

Factors influencing customers in the malaysian smartphone market



In this chapter, there are 4 independent variable and dependent variable. These variables are important to examine this research. These variables include brand name, features, price and quality. Besides, this chapter will be including the reading materials which are based on the topic of this research. The materials that included will be extracting from online journals, articles and magazines. The researcher gets the genuine journals from online databases, such as Emerald Intelligent, ScienceDirect , ProQuest Digital Dissertation Abstract and Google Scholar.

The purpose of doing this research is to study the factors that affecting consumers to purchase Smartphone in Malaysia. Smartphone is getting attention from all segments of consumer today, but there must be some factor that will affect their behaviour before buying it rather than purchasing the normal basic cell-phone.

According to Khasawneh and Hasouneh (2010), the product's brand name will influence consumers' evaluation and then perceive different products offering which as a result will affect on consumers' behaviour when purchasing products and understanding consumers' behaviour is a decisive factor in the companies' success around the world. Therefore, this research is to determine whether or not brand name will affect the Malaysian consumers when they are making their purchasing on a Smartphone.

Feature has the strong ability to induce consumers' purchasing decision. This explains that when consumers are purchasing any products, consumers will tend to make us of the product's feature as a basis for evaluating a product (Puth, Mostert and Ewing, 1999). Features for Smartphone is not only one

two three, it will depends on the user's preference on what are their needs. Build-in camera is getting more focus from the consumer nowadays, mobile phone manufacturer tend to improve the camera and speaker in order to fulfil customers' needs. Therefore, this research will have the intentions to find out if feature is the major persuasive factor that affecting consumer behaviour towards purchasing a Smartphone.

Almost every advertisement accentuates on price, 90 percent of retailers in this market screen the prices of their competitors on a regular basis (Kenning, Evanschitzky, Voegl and Ahlert (2007). Kunal and Yoo (2010) shows that price has a positive impact on behavioral intentions. In other words, consumer will tend to have more purchasing intentions if the price is consumers' perception and vice-versa. For that reason, this research will find out whether or not price will influence consumer heavily when they come to buying a Smartphone.

According to Khanna, Vat, Shankar, Sahay and Gautam (2003), stated that none of the writers disagree that quality is one of the most crucial critical success factors in order for organizations to achieve competitiveness among competitors. They further interpret that " quality" had make the Japanese's automobile industry overtook the USA's during 1980's and become the biggest in the world though Japan's automobile industry started several decades behind the USA's. In other words, quality is an important factor that consumer will put into consideration before making any purchasing decision, therefore, this independent variables is to find out whether or not it will have the same effect towards consumers in Malaysia when purchasing a Smartphone.

<https://assignbuster.com/factors-influencing-customers-in-the-malaysian-smartphone-market/>

All these variables are important because they are main factors that have positive related to the dependent variable. In this research, independent variables that would be focused on are brand name, features, price and quality.

In excess of 1.3 billion people are using cell phone worldwide today while the year of 2003, an estimated number of 1,340,667 cell phone subscribers were being perceive worldwide, an increment from approximately 91million in the year of 1995 and 1.158 billion in the year 2002 of 53.49% of total telephone subscribers (Goggin, 2005). Besides, it was also supported by Gartner and Ahonen (2010), stating that more than 1.3 billion mobile phone handsets are being sold each year, and in the year of 2010, Smartphones made up almost 20% of that total (Gartner and Ahonen, 2010). Sales of Smartphones are escalating almost 100% per year, and is expected in the year of 2012 the total global sales volume is expected to surpass the sales of PCs (Gartner, 2010).

C: UsersUserDesktop01. jpg

Figure 2. 1: Worldwide Smartphone Sales for the year of 2008.

Source: Andreas Jakl, 2009.

In the year of 2008, the highest worldwide Smartphone sales belongs to Nokia, 43.7% from the worldwide Smartphone sales in 2008 belongs to Nokia. In order for Nokia to be the leader of the market, there must be some reason behind. Regardless what the brand is, consumer will look at various points before making any decision.). According to Kupiec and Revell (2001)

<https://assignbuster.com/factors-influencing-customers-in-the-malaysian-smartphone-market/>

the intention to purchase a product will be more depending on the scale to which consumers expect the product to reach their satisfaction level when they consume it.

According to Yu and Tan (2005), in July 2001, the Ministry of Information Industry (MII) of the People's Republic of China publicized that the figure of its mobile phone users has achieved 120.6 million, which makes China the major mobile communication market in the world. This was supported by Bell (2006), the world's current largest cell phone market belongs to the People's Republic of China. In Asia, the usage ratio of mobile phones in Hong Kong is slightly higher as contrasted with other Asian countries (Chan, and Chan 2008). Mobile phone penetration rate is ranked as the second highest in Asia Pacific (International Telecommunication Union, 2004). The consumer desirous for Smartphone is increasing dramatically and will move forwards annual sales wide-reaching from 131 million units in 2008 to over 300 million by 2013, according to market research company Parks Associates (Cellular-News, 2009).

http://img.cellular-news.com/story/38286/Global_sales_of_smartphones_to_reach_310_million_units_in_2013_1.png

com/story/38286/Global_sales_of_smartphones_to_reach_310_million_units_in_2013_1.png

Figure 2. 2: The global Smartphone sales units (2008 - 2009) and predicted sales units (2010 -2013)

The occurrence of economic recession in recent years does not seriously infected the industry, a report by Berridge (2010) stated that the industry was not really suffered that critically during the recession seeing that the <https://assignbuster.com/factors-influencing-customers-in-the-malaysian-smartphone-market/>

sales for 2009 were down a bit at 1.15 billion units but that was not that far down from the 1.2 billion handsets whipped in year 2008.

The constructive impact of communication is experienced by more Nigerians in the past four years than they had in the first three decades of self-government (Adomi, 2005). According to Myers and Shocker (1981), factors can be pigeonholed in many ways which comprises extrinsic and intrinsic. The extrinsic aspects that include physical prompts such as features and brand name (Olson and Jacob, 1972). On the other hand, the aspect that did not consider as part of the physical of product includes price and quality (Olson, 1977).

The mobile phone has become an indispensable tool that is found in all doctors' pockets. With the advancement of technologies, the phones have become more stylish over time, especially with the introduction of third generation technology in 2001 (Dala-Ali, Lloyd and Al-Abed, 2011). This has immensely increased both the storage and also the speed of mobile phones. There are many third generation phones obtainable from the market; among the most well accepted are the Blackberry and the iPhone, given that the iPhone is a smartphone produced by Apple Inc. and was launched in the USA in June 2007 and since then over 33 million phones have been sold worldwide and the number of European iPhone users rose by 161% in the year running up to April 2010 (Dala-Ali, Lloyd and Al-Abed, 2011).

2.1 History of telecommunication

If histories of media have their difficulties, there are uncharacteristic trials and description in seeking to devise histories of the newer media (Flichy,

<https://assignbuster.com/factors-influencing-customers-in-the-malaysian-smartphone-market/>

2002). Mobile telecommunication technologies have matured in consecutive generations (Dunnewijk and Hulten, 2007). According to Goggin (2005) the mobile phone has been in development for at least fifty years regardless of the mobile phone relatively recent commercial availability and consumer adoption from the early 1980s onwards. It also recursively adopts and reconstructs lifestyle, anticipations, and cultural forms from two other technologies central to modernity, to be exact the telegraph and telephone (Goggin, 2005).

The history of mobile telephone goes back to experiments in the US in the 1920s with radio telephony (Kargman, 1978 and Agar, 2003). The first mobile phones were usually car-bound and AT&T launched in 1947 a highway service between Boston and New York after the success of first mobile telephone network in St. Louis (Agar, 2003). Eventually radiotelephony became so crammed full, in New York particularly, that the network operators used waiting lists while candidate customers waited hoping to be so lucky to get a mobile phone connection (Agar, 2003).

By the year of 1950 there were still only fifty million telephones in use in the world (Goodman, 2003). Goodman (2003) also further stated that Japan was the first to adopt fixed line phone which is in the 1970s, the number was go beyond by mobile phone somewhere in year 2002, International Telecommunications Union (ITU) predicts that the figure will almost one in three in the year of 2005. In the year of 1996, Nokia introduced the Communicator, a GSM mobile phone and handheld computer which had a QWERTY keyboard and built in word processing and calendar programs that

allows besides sending and receiving faxes, the 9000 could check e-mail and access the internet in a limited way (Farley, 2005).

Whereas the first generation (1G) appeared in the 1950s, while the second generation (2G) or GSM technology is used extremely wide, but challenged globally by the subsequently (third) generation (3G) technologies. This sequence of generations is characterised by increasing capacity (higher transmission speeds) and richer content of the message. Further penetration of 3G depends critically on the integration of telecommunication services and multimedia services, which turned out to be more complicated than most experts predicted (Dunnewijk and Hulten, 2007).

The fruition of China's mobile telecom industry since its inauguration in the year of 1987 and appears to be a multistage industrial development process with policy intrusion and market competition. (Siau and Shen, 2003, Maitland, Bauer and Westerveld, 2002, Barnes and Corbitt, 2003). The number of mobile subscribers in China had twofold each year from year 1994 to 2001, by the Q4 of 2002; China had 206.3 million mobile telecommunications subscribers and had become one of the most attractive spots for the international and domestic telecom operators, equipment and phone manufacturers (Yu and Tan, 2005). In addition, Bell (2006), stated that the world's current largest cell phone market belongs to the People's Republic of China. In the mobile telecommunications circles, systemic improvement examples are the successive generations of first generation (1G), second generation (2G) and third generation (3G) systems and this revolution will affect not only our daily lives and the way business is

accomplished (Siau and Shen, 2003, Maitland, Bauer and Westerveld, 2002, Barnes and Corbitt, 2003).

Table 1: List of best selling brand, year of founded and homepage.

Brand of Phone

Year of Founded

Homepage

Nokia

1865

<http://www.nokia.com/>

Motorola

1928

<http://www.motorola.com/Consumers/XP-EN/Consumer-Products-and-Services/Mobile-Phones/>

Samsung Mobile

1938

<http://my.samsungmobile.com/index.jsp>

LG mobile

1958

<https://assignbuster.com/factors-influencing-customers-in-the-malaysian-smartphone-market/>

<http://www.lg.com/my/mobile-phones/index.jsp>

Palm

1996

<http://www.palm.com/us/>

HTC

1997

<http://www.htc.com/sea/>

Blackberry

1999

<http://worldwide.blackberry.com/landing.jsp?regionId=22>

Sony Ericsson

2001 (Joint Venture of Sony Corporation and Ericsson)

<http://www.sonyericsson.com/cws/cws/home?cc=my&lc=en>

Apple iPhone

2007

<http://www.apple.com/iphone/>

2. 2 Variables

2. 2. 1 Consumer Behavior

Consumer behaviour can be defined as the “ acquisition, consumption and disposition of products, services, time and ideas by decision making units”.

While consumer decision making can be defined as a mental orientation characterizing a consumer’s approach to making choices (Lysonski, Durvasula and Zotos 1996).

Value is created when a consumer is offered useful information and gains understanding, reassurance and/or hedonic fulfilment in the process (Grant, Clarke and Kyriazis, 2007). The value creation relies on an analysis of online consumer behaviour to determine which information sources and formats are most likely to meet their needs at a given point in time (Grant, Clarke and Kyriazis, 2010). #To make the decision of purchasing, consumers take into account criteria such as reliability, quality, price and convenience of the product (Sanlier and Karakus, 2010).

In contrast to simple or routine purchases, complex consumer behaviour may involve an extended process with a range of activities, each of which presents different challenges for a consumer (Assael, Pope, Brennan and Voges, 2007). Analysis of consumer purchasing decisions is not uncommon and a body of knowledge has developed (Watson, Howard and Patrick, 2002). There are several models and theories which describe consumer behaviour from a specific perspective (Estri, Hassangholipour, Yazdani, Nejad and Rayej 2010). Among all these models, the purchase decision model

helps to understand the relation between consumer behaviour variables better than the other models.

According to Kim, Forsythe, Gu and Moon (2002), it has been an ongoing marketing challenge for retailing in competitive global markets towards marketers to meet the changes of customer needs by providing the right products and services. A consumer's decision-making style has been defined as "a patterned, mental, cognitive orientation towards shopping and purchasing, which constantly dominates the consumer's choices (Safirk Mokhlis and Hayatul Safrah Salleh, 2009).

It is common knowledge that price influences a customer's buying decision (Monroe, 1973). Intention to purchase depends on the degree to which consumers expect the product to satisfy them when they consume it (Kupiec and Revell, 2001).

When a consumer wanted to make the purchase decision, they will pass through the process through recognition, search information, evaluation, purchase, feedback (Blackwell, Miniard, and Engel, 1995). Therefore, the consumer will choose a product or brand to consume from various choices available in the market. According to Bettman, Johnson and Payne (2000), different situations will be affected by different factors.

Information overload also increases the complexity of the consumer behaviour towards purchasing a product (Bettman, Johnson and Payne, 2000). The information can be obtained by advertisement, display, brochures and etc. A study by Lynch and Srull (1982) suggested that decision-making can be categorized in 3 categories which are stimulus-based, memory-based
<https://assignbuster.com/factors-influencing-customers-in-the-malaysian-smartphone-market/>

and mixed. When consumer affect by the external information or factor can be category in stimulus-based. When consumer makes decision based on their memory or internal perception can be category in memory-based. The combination of this two is mixed.

Consumer has different tastes, needs, motivation and lifestyle when they want to purchase a product (Chisnall, 1985). Some of them preferred high quality and willing to pay high price, some of them are not (Monroe, 2003). Furthermore, the consumer behaviour towards purchasing a product can be investigating through the consumer characteristics. It include Brand conscious, price conscious, quality conscious, recreation conscious, innovation conscious, confused by over choice, impulsive and brand (Leo, Bennett, and Hartel, 2005). Therefore, it is important to find out the relationship between those characteristics and the consumer purchasing behaviour.

2. 2. 2 Brand Name

In today's changing global environment, many businesses are facing increasing competition that forces them to seek for competitive advantage, efficiency and profitable ways to differentiate among them (Mei, Dean and White, 1999). Brand names are valuable assets that help correspond quality and suggest precise knowledge structures which related to the brand (Srinivasan and Till, 2002). Researchers have distinguished that brand name as an important tool in improving a product's value (Dodds, Monroe and Grewal, 1991). According to Rotfled (2009), brand name is an exclusive and is to indicate product itself to the market. Besides according to the American Marketing Association, defined the brand as " name, term, symbol, or design, <https://assignbuster.com/factors-influencing-customers-in-the-malaysian-smartphone-market/>

or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition” (Khasawneh and Hasouneh, 2010). Haigh (2007) has proposed three definitions: “ trademark” is a logo with associated visual elements, “ brand” is a trademark with associated intellectual property rights, and “ branded business” covers the whole organization.

According to Rao and Ruekert (1994), stated that one of the major objectives of a brand name is to provide information on the quality of a product. The value of a brand name adds to the product is named as brand equity (Farquhar, 1989). Developing brand equity is thought to be an important component of brand building (Keller, 1998). Brand equity is assumed to convey several benefits to a firm (Pappu, Quester and Cooksey, 2005). Brands might develop sustainable competitive advantage for firms (Aaker, 1989). As a result, if consumers perceive a particular brand favourably, then the firm may have a competitive advantage (Pappu, et. al, 2005). Brand name is lack of possibilities to establish in short term, in other words, is needed to develop in long term.

More and more companies realized that one of their most priceless assets is the brand names that related with their products or services (Cornelis, 2010). In recent aggressive competitive market place, the most critical success element for companies is the brand name that were being used by a product, and further stated that the brand names are consider as the last source of differentiation for the companies’ products and services (Lim and O’Cass, 2001). According to Khasawneh and Hasouneh (2010), the product’s brand name will influence consumers’ evaluation and then perceive different
<https://assignbuster.com/factors-influencing-customers-in-the-malaysian-smartphone-market/>

products offering which as a result will affect on consumers' behaviour when purchasing products and understanding consumers' behaviour is a decisive factor in the companies' success around the world. Brand managers face a complex and multifaceted task in managing the meaning of brands on a global scale (Andrews and Kim, 2007).

Why do companies develop their own brands? According to Thanasuta, Patoomsuwan, Chaimahawong and Chiaravutthi (2009), the presence of brands were to identify and differentiate the products or services between the companies or organizations. It was further stated that brand name can lend a hand to the brand itself to pass on the information and communicate to the market (Hoyer and Brown, 1990). Also pointed by researchers, consumer have an unlikely similar perception towards different brand and also have a diverse perception of the product's attribute and quality (Srinivasan and till, 2002). Indeed technology is no longer a matter of "haves" and "have-nots" but of basic services versus advanced ones but as technologies mature and product features become more similar, consumers are often unable or unwilling to differentiate between brands on rational attributes alone (Temporal and Lee, 2001). According to Forsythe (1995), brand name will be the vital indications or an extrinsic cue (Olson and Jacob, 1972) that will lead consumer to make their purchasing decision when they are trapped in a dilemma whereby they need to choose between two products. When the intrinsic indicator recognition of the product such as price is missing, consumers will tend to recognize it based on the brand name of the products or services (Ahmed and d'Astous, 1996).

Since consumers will have the knowledge on the brand which will cause consumers to create a perception on the brand, therefore they are able to measure the level of preferences whether or not the brand is pleasing their requirement (Urbany, Dickson, and Wilkie, 1989). To endeavour with this situation, some precise and adequate knowledge on the brand itself is a pre-requisite for consumers (Ratneshwar, Shocker and Stewart, 1987). According to Baltas and Saridakis (2009), usually those who are more particular on the products' quality will be more exposed to the affection of brand name.

Brand extension is a strategy that many companies follow with the aim of benefiting from the brand knowledge achieved in the current markets (Aaker and Keller, 1990). When a new product is marketed under a well-known brand name, failure rates and marketing costs are reduced (Martinez and Pina, 2010). Benefits of a great brand include a short-term gain on recognition to long-term competitive advantage on loyalty, which are ultimately translated into revenues and profits.

2. 2. 3 Price

Price has been observed as an important element affecting the diffusion of new products and services, but pricing of a new product or service is particularly difficult (Munnukka, 2005). Nagle and Holden (2002) stated that price can play a role as a monetary value whereby the consumers trade it with the services or products that were being sold by the sellers. Price will always be the key concern of consumers' before making any purchasing decision (Smith and Carsky, 1996).

Price equality is a psychological aspect which is persuasive towards consumers' reactions to price (Campbell, 1999). Prices are perceived to be inequitable; consumers respond unenthusiastically by stay away from transactions, contacts with the provider or even engage in penalizing actions such as boycotts (Homburg, Hoyers and Koschate, 2005). If a transaction or a price is perceived as unfair by consumers, they will engage in disciplinary actions (Antje and Mark, 2010). They will avoid the transaction and do not buy at all. Besides, there is a positive relationship between individuals' perception of fairness and their level of expenditures, and that consumers tend to spend more money with specific providers if transactions are considered fair (Daskalopoulou and Petrou, 2006). Oh (2003) found that buyers' comparison of actual price against their internally held reference price seems to affect their subsequent judgments about price, quality, and value.

Kunal and Yoo (2010) shows that price has a positive impact on behavioral intentions. Price is one tangible cue from which consumers form expectations. As a result, the elements of marketing play a more important role in services since consumers are more sensitive to cues such as price (Bitner, 1990). Voss, Parasuraman and Grewal (1998) suggested that the link between price and satisfaction. When the consumers are satisfied with the price, they will purchase the product. Furthermore, should be noted that consumers buy high priced brands (typically luxury goods), driven by either social adjunctive attitudes that seek design, image, or social status or value-expression attitudes that seek product durability or quality (Wilcox, Kim and Sankar, 2009). Conspicuousness (willingness to spend a great amount of

money to demonstrate their social status) also plays an important role on brand purchases (Kunal et al., 2010). Wilcox et al. (2009) find that high-priced brands are highly related to consumer conspicuousness. Consumers looking for quality, status, self expression, and image will gravitate toward high-priced brands to fulfill their goals, the achievement of which can be signaled through promotional messages of conspicuousness and exclusivity (Kunal et al., 2010).

The level of price is found to positively affect behavioral intentions mainly because price establishes image of the brand in the eyes of the consumers (Aaker, 1991). In a consumer's heuristics, a high (low) price connotes a high (low) quality and image. For a conceptual convenience, there are two types of products by price: high-priced brands and low priced brands (Kunal et al., 2010). High-priced brands are brands on the market whose image is seen as the key factor. Consumers of these brands often purchase them mainly for image and are willing to pay a premium price for their perceived high quality and status, which make them price-inelastic (Bolton, 1989). Low-priced brands tend to be purchased for utilitarian value, with the consumer relying on the perceived value for price. Consumers would typically look for low prices of these brands or substitutes to get the best value (Kunal et al., 2010). Consumers tend to interpret higher prices with higher quality, and low prices are perceived as an indication of inferior quality (Rao and Monroe, 1988)

According to Thaler (1985), there is more than couple of brand of mobile phone that consumer will find in today's market, this will most likely

influence the consumers' indicator on the pricing that being sold. Price is no <https://assignbuster.com/factors-influencing-customers-in-the-malaysian-smartphone-market/>

longer an element that can be ignore for investigation whether or not it is an crucial factor that affects consumers' behaviour in products and services.

Given an example, a customer is choosing either a offline and a online book store for books, the distance of the store will be the first consideration and then followed by the time needed for delivery and lastly the price of it (Karlsson, Kuttainen, Pitt and Spyropoulou, 2005). As seen, price is a vital issue that the consumers need count into consideration. Recently, most of the consumers are pursuing a high quality services, though service is an important factor, yet the unwillingness of consumers to pay for obtaining a higher level of service by sacrificing an extra amount can still be seen (Tse, 2001). On the other hand, price might not be part of their considerations especially when dealing with web shopping, which the major concern falls on convenience, security and store offer (So, Wong and Sculli, 2005).

In addition, there is a positive relationship between price and quality (Etgar and Malhotra, 1981). It explains that most of the consumers will regard high price goods and services equals to high quality. Thus, if the price level is at a peak but the quality or features are comply with the consumers' expectation; they might perceive as fair and are more willing to pay a at a higher price to owns a better quality goods or services (Monroe, 2003). Due to the price of a product has a key authority on the consumers' buying decision (Evanschitzky, Kenning and Vogel, 2004), it is normal to concentrate on it. As a precondition to valuing a price as low, the consumer must have at least a vague idea of the normal price. Only if that idea of " normal price" is present consumers can assess whether or not the offer is a bargain. The marketing-

mix instrument of “ price” is currently used excessively to attract consumers to a particular product or store.

According to Kenning, Evanschitzky, Voegl and Ahlert (2007) nearly, every advertisement emphasizes price that over 90 percent of retailers in this market screen the prices of their competitors on a regular basis. Price knowledge is a psychological construct that relevant to retailer success, since it influences both a consumer’s buying decision and the sales margin. At the same time, it can help the retailer to exploit consumer “ willingness to pay.” The price of a product is one of the most important marketing-mix tools which are currently used excessively to attract consumers to a certain product or store (Evanschitzky, Kenning and Vogel, 2004). Price knowledge is a psychological construct that is relevant to the success of the retailer, since it influences a consumer’s buying decision. At the same time, it can help the retailer to exploit the consumers’ “ willingness to pay” by using information about price knowledge for the pricing of products.