

Expanding the market share for apples iphone marketing essay



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A Marketing Research project for the MSc International Marketing Management programme 2010/11

Executive Summary

The purpose of this research was to determine how to increase the market share of the iPhone in China. In order to conduct the study, the marketing research problem was identified as to determine the needs and preferences of buyers of smartphones in the Chinese market. In line with the research problem six hypotheses were developed to be tested.

In this project, several research approaches were used. Exploratory research was conducted to help the researchers obtain a basic understanding and insight into the problems facing Apple Inc., while conclusive research helped to build upon the findings of the exploratory research. Through searching and reading secondary data, the researchers identified the different factors, in terms of physical factors (e. g., price, quality, ease of use), social factors (e. g., fashion purchasing, group identity, symbol of status) and emotional factors (e. g., brand image, appearance, advertisement, etc.), that theoretically should influence purchase behaviour.

Based on the secondary data, a questionnaire was designed and administered to 176 Chinese students in the University of Leeds from 11th to 22nd November 2010 to collect the primary data of their perceptions and satisfactions towards smartphones and the iPhone. The results were analysed using SPSS, and several statistical tests performed to check whether the hypotheses were accepted in the study.

From the project, the researchers found that all the three factors (physical factor, social factor and emotional factor) individually were closely related to the perceptions of iPhone, and also that these three factors combined exerted influence towards the perceptions. Moreover, consumers' perceptions toward the iPhone were found to be related to their post purchase satisfactions as well. Gender and income, as the demographic moderators, also have influence on the perceptions and satisfactions of iPhone, although the effect of gender was limited. As a result, the study could be considered as a reference of iPhone to identify their current problems in Chinese market and design corresponding marketing strategy to increase their marketing share in China.

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Introduction

The market for smartphones has been growing continually. The proof of its popularity is that sales of smartphones to end users have reached 54. 3 million units in the first quarter of 2010, an increase of 48. 7 percent from the same period in 2009. smartphones hold 17. 3 percent of worldwide mobile phone devices sales (Gartner, May 2010).

There are currently more than 6 types of operating systems available in the smartphone market, such as Symbian, RIM, Apple iOS, Android, Windows Mobile and Linux. The Nokia Symbian holds the highest market share followed by RIM BlackBerry and Apple iOS in the year 2010 (Gartner, May 2010). The players in the market compete by introducing new innovations and adding value to their phones, since the consumers expect more from smartphones than from basic feature phones (Intel, January 2010).

Creating an image of being a state of the art technology provider may give the positive connotations in the customers' head that allow them to set a higher price, as the strategy that Apple implemented with the iPhone has shown (Data Monitor, May 2010). Even so, according to the fact that 51 percent of the consumers will not buy the phone unless the price come down (Intel, January 2010), price does clearly matter to them.

The factors influencing smartphone purchasing decisions needs to be identified in order to develop new potential opportunities to create

distinctive competencies. This study will cover factors influencing iPhone
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perception and iPhone post purchase satisfaction. This should give a guide to a successful marketing strategy in the future.

Background

Apple Inc. is one of the major companies of technology and innovation in consumer products in the world. They provide a wide range of products and services, from laptop and desktop computers to accessories and software services. The company recorded revenues of almost \$43 billion during the financial year ending in September 2009 (FY2009), an increase of over 14% since 2008. The increase in revenues was mainly due to growth in sales of iPhone handsets and the related sales of third-party digital content and applications from the iTunes Store (Data Monitor, May 2010). But even though China has the highest number of mobile phone subscribers in the world, the sales figures for iPhone in China as reported by China Unicom (Hong Kong) Ltd. are far behind the rest of the big markets in the world. It took only 30 hours for Apple iPhone to reach over 200, 000 sold units in the U. S. in 2007, but it took more than a month to reach the same number in China (The Economic Times, October 2010). One possible factor holding the iPhone back in China is its relatively high price. Apple and Unicom charge \$730 to \$1, 020 for the iPhone, not including discounts on service, making it more expensive than “ grey market” iPhones brought into the country through places like Hong Kong. There may be up to two million such grey market iPhones in China according to an estimate by Paul Wuh, an analyst covering China Unicom for Samsung Securities. In addition to this, the Wi-Fi Internet function was initially disabled on Unicom’s iPhones to comply with

Chinese government rules (Wall Street Journal, Dec 2009), which might also have contributed to the slow take-off of iPhone sales.

NOTE Is this a reference??

SWOT analysis for iPhone in Chinese market

Strengths

Strong brand name

Focuses R&D driving innovation

Provides State of the art technologies

Opportunities

Strong growth in smartphones market segment

Continuing growth in demand for handheld devices

Weaknesses

Product recalls

Patent infringement

Expensive Price

Threats

Intense competition

Dependence on specific suppliers

Chinese Government's regulations

High cost of internet bundle provider

Reference: Data monitor 21 May 2010 Available at <http://www.datamonitor.com>

Problem Definition

Management Decision Problem

Apple Inc. has encountered some potential limitations for the iPhone in the Chinese market, such as government regulations, grey market opportunities and the high price of the phone. Even though 100, 000 iPhone 4's were sold in the first 4 days of availability (Sutherland, 2010), representing a high demand for the iPhone, the market share in China is still lower than anywhere else in the world. Hence, the management decision problem for Apple could be “ How to increase iPhone market share in China?”

Market Research Problem

To answer the management decision problem it needs to be translated into a market research problem, which the researchers therefore define to be:

“ To determine the needs and preferences of buyers of smartphones in the Chinese market”

Research Components

To clarify consumer's perceptions toward smartphones.

To determine the factors that influence consumers' decision to buy the iPhone.

To evaluate consumer's post purchase behaviour of iPhone.

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To discover potential influence of demographic factors on iPhone satisfaction

Research Approach Development

Literature review

According to the secondary data that have been collected for this study, there are 4 main factors that should influence consumers' technology buying decisions.

Physical Factors

Consumers would look into visible aspects (design) more than software specific aspects (operating system). Three main factors that consumers focus on are good design, the brand of the handset and quality of integrated camera. The consumers cannot always tell the distinction between the latest innovative phones and other phones. The companies' attempts to position themselves, as high technology innovators may not be significant when consumers do not look for it (Intel, January 2010). A better design leads to a sense of better usability and help to extend users' emotional attachment to the device (Nanda, 2008)

Social Factors

As a rule, in the emerging markets of the world the penetration of mobile technology is higher in the high-income segments of a population. In the developed world a mobile handset is part of the everyday world, while elsewhere it is still considered as a luxury and a symbol of status. Thus, while income is less related to the ownership of a mobile handset in Europe, in China it is still a very important factor (Castells et al., 2004).

To specify on teenage consumers, they want to keep up with the most recent trend so there is a quick turnover in their technology adopting behaviour. “ They were controlled by trend not technology” and they fear to be excluded from their group because the lack of technology involvement (Intel, August 2008). People were influenced by their own group about which phone to buy. The innovation and designs were developed to satisfy consumers’ social needs (Vincent, 2009). Young users are also more likely to use SMS rather than voice calls than other users, mainly because it is cheaper and because they usually have more time to master the technical skill of texting. For the older, working population where the employer pays the bills the opposite is the general rule (Castells et al., 2004).

Emotional/Psychological Factors

The role of the phones is more than just a communication tool. They become personal objects (Hallnäs & Redström, 2002). The common emotional responses among mobile phone users are “ being cool, chilled out and tuned into a mobile phone culture” The thrill and the novelty of the mobile phone: What the phones can do for the users are the factors that enable and strengthen the relationship.

Demographic Factors

There is a positive relation between age and price concern. Older buyers would take price as an important factor when deciding to buy a new phone (Intel, January 2010). As well as teenage buyers, they have a budget constraint due to their limited income. Consequently they would wait until they are certain about their choice so as to avoid making a bad purchase.

This concern leads to a brand criterion. In order to reduce the risk of wasting
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their money, they would stick to the trusted brand only (Intel, August 2008). Technology goods are a low elasticity product to men. During the recession men still buy new technology goods. Women are more price sensitive than men and they are also interested in design more than men (Intel, June 2009).

Due to the two facts that in China ownership of a mobile phone is positively related to income, and that a larger part of the high-income earners are men, there is a gap between number of male and female users of mobile phones. However, there is a growing market segment targeted at women where the exterior design is the major selling point (Castells et al., 2004).

There is also a difference in how male and females perceive and use their handsets; female users are not only likelier to see the phone as a fashionable accessory but also use it as a “ key channel to maintain personal relationships”. This becomes evident in studies that show that even if more men than women use SMS, women are more frequent users of it than men (Castells et al., 2004).

Conceptual Model

Figure 1: Model of Smartphone Purchasing Decision

H1

H3

H4

H5

H6

iPhone

Perceptions

Post purchase Satisfaction

Demographic Moderators

Physical Factors

H2

Social Factors

Emotional Factors

Research Question and Hypotheses

Q1: Is there any relationship between physical factors and the iPhone perceptions?

H1: There is a relationship between physical factors and the iPhone perceptions.

Q2: Is there any relationship between social factors and the iPhone perceptions?

H2: There is a relationship between social factors and the iPhone perceptions.

Q3: Is there any relationship between emotional factors and the iPhone perceptions?

H3: There is a relationship between emotional factors and the iPhone perceptions.

Q4: Is there a relationship between physical factors, social factors and emotional factors and iPhone perceptions?

H4: There is a relationship between physical factors, social factors and emotional factors and iPhone perceptions.

Q5: Is there a relationship between iPhone perceptions and post purchase satisfactions?

H5: There is a relationship between iPhone perceptions and post purchase satisfactions.

Q6a: Does the demographic moderator of income influence the relationship between iPhone perceptions and post purchase satisfaction?

H6a: The demographic moderator of income influences the relationship between iPhone perceptions and post purchase satisfaction.

Q6b: Does the demographic moderator of gender influence the relationship between iPhone perceptions and post purchase satisfaction?

H6b: The demographic moderator of gender influences the relationship between iPhone perceptions and post purchase satisfaction.

Research Design and Methodology

Research Design

“ Research design is a framework or blueprint conducting a market research project that specifies the procedures necessary to obtain the information needed to structure or solve the marketing problem” (Malhotra, 2009: 94).

The objective of this project is to improve the sales volume of iPhone in China. The first step here was to define the management decision problem and then apply suitable market research approach. There are two types of research designs;

Exploratory: An exploratory research was conducted to gain a basic understanding and insight in the problems faced by Apple Inc. This was done mainly through secondary data. The exploratory research proved that there was some problem and further research was required in order to address it appropriately.

Conclusive: A conclusive research was conducted to build upon the finding of the exploratory research. It is done mainly to test the formulated hypotheses. The conclusive research is of two types; descriptive and casual. The descriptive research was used to identify the relationship between the different variables affecting the buying behaviour whereas the causal research was used to determine the cause and effect relationships between the moderator and the variables.

Secondary Research

This is one of the most important elements of a market research project especially when there is time and cost constraint. Since the study revolves around a very new, unique and innovative product so the secondary data has been entirely sourced from the quality journals, newspapers and research articles. In order to maintain authenticity of the data, all the data was compared among each other and this lay the foundation for the development of the research model for the study.

Primary Research

Research Approach

The survey method was used to collect the information from the respondents in this research. This method was chosen due to its advantages of ease, reliability, and simplicity along with the fact that it can simultaneously demonstrate the insights into who the actual consumers are, how the consumers behave, and why the consumers behave in certain way (Malhotra, 2009: p214). With the consideration of time and resource constraints, the questionnaires were distributed to Chinese students at the University of Leeds. In addition to distributing the questionnaire face to face to the respondents, an on-line version of the questionnaire was also made available by the researchers to collect data from the respondents.

Sampling Design

In this case, to understand the correlations between different types of factors and the smartphone purchasing decision of Chinese consumers and between demographic moderators and the customer satisfaction, the sample size was

determined according to the four steps of the Sampling Design Process (Malhotra, 2009: p371).

Defining the Target Population:

Elements of the Sample: Prospective purchasers of mobile phones in China

Sample Units: Chinese mobile phone users

Extent: Chinese students study in the University of Leeds

Time Period: November, 2010

Sample Frame: The Chinese students who study at the University of Leeds were the target population of this research. According to the web page of the University of Leeds (<http://www.leeds.ac.uk/info/30313/asia/200/china>), the number of Chinese students was 561 when the research was undertaken. Therefore, the sample size was calculated based on the population size of 561.

Sampling Technique: Sampling techniques can be classified as non-probability sampling and probability sampling (Malhotra, 2009: p373). Non-probability sampling was selected for the data collection in this research due to the time and resource constraints; the selecting of sample elements was based on the research team's personal judgment and convenience. The selecting of sample elements was survey was carried out among different income level. This could expand the age interval of the re.

Determining the sample size: The sample size of the research was calculated by statistical method with the formula below:

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$n =$

where:

n = sample size required

N = population size

Z = number of standard errors ($Z = 1.96$ for 95% confidence level)

(Anton, 1995, cited by Palihawadana, 2009)

The sample size was calculated at 95% confidence level, therefore

$n = 229$

According to the calculation above, 229 questionnaires were required to be collected in this research. However, due to the time and resource constraints, instead 76% of the required sample size or 176 questionnaires were to be included in this research.

Questionnaire Design

A questionnaire was designed to collect the quantitative primary data.

According to the literature review, three factors were embraced in the questionnaire to determine their relevance of smartphones purchasing decision. Besides, collecting basic information of the respondents helped to investigate whether the demographic moderators affected the consumer satisfaction. The questionnaire was designed on the basis of questionnaire design process (Malhotra, 2009 p. 331).

Information Needed: The first step is to make sure the information which should be collected and used to analyse the result. Thus, it is vital to clearly understand the research questions and hypotheses so as to help the questionnaire remain focused. As the respondents are students at the University of Leeds, the wording and style used in the questionnaire was appropriate to their level of education.

Type of Interviewing Method: The survey was conducted mainly by using personal interviews, accompanied by an internet survey. As a result, complex questions were avoided and all the questions were made as detailed and clear as possible so as to avoid any ambiguity.

Content of Individual Questions: All questions were designed based on six hypotheses. Reviewing the form and structure of related researches helped the questionnaire to be succinct and well-structured, and thus easy for young respondents to answer.

Question Design: The questionnaire was designed to be as simple as possible to achieve raise the willingness to answer of the respondents. Moreover, the questions were oriented to require less effort and to avoid asking for sensitive information.

Question structure and operationalisation of the variables

Question design:

&

7-Attitudinal

Scales

Dichotomous Data

Multiple-Choice Questions

Questions

Social Factors

Physical Factors

Emotional Factors

Q: 3d, 3e, 3f, 7d, 7e, 7f

Q: 3g-i, 7g-i, 8a-g, 12a-g

H1

H2

H3

Q4, Q10, Q14

Q1, Q2, Q5,

Q: 3a, 3b, 3c, 7a, 7b, 7c

Demo-**graphic Moderators**

Q15, Q16, Q17, Q18, Q19

H6**Post-****purchase****Satisfaction**

Q13

Q6

Construct**Item****Reference****H4****iPhone****Percep-tions****H5**

Q11

The questionnaire included 19 questions in four pages. In this questionnaire, three formats of questions were designed, which are, respectively; multiple-choice questions, 7-attitudinal scales and dichotomous questions. Multiple-choice questions were designed in order to get the general information about people's perception of mobile phones and smartphones, as well as

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respondents' personal information. As respondents are familiar with phones, and the personal information questions are basic background questions, respondents could easily choose a preference choice from the several alternatives. In addition, since the questions were asked in an objective way, the data collected can be taken as reliable.

Dichotomous data is that classified into either one of two mutually exclusive values. In the questionnaire, the dichotomous questions were about " Yes" or " No" questions about purchasing phones of respondents.

Scale questions were used to indicate respondents' attitudinal preference of the given items or sentences. In the questionnaire, scale questions were designed as the model of 7-attitudinal scale questions. Among most of these questions, " 7" represented " strongly agree" or " strongly satisfied" while " 1" represents " strongly disagree" or " strongly dissatisfied", indicating respondents' attitude in a much more detailed manner. All the factors that directly influence the hypothesis can be evaluated in on the 7-attitudinal scale question model, including physical factors, social factors as well as emotional factors. In this way the researchers found it easy to evaluate the factors that influence people's preferences regarding smartphones according to the data.

Question wording: Questions in the questionnaire were appropriate, simple and objective. While designing the questionnaire, special attention was given so that the questions did not mislead or prime the respondents in any way. This way the reliability of the data is enhanced.

Sections of the questionnaire: The questionnaire was divided into four parts; Section A: Mobile Phones in the Market; Section B: Smartphones in the Market; Section C: iPhone and Section D: Personal Information. In Section A, it the respondents' general perception about mobile phones was explored; in Section B, the questionnaire tried to get an idea of Chinese international students' preferences towards smartphones at Leeds University; in Section C, the questionnaire focused on the attitude towards iPhone among Chinese students at Leeds University; and in the last part, Section D, it is appertained that all the respondents provide their basic personal information, which is an essential part of demographic factors as it would help the researchers to test Hypothesis 4 as a reference. Among the first three sections, equivalent attitudinal questions are asked in order to make a comparison among students' attitude towards feature phones, smartphones and the iPhone. Also, all these three parts contained questions about physical factors, social factors and emotional factors that could influence people's decision while buying phones.

Form and Layout: The questionnaire was designed in a way that would inspire the respondent's willingness and interest to finish it. This was done by way of keeping sections clearly defined, avoiding the title or questions within a section to be separated between alternatives in two pages.

Additionally, certain care was taken to give the questionnaire an appealing look, and the university logo was added to give a serious and trustworthy impression.

Pilot testing: Before collecting data from Chinese students in Leeds

University, a pilot testing was made among five Chinese students at different <https://assignbuster.com/expanding-the-market-share-for-apples-iphone-marketing-essay/>

schools, to test the practicability of the questionnaire. The suggestions from the five respondents were taken into consideration. The questionnaire was then complemented with some new alternatives, covering more situations and factors in a better way. While doing the actual survey, it was concluded that the respondents of the questionnaire perceived it to be much easier to answer all the questions after the views of the respondents of the Pilot project were incorporated.

Field work

The duration of data collection was between 11th and 22nd of November 2010, when 176 questionnaires were distributed by the six members of the research team. The researchers collected the data from Chinese students by requesting them to fill out the questionnaires on the campus of the University of Leeds.

Analytical Methods

In this study, a variety of statistical methods were used to analyse the data which had collected from 176 respondents, in order to understand whether the physical factor, social factor and emotional factor significantly relate to iPhone perceptions, whether these three factors combined together and affected iPhone perception, whether there is a relationship between iPhone perceptions and post purchase satisfaction, and whether demographic factor could be considered as a moderator influences on the relationship between iPhone perceptions and post purchase satisfaction according to the conceptual model. The following are the methods adopted:

Bi-variate regression analysis was used to calculate whether there was a relationship between the respondents' preferences regarding the different factor (independent variable) and their perception of iPhone (dependent variable). This method was also used to test whether there was a relationship between the perception of respondents towards iPhone (independent variable) and the post purchase satisfaction (dependent variable). When measuring the importance of demographic moderating variables affect the satisfaction of iPhone (dependent variable), bi-variate regression analysis was be used as well.

Multiple Regression analysis was conducted to analyse the degree of connection between three factors in terms of physical factor, social factor and emotional factor (independent variables) and the perception of iPhone (dependent variable).

Results and Hypotheses Testing

Profile of the respondents

Among the 176 respondents, 63 of them (35. 8%) were male while 113 of them (64. 2%) were female.

72. 7% of total sample are between the age of 20 and 23.

Merely 13. 1% of the respondents came from families with the family income level of less than RMB 5000 per month.

61. 4% of all the respondents studied in Business School.

64. 8% of the respondents have postgraduate educational level.

The largest percentage of respondents came from East China, accounts for 43.8%, while only 5% of the respondents came from Northeast China.

Factors influencing mobile phone choices

Factors influencing smartphone preferences

According to the questionnaire result, physical factors were the most important factors that influenced people's purchasing of smartphones, with an average score of 5.77 on the attitudinal scale while social factors were the least important with an average score of 4.65.

Among the physical factors that influenced respondents' decision of buying smartphone quality was the most important with an average score of 6.21, while price was the least important with 5.17. Among social factors, pursuing fashion was the most important with an average score of 5.10 while group identity was the least important with 4.40. As to the emotional factors, the appearance of the smartphone was the most important in respondents' mind with 5.80 average score, while advertisements were of least importance with 4.09.

As mentioned about the functions of smartphones, which are part of emotional factors that influencing people's decision of buying smartphones, the function of "browsing the websites" was the most attractive with an average score of 5.70 while the function of video was the least important with 4.51.

Factors related to iPhones

Regarding the iPhone, emotional factors were the most important factors affecting respondents' purchasing behaviour with an average score of 5. 26, while the social factors were the least important with 4. 37.

Among the physical factors, most of the respondents agreed with the sentence " iPhone has a high quality", with this factor getting the highest score of 5. 47. At the same time most of them think iPhone is expensive because the sentence " iPhone has a reasonable price" only registered the average score of 3. 72. Within the social factors a majority of the respondents believed iPhone to be a symbol of fashion with the score of 5. 65, while few people wanted to buy an iPhone just because their friends or family have one, this factor recording only 3. 28. Among emotional factors, " iPhone has a good design of appearance" was the most agreeable sentence with the score of 5. 61, and the sentence " The advertisements of iPhone are attractive" the least with an average score of 4. 79.

As to functions, included in emotional factors which influence people's purchasing decisions regarding the iPhone, the availability of applications through which you can go over websites like Facebook or Youtube was the most attractive with a score of 5. 91, while