

Factors that affect customers buying decision

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



This essay overall will further discuss the development between the dependent variables and the independent variables. Besides, there will be several research journals been used to do comparison and analysis. Most of the sources are from the specific online database, such as Google scholar and MMU library database. Based on the literature review, readers can have the clear picture about the development between the dependent variables and the independent variables and also the theory concept of the dependent variables.

Models of Consumer Behavior

Companies will use the different marketing method to affect the decision of consumer; however, it is hard to know how consumers respond to them.

Marketing stimuli comprise of product, price, place and promotion.

Smartphone companies use these marketing stimuli to affect the consumer to buy new smartphones or replace old one. In addition, there are other factors will stimulate the major forces in the buyer's environment. Some of these stimuli are as follows (1) a country's market condition and economic condition can be called as economic factors (2) technological factors like the R&D sector, which analyses the usages and needs and develops smartphone to it (3) the cultural beliefs and practices of the country can be called as cultural factors. All these stimuli enter into the buyer black box and depending upon the influence these stimuli exert, the buyer comes up with the observable buyer response: product choice, brand choice, dealer's choice, purchase timing and purchase amount.

The Hawkins, Best and Coney (2001) model are used to examine and establish a framework for a smartphone consumer behavior. The Hawkins, Best and Coney (2001) model will help the customer to understand the internal and external influences which motivate them for buying a smartphone. This model also help to analyze the decision making process based on the consumer purchasing smartphone and it can determine how internal and external influence is related to the decision making process. The model proposed by Hawkins, Best and Coney (2001), is derived out of the Engel, Kollat, and Blackwell model and further broadens it to external and internal influences. Hawkins, Best and Coney (2001) regarded the consumer need is influenced by both external factors such as culture, subculture, demographics, social status, reference groups, family, and marketing activities and aspects such as perception, learning, memory, motives, personality, emotion, and attitudes that serve as internal factors. Figure 1The five stage decision process, namely needs recognition, search for alternatives, evaluation of alternatives, purchase made, and post-purchase evaluation has been guide to need and desires and that they form a consumer self-concept and lifestyles. It still take the assumption that consumer make a buying decision in a rational manner, assessing alternatives before making a decision even though the five stage decision process which is similar to the Engel, Kollat and Blackwell model that views factors such as emotions as an influence.

Determinants of buying decision

Consumer buying decision could be defined as the “ behavior patterns of consumers that precede, determine and follow the decision process for the

acquisition of need-satisfying products, idea or services". The researchers who people are great interest in a long been towards consumer buying decision. Early decision making studies concentrated on the purchase action. It was only after the 1950's that the modern concept of marketing was incorporated into studies of consumer buying decision, including a wider range of activities. Besides that, buying decision can also determine the possibility of a consumer lead to purchase action, through identify the intensity of purchase decision, there is a high possibility to purchase particular product when the buying decision is stronger.

Furthermore, consumers' perception on relative advantage of smartphone and efforts required to obtain a smartphone have significant influence on buying decision. The effort required to obtain a smartphone includes price, search time, availability and so on. Perceived value come from relative advantage and product compatibility as compared to efforts needed to obtain a product, the efforts can be product price and search time, the greater perceived value is, the greater possibility leading to purchases decision and purchases action. Furthermore, the decision to purchase is known as consumers' tendency to behave on an object; it usually measured in terms of intention to buy.

In additional, marketers are interested to buying decision, because it can help them in market segmentation and support their decision making like where the product should be launch. Other than that, purchase decision can be used for future demand prediction too.

The relationship between independent variable and dependent variable

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Brand image

Brand image means image of any particular product that set into the mind of consumers or anything that linked in the memory to a brand. According to Kolter (2001) brand image also defined as a person's beliefs, ideas, and impression regarding to an object. According to Keller (1993) and Biel (1993), they both defined consumer's perceptions about a brand are reflected by the brand associations in their memory and they often connects the brand name with variety of attributes and associations.

These associations can be characterized into strength, favorable and uniqueness of the brand. These brand associations help consumers to process information and create positive feelings of consumers towards the brand. It also differentiates the brand from its competitor, generate demand, and provide a basis for brand extensions.

The brand associations held in consumer memory imply the impression toward a brand (Keller, 1993). In the brand associations, strength indicates consumer accessibility of relative brand information and the consistency of the information over time. To enhance consumer response, marketers strive to build brand equity in order to capture consumer preference and loyalty. Brand equity is the added value endowed on products and services and it may reflect how consumers think, feel and act with the brand. According to American Marketing Association (AMA) define brand is a name, term, design, symbol or any feature that identifies one seller's goods or services as distinct from those of other sellers. According to AMA research, brand has a moderate impact on consumer behavior. In terms of gender, it's impact

female more than male. Thus, according to Richardson, Dick & Jain (1994) brand image is often used as an external factor for purchase decision making. According to Hyun & Kim (2011), consumers willing to pay premium price for the brand because they think that the brand is unique compare to other brand (Lee H. M., 2011). Brand image helps consumers to decide which brand gives them more value. Eze, Tan and Yeo (2012) conclude that consumers will always go for brand that has better image rather than those with lower brand image. It is because perceive that product with good brand image have provides better quality. A successful brand image increases the likelihood of consumer buying decision toward a brand and helping consumers in recognizing their needs and satisfaction.

Price

Price is the amount of money charged for a product or service, or the sum of the values that customers exchange for the benefits of having or using the product or service. Price is basically the amount of money a consumer willing to pay for in exchange with products and services that they think are valuable. The value of money varies from different people. Some might think it is valuable for a high price but others might think it does not worth for the value of money. A set of acceptable price range is established when consumer purchase products. Purchase decision tends to be reduced when the actual price on products is higher than acceptable price range and vice versa.

Pricing a product and dual effect, meaning it is both advantageous at the same time disadvantageous, depending on the type of products and how it is

typed. The main two types of pricing is low pricing and high or premium pricing. Higher pricing positively affects purchase decisions of consumers. The research concludes that when the product is high priced, it directly influences and stimulates a purchases decision. Based on these researches, when the product is high priced, it has a positive effect on the products purchases. A real life current example would be Rolls Royce and Aston Martin. Although high priced, it leaves a luxury and rich perception in the minds of consumers; thereby causing a positive effect on its demand. On the other hand, there has also been a study that proves high-priced imposed on products leads to a detrimental effect. The high priced implies a negative effect on the products purchases decision. According to Dickson and Sawyer (1990), ' what is clear is that shoppers are very heterogeneous in terms of their attention and reaction to price and promotions. The literally means that products that have the same functionally and that are not differentiated will tend to have a negative effect when it is high priced. In general, these products mostly compete on cost-leadership strategy, whereby each company will try to manufacture the goods with the least cost as possible.

Relative advantages

A relative advantage is the degree to which an innovation is perceived as better than the product it supersedes, or competing products. It is typically measured in narrow economic terms such as economic profitability, social prestige or other benefits. The nature of the innovation determines what specific type of relative advantages is important to the people, although the potential adopter's characteristics also affect which sub dimensions of relative advantages.

Besides that, the degree of relative advantages is often expressed as an innovation that appears far superior to previous idea offers a greater relative advantage such as reflected in lower price, physical improvements, or eases of use and increases the product's adoption rate. Relative advantages can be measured in terms of economic factors, such as social status, convenience, economic gains, and low cost. An innovation that offers a greater advantage is believed to have greater acceptability, higher diffusion speed. The current innovation literature has established that relative advantage is one of the best and most consistent predictors of innovation adoption.

Relative advantages refer to the benefits of adopting the new technology compared to the costs. Besides dollar price, high tech products can lead to a type of psychic cost, which is the emotional worry. Users perceive advantages in style, design, status and dependability relative to other comparable innovations. If a product is very expensive compared to other product brands, potential buyers may experience a very low 'economic advantage'. The customer will have fear, uncertainty, and doubt about whether the technology will deliver the promised benefits, and the customer will have the skills and capabilities to realize those benefits. In the context of mobile phone marketing, relative advantages is conceptualized as the degree to which consumers perceive this channel to be better than its alternatives.

Compatibility

Compatibility of product is company need find some way to fits the past experiences and the needs of the potential adopters used to fulfill and

satisfied customers need. Compatibility is also an important issue in a market with demand externalities and the buyer decision of customers. For communication networks, the question is whether subscribers of one network can communicate with subscribers of one networks. Compatibility influences the extent of the externality, thereby influencing the optimal strategy. Furthermore, where positive demand externalities result from the reduction of uncertainty, the word compatibility can be refers as to the extent to which one product is similar enough to benefit from the same word of mouth (viral) base effect as another product.

Farrell and Saloner (1985) also examine the effects of compatibility and installed base in new entrants, potential users arrive over time at an exogenously determined rate and select between an incumbent standard and a new technology. Besides, a system of compatible components is treated as a single good characterized by positive purchase decision of customers. Such network externalities arise because the utility a consumer obtains from a system increase with the number of others using compatible products.

Product compatibility is a unique outcome of symmetric perfect and firm should decide whether to make their product compatible before competing in prices. When a firm focus a lot on their product compatible, product compatibility can enables consumers to build their system that is closer to their ideal, preference and expectation. This can shift the demand curve upwards and makes the market more profitable. Moreover, compatibility of a product can weakens each firm' s incentives to cut prices, when company

sell incompatible components, a decrease in one firm's price will increase its sales at the expense of its rivals.

Peer group

According to Schiffman and Kanuk (2007), the values and attitudes of a group that an individual treat as a benchmark to his or her current behavior is consider reference group. Based on Bristol and Manglegurg (2005), reference group can be anyone who has direct interaction with an individual with values, attitude, and norms provided such as parents, co-workers and peers. Moreover, peer group is defined as the degree which peers exert influence on the thoughts, attitudes and action of an individual.

According to Bearden and Etzel (1982), the degree of peer influence is vary on affect purchase decision of different products. His study was concerned with two dimensions. First is the degree of influence on luxury versus a necessity and the second dimension is concerned with the degree of influence on publicly or privately used product. Publicly luxuries products are not own by everyone and it is normally more apparently. These kinds of products are exclusive and tend to be more easily influence by peer group. On the other hand, privately necessity products are not exclusive and unable to be observing by public when it is used. This category of products is socially irrelevant and everyone can easily own the products, thus it is less likely to be impact by peers influence. The studies found out peer influence play an important role on publicly consumed luxuries than privately consumed necessities and privately consumed luxuries also attracted more peer influence than privately consumed necessities.

According to Farzana (2012), consumers are always influence by their social group in the decision making process and individual are more likely to seek the advice from those who are more expert in the area especially when purchase a high-involvement products. According to her research, in the purchasing smartphone process for generation Y, the social influence might come from peers. Based on a research carried out by Osman (2012), 35. 6% of 1814 Malaysian respondents think that the trend in society is the criteria that will influence on the smartphone purchase decision. According to study by Lachance et al. (2003), compare to parental influence, peers have higher degree of influence toward a teenager in choosing a clothes brand. From another research done by Yoh (2005), peers exert higher level of influence than parent in teenagers' athletic shoe purchasing.

Summary

The chapter consists of the documentation of a comprehensive review of the published and unpublished information from the secondary sources that related to factors that would affect customers buying decision. In this chapter, the tasks that competed are the literature review, dependent variable and independent variable related this research topic. This chapter was able to complete by gaining useful information and reference that made by other researchers to support the research topic and fill up the blank of the studies. Besides that, the other things that included in this chapter are exacted the relevant information, identify the problem and opportunity, generated new ideas and argued on the relevant statement.