2 Implications and recommendations

For more detail study of this topic number of respondents should be increased, detail demographic characteristics of the respondents should be taken into account i. e. getting questionnaire filled from various area of Karachi, from different age group and from different professional people and so on. In short quota system should be more in-depth this might increase the chance of getting significant result between the variables studied in this research. Giving more time and more detail study of the topic and using lots of more resources as possible. Studying this topic with regard to many questionnaires based on each category and getting filled by the expert on the respective area, also introducing other product categories in which planned product is widely practiced. Also to assess the overall Pakistani perception of planned product obsolescence and its impact on consumer brand preference more cities of Pakistan should be considered like Islamabad, Lahore, Peshawar etc.

5. 3 Future Research

For future research on this topic a separate questionnaire for each category of the product should be used that will consist of several questions on each category thus increases the chance of significant result and to properly gauge the consumer preference with respect to planned product obsolescence. Another method could be instead of using the convenience sampling technique, experts should be consulted on their respective area according to the categories and for that only one category should be taken into account to assess that whether there is a significant relation between planned product obsolescence and consumer brand preference is or not.

5. 4 Conclusion:

The objective of research was to find out whether planned product obsolescence has any impact on consumer brand preference or not and from our findings we concluded that there is no dependency between consumer brand preference and planned product obsolescence and thereby it rejected our hypothesis 1 (H1). In this regards we could say that planned product obsolescence does not have any impact on consumer brand preference.