

The factors affecting consumer behaviour



The understanding of customer needs and wants is one of the major underpinning constructs of the marketing concept. The nature of being market-orientated rather than product -orientated requires organizations to consider who their (best) customers might be, where they are, how to target them and with that an important starting point is to understand what it is they really ' want' (Martin, Jamal, & Foxall, 2006)

Consumers have different tastes, needs, motivation and lifestyle when they want to purchase a product (Chisnall, 1985). Some of them prefer high quality products and they are willing to pay high price, while some don't (Monroe, 2003). Furthermore, the consumer behavior towards purchasing a product can be investigated through the consumer characteristics such as brand conscious, price conscious, quality conscious, recreation conscious and innovation conscious. (Leo, Bennett, & Hartel, 2005).

1. 1 BACKGROUND

Mobile phone usage has proliferated in recent years. Some areas of the world have enjoyed rapid deployment and high penetration of mobile telephony. 70% of the world's population own at least one mobile phone. Based on the statistics, children in United States now are more likely to own a mobile phone than a book, with 85% of kids owning a phone as to only 73% owning books. (International Telecommunications Union, 2011) Without exception, Kenya is one of the countries riding the wave of telecommunication evolution. Mobile phone usage in Kenya has gained the ever increasing momentum. The latest statistics released by communication commission of Kenya state that the number of mobile phone subscribers in

Kenya now stands at 29.7m increasing the penetration of mobile telephony to 75.4% (Jackson, 2012).

Among the mobile phones, Smartphones have gained popularity among the youth in Kenya. Some of the reasons have been linked to the desire to have multifunctional handsets and manufacturers have continued to unveil affordable mobile phones. This has been made possible with the introduction of the Chinese affordable smart phones such as Huawei IDEOS handset. Other phone manufacturers namely Samsung and Nokia have introduced low cost smartphones that have enhanced greater adoption and use of the gadgets, which are very popular in urban areas. (Kachwanya, 2012)

Nokia has been the market leader in smartphones in the past however more mobile phone manufacturers have come to the market with better and more sophisticated operating systems such as android, by Samsung, ios by apple and RIM by blackberry. Consequently Nokia has lost its market share on smartphones with Samsung, Apple and Huawei taking the lead according to a press release made by Gartner in February 2013 report. (Gartner, 2013).

With this regard this study intends to investigate the specific factors that affect consumer choice in the purchase of smartphones. The study will focus on the 7ps of marketing mix i. e. product, price, place, promotion, people, process and physical evidence.

1.2 PROBLEM STATEMENT

Nokia has been the market leader in smartphone manufacturing until the second quarter of 2011 whereby Apple surpassed Nokia's worldwide revenue and profit for the first time. Currently Samsung have taken over the mantle

from Nokia. Other brands such as Huawei, HTC and Apple are coming with new smart phones using different operating systems such as Android. (Gartner, 2013).

With the many brands currently in the market consumer keep shifting from one brand to another. This has been attributed to various reasons such as the brand, the feature, the price and the promotional strategies employed by the various manufacturers. However there is a lack of adequate research on the key factors that determine the choice of a smartphone.

This research intends to provide answers to this question.

1.3 THE PURPOSE OF THE STUDY

The outcome of this study is intended to provide a better understanding to the manufacturers and distributors of smartphones on the basis on which consumers make decisions when purchasing smartphones. Armed with this information they will be able to craft appropriate product and promotional strategies. The study will also contribute to manufacture of better product that meet consumer expectations. Finally it will also provide basis for further study in this industry.

1.4 SPECIFIC OBJECTIVES

The study will base its objectives on three out of the 7Ps of the marketing mix. The objectives of the study will be as follows:

To determine the effect of price on consumer choice of smartphones

To determine the effect of the brand on consumer choice of smartphones

To determine the effect of promotional activities on consumer choice of smartphones

1. 5 RESEARCH QUESTIONS

The research questions to be addressed by this study include;

Does price influence consumers choice on the brands of smartphones they purchase?

Does the product brand influence consumer's choice of smartphones they purchase?

Do promotional activities influence consumer's choice on the brands of smartphones they purchase?

1. 6

SIGNIFICANCE/IMPORTANCE/JUSTIFICATION/RELEVANCE

Smartphones have become a key component of communication. They are playing the role of computers both in corporate institutions and among individual. However not much research has been conducted on the area of smartphones in Kenya. It is important that a study is carried out to provide knowledge on how consumers make purchase decisions and how they use them.

1. 6 SCOPE &LIMITATION OF THE STUDY

This study will cover the factors that influence customer choice when purchasing smartphones and it will be confined to United States International

University Students. The study will borrow from case studies from other markets in Europe.

One of the limitations of this study is that sample population may not be a representation of the whole country. Time constraints will also be a limitation since the research is to be undertaken within 2 months.

1. 7 DEFINITION OF TERMS

Smartphone- A smartphone is a mobile phone built on a mobile operating system, with more advanced computing capability connectivity than a feature phone. (Phonescoop, 2011)

CHAPTER TWO

2. 0 LITERATURE REVIEW

2. 1 Consumer Behaviour

Consumer buying behavior is defined as the degree of consumer involvement and extent of perceived differences among brands. It involves elements from psychology, sociology, social anthropology and economics, and it tries to understand the consumer decision-making process both individually and in groups. The elements of the buyer's brand choice decision are: a set of motives that push the consumer to act (needs), several alternatives courses of action (brands), the decision mediators by which the motives are matched with the alternatives (rules of the buyer environment and his experiences) (Howard & Sheth, 1969).

Understanding consumer-buying behavior is crucial for marketers to better satisfy customers developing suitable marketing strategies. Depending on

the nature of the product, personal consumer factors and social factors, there are two possible buying behavior processes respectively called Complex Buying Behavior and Low Involvement Buying Behavior.

In Complex Buying Behavior the consumer involvement with the product is high and the consumer perceives important differences among brands. In Low Involvement Buying Behavior the consumer does not consider the product important and do not identify with it (Kotler and Gary, 2006).

Assael, 2004 proposes a model of Complex Decision-Making composed of 5 phases:

Need Arousal, Consumer Information Processing, Brand Evaluation, Purchase, Post-Purchase

Evaluation.

1. Need Arousal: everything starts with the consumer recognizing a need to fulfill. Such a situation gives the consumer the motivation to act to achieve the desired goal;

2. Consumer Information Processing: the current uncomfortable situation activates the consumer who starts absorbing surrounding information on how to fulfill his needs. However, not all kind of information touch the consumer, the exposure to stimuli is selective, it is based on

Reference groups, ego, lifestyle, culture and past experience. In Complex Decision Making there is a consistent involvement with the product, and the

consumer passively receive information and actively start seeking for additional one (Matsuno, 1997);

3. Brand Evaluation: during and after the information gathering and processing phase the consumer starts looking at how well the different brands may satisfy his needs. The brands part of the consumer evoked set are seen as bundle of attributes with a specific benefit proposition

4. Purchase: in Complex Decision Making purchase is not likely to be immediate; there may be

Some instrumental actions such as selecting the shop or gathering money that may delay purchase. Moreover, it is not totally sure that once the consumer reaches this stage he will buy; he may, for example, have some second thoughts about the risks embodied in the product and change his mind upon the purchase.

5. Post Purchase Evaluation: once the product is purchased the consumer evaluate its performance basing on the actual consumption and on former expectation. This produces a feedback that will strongly influence the diffusion of the innovation.

2. 2 Factors Affecting Consumer Behaviour

2. 2. 1 Type of product

A consumer is more likely to feel involved with the purchase when the product or service meets certain characteristics (Assael, 2004) like emotional appeal, belongs to a class of products that particularly interest the

consumer, entails significant risks and is identified with the norms of a group.

2. 2. 2 Type of Person

Many different personal factors have the power to influence purchasing decision.

Demographic factors- e. g. age, income level sex, race, family size, occupation

Situational Factors- such as lifestyle factors and personality factors

Social Factors- such as family, reference groups, social class, culture and sub-culture

2. 3 Marketing Mix

(Kotler & Armstrong, 2001) Defines marketing mix as the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in a target market.

The marketing mix is not a theory of management that has been derived from scientific analysis, but a conceptual framework which highlights the principal decisions that marketing manager's make in configuring their offerings to suit customers' needs. The tools can be used to develop both long term strategies and short term tactical programs (Palmer, 2004).

(Bitner & Booms, 1981) Defined the 7Ps of the marketing mix as follows:

2. 3. 1 Product

Products are goods and services the company offers to the target market. It must provide value to a customer but does not have to be tangible at the same time. Basically, it involves introducing new products or improving the existing products.

2. 3. 2 Price

This is the amount of money consumers have to pay to obtain the product. Pricing must be competitive and must entail pro-fit. The pricing strategy can comprise discounts, offer and the like

2. 1. 3Place

This includes the company activities that make the product available to the target consumers. It also refers to the place where the customers can buy the product and how the product reaches out to that place. This is done through different channels, like internet, wholesalers and retailers.

2. 1. 4 Promotion

These are activities that communicate the merits of the product and persuade target customers to buy it. It includes the various ways of communicating to the customers of what the company has to offer.

2. 1. 5People

This refers to the customers, employees, management and everybody else involved in it. It is essential for everyone to realize that the reputation of the brand that you are involved with is in the people's hands.

2. 1. 6 Process

It refers to the methods and process of providing a service and is hence essential to have a thorough knowledge on whether the services are helpful to the customers, if they are provided in time, if the customers are informed in hand about the services and many such things.

2. 1. 7 Physical (evidence)

It refers to the experience of using a product or service. When a service goes out to the customer, it is essential that you help him see what he is buying or not. For example- brochures, pamphlets etc. serve this purpose.

According to a survey done by GFK Tech talk in 2011 on youth smartphone acquisition drivers (Chao, 2011) the study found that different age groups are driven to purchase different smartphones brands by different factors. The study showed that Apple, RIM, Nokia and HTC are all performing well in the youth market for different reasons. Nokia is particularly successful with their lower-end devices, Apple is attracting consumers seeking high-end capabilities and HTC is quickly catching up as an innovative yet affordable alternative. Blackberry's unique combination of highly social yet affordable phones, where owning one contributes to feeling of 'belonging' within a community, is faring well in the youth market.

Therefore, young consumers' insatiable appetite for better features and advanced services suggests that the provider with the strongest range and portfolio of devices is more likely to attract and retain consumers from an early age.

CHAPTER THREE

3. 0 RESEARCH METHODOLOGY

This chapter covers the research methods and instruments that will be used in the research. The research design, population and sampling design and sampling techniques that will be used in the research are included. It also covers the sampling frame, data collection, research procedure and data analysis methods that will be used.

3. 1 RESEARCH DESIGN

Research design is considered as a “ blueprint” for research, dealing with at least four problems: which questions to study, which data are relevant, what data to collect, and how to analyze the results. (Philliber, Schwab , & Samsloss, 1980) The research design used in this paper is a descriptive survey. The main focus of this survey is to gather the respondents’ opinion with regard to the factors that influence consumer choice in purchasing a smart phone

3. 2 POPULATION

A population is a group of individuals or items that share one or more characteristics from which data can be gathered and analyzed (investorwords, 2013) USIU has approximately 5000 students drawn from various schools: Chandaria School of Business, School of Humanities and Social Sciences and School of Science and Technology. The students are both male and female within the age bracket of 16 years to 60 years. The population comprises of fulltime and part time students. Our sample population will be 100 students.

3. 4 SAMPLING DESIGN

3. 3. 1 SAMPLING TECHNIQUE

The research will use simple random sampling technique to sample the population. This will ensure that the students are picked randomly from the three sections of the school, and who have different attributes and characteristics, have been incorporated into the research.

3. 3. 2 DATA COLLECTION METHODS

Primary data will be used in this research and the survey method of data collection will be used. Structured non disguised questionnaires with closed and open-ended type of questions will be hand-delivered to the respondents together with an abstract that describes the main objective of the study.

Secondary data will be extracted from syndicated services and published materials such as journals, books and online materials.

3. 3. 3 RESEARCH PROCEDURE

Prior to data collection the questionnaires will be prepared then piloted to ensure accuracy; each questionnaire will be given a unique number so as to identify it. The questionnaires will then be hand-delivered to the respondents who will be informed by when they should complete them. Before analysis is done, the completed questionnaires will be checked for consistency and coding will be done in readiness for data analysis.

3. 5 DATA ANALYSIS METHODS

After data collection, all questionnaires will be checked for completeness, legibility, consistency and uniformity, and then they will be edited, coded, transcribed then analyzed using correlation analysis. Statistical package for <https://assignbuster.com/the-factors-affecting-consumer-behaviour/>

social sciences (SPSS) will be used. Inferential output will be generated to assist the decision makers draw conclusions.

CHAPTER SUMMARY

This chapter outlined the various methods and instruments that are going to be used in the extraction, collection and presentation of the data. Chapter four shall provide the summary of the findings from the information collected from the respondents using the methods just outlined and provide objective observations based on the results of the research methodology used.