


## DECLARATION

I declare that this thesis entitle "Analysis on Consumer Behavior when purchasing cell phones" is the result of my own research except as cited in the references. The thesis has not been accepted for any degree and is not concurrently submitted in candidature of any other degree.

Signature :  .....

Name : OMAR ALSIDIEG MUSA

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Date : 01/03/2012

## **DEDICATION**

To my beloved mother and father

## **ACNOWLEDGMENT**

First and foremost, the biggest thanks go to God, who has guided me during this project. Also, I would like to express my sincere thanks to Dr. Ismi Rajiani for his careful guidance in every step I took, his detailed comments in every draft I submitted, and his continuous assurance.

A special thanks to all my participants who have provided at various occasions.

A heartfelt gratitude is also due to my family in Libya, my father, my mother, sisters, brothers who always believed in me and prayed for me a lot.

Finally, I would like to give special thanks to my wife, my daughter, Duaa and my sons, Suhil and Sahl, I could not have accomplished this research project without their love, support and patience during the past two years. They have been a wonderful source of inspiration and motivation.

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## **Abstract**

Cell phones have become an integral part of human daily life and personal communication across the globe and these devices get rapid development every year with more technologies and enhanced specifications. Nowadays it is rare to find a young man or women without a cell phone attached with him/her.

Cell phone market is booming and every year there are new brands in the market and competition increasing rapidly with significant growth between the major manufactures of cell phones.

Nowadays it becomes more difficult for new firms to access the cell phones market with very strong market barriers due to oligopolistic competition. Few cell phone manufacturers dominated the market and each oligopolist is likely to be aware of the actions of the others. It is very hard to compete in a market where Nokia, Apple and Samsung for instance, and making the decisions to influence such complicated market is not easy and require a strategic planning and also understanding the consumer behavior when buying these brands in order to enter the cell phone market.

This study will analyze how a young consumer make a decision to buy a cell phone, and what factors affect consumer behavior. The research goes far beyond these facets of consumer behavior and encompasses all of the behaviors that consumers display in searching for, purchasing using, evaluating, and disposing of new cell phone what is the key points that satisfy his/her needs. The purpose of this study is to investigate the factors

that play a major role in making the purchasing decisions by young consumers towards specific cell phones brands and to conclude practical solutions for new manufacturers to sell and market their products effectively with the presence of strong market barriers by oligopolists who are dominated the cell phone market.

# Chapter 1

## 1. Introduction

The mobile services industry during the last decades has experienced a remarkable growth. More people are using cell phones and there has been a considerable interest in the study of customer loyalty and their purchasing behavior towards specific brands. Studies showed that the major cell phone manufacturers like Nokia, Blackberry, Samsung and Apple have dominated the market during the past 10 years.

Studying of consumer behavior analyzing how individuals make decisions to spend their available resources like time, money, and effort on consumption-related products and make the purchasing decision. Consumer behavior study try to understand consumer purchasing behavior, and why they buy a particular brand, where they buy it, how often they buy it, and how often they use it. These issues associated with consumer behavior.

One of the most common decisions are what to buy, what to choose among the huge amount of products and services available in the market in general. Thus, one has the alternative question in mind to buy or not to buy? and if to buy, so What to choose? This decision-making process is called consumer buying decision-making process and is connected to the phenomenon of consumer behavior and it is strongly associated with personal characteristics of the buyer, studying consumer behavior require well

understanding to essential psychological factors affecting people behavior when searching for something they need.

Consumer behavior study is based on consumer buying behavior, with the customer playing the three distinct roles of user, payer and buyer. Relationship marketing is an influential asset for customer behavior analysis as it has a keen interest in the re-discovery of the true meaning of marketing through the re-affirmation of the importance of the customer or buyer. A greater importance is also placed on consumer retention, customer relationship management, personalization, customization and one-to-one marketing. Social functions can be categorized into social choice and welfare functions.

From the economic view it is obvious the importance of internal mental processes in consumer decision making, the personal characteristic of young consumers together with his/her education level affecting the buying decision. The behavioral perspective emphasizes the role of external environmental factors in the process of learning, which it is argued causes behavior. (Kioumars et al., 2009).

Most researchers agree that an attitude has three components: affect, behaviour, and *cognition*. Affect refers to the way a consumer feels about an attitude object number four, behaviour involves the person's intentions number five to do something with regard to an attitude object, and finally, cognition refers to the beliefs a consumer has about an attitude object.

Consumers may promise never to buy the same make or model again, limiting their own future selection decisions. Each of these possible consequences of consumer post-purchase dissatisfaction has significant ramifications for automobile marketers, who have to build post-purchase strategies into their promotional campaigns.



This study blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the buyer decision of cell phone and how their purchasing process starts and ends.

A good is considered obvious when its characteristics and the amount an individual consumes of the good can be publicly observed. According to economic theory a consumer will buy a product when the intrinsic utility of the actual product exceeds the price of the product, however, this does not take into account the value the consumer puts on mere ownership, or the status a certain product will give them. Basically, the behavior of the individual consumer is influenced by much more than utility maximization. To evaluate a product and its utility consumers will consider the price of the product, the quality of the product, how the product works, what the product represents, and many other factors that are almost impossible to measure and individual to each person. The consumer will also observe the consumption of his examination before making a purchasing decision. Additionally, the consumer needs a reason to buy a certain product that satisfies his needs, as well as to himself. Of course, all of these steps only come in to play after the consumer has been made aware of the product, usually through some form of advertisements, which has the initial affect on the consumer's opinion of the product in question. A possible misconception when predicting consumer behavior is that the buyer makes his choice entirely based on his own needs.

## **2. The background of the study**

Researching in consumer behavior is rapidly evolving as researchers recognize and implement new techniques and methods to understand the nature of purchase and consumption behavior. In recent years buying cell phones has been exceptionally rapid in all parts of the world in Europe, USA and Asia where cellular phones are nowadays almost purchasing motives in cellular phone markets.

This research will investigate the reason beyond selecting particular cell phone brand and neglecting others and why the decision to buy a particular cell phone brand is much associated with purchasing behavior and personal attitude and trends. In addition to that the study will investigate both individual and groups of buyers. It will study the characteristics of individual consumers of cell phones, such as demographics and behavioral variables in an attempt to understand people's needs and why they goes to buy some well-known brands like Nokia and Blackberry and show reluctance to buy new brands that is not very well known. It also tries to assess influences of brand equity on their purchasing behavior. And what is the market barriers imposed due the Oligopolistic competition.

This project will survey young consumers (18-30 years old) in Malaysia and looked at their motives to purchase new cell phones on one side and the factors affecting their choice on the other side.

Various theories on consumer behavior were not tested empirically until the middle twentieth century. The distinctly practical emphasis awaited development of the field of marketing in the business environment. In particular the buying process of consumer behavior is of more importance to marketing practitioners than the consumption process.

Psychologists have long been interested in the topics of buying and consuming behavior. Some major perspectives in psychology such as behaviourism and cognitivism have formulated different theories to explain buying motivation and behavior. The behaviorists stress the process of operant conditioning and individual's history of reinforcement, while the cognitive approach puts its accent on individual's free will and intentional, voluntary action. The views of these two perspectives can be examined in terms of the nature of buying behavior and the process of choice.

This study will cover the effect of consumer behavior on buying decision associated with cell phone brands available in the Malaysian market. The study investigate the reason why young consumers more attracted to buy some brands and show high resistance to buy other brands they never tested of heard about it.

Furthermore the research will concentrate on young ages in Malaysia and demonstrates the effect of their age and education on the purchasing decision. And make analysis on their purchasing behavior.

Moreover this study will examine the personality types, brand effect of complementary personality which describe an individual's general pattern of purchasing behavioral response will be questioned to describe and predict consumer behavior.



### **3. Methodology**

To understand what mechanisms lie beneath the process of making the decision to purchase the cell phones and what effects increase the intention to purchase these products has on society and the economy several different components were examined. Since there is technically no limit as to how many aspects of the economy one could explore to fully capture the essence of status consumption.

This study touches upon some of the most influential factors of that increase the intentions of buyers to buy some brands, and also how to convert their decisions to buy other new brands.

The study will focus on a group of people their age between 18-30 years old. The technique of study method will use open-ended questions that represent the stock and trade of qualitative marketing research.

The type of questions will allow people to answer in any way they see fit. The open-ended questions will not impose answers on people. It will allow expressing their behavior and why they select particular brands and neglect others in order to have a more precise conclusion beyond their purchasing decision.

The main research methodology is qualitative, because qualitative will help to gather an in-depth understanding of human behavior and the reasons that govern such behavior. Since buying decision is much correlated with human behavior then the selection of qualitative method is the best way to get precise results.



Through qualitative method the study will investigate the why and how of decision making, not just what, where, when. Hence, smaller but focused samples are more often needed, rather than large samples.

A questionnaire will be submitted to the research community of the young consumers aged between 18-30 years old in order to answer important questions associated with cell phones brand, quality, price and other facilities and internal features for major cell phone brands.

#### **4. Research problem**

In Malaysia consumers especially young ages are more attracted and have more intention to purchase specific cell phone brands and have less attention to purchase other brands, this intention should not be related to quality in many instances, it is much related to consumer behavior and personal characteristics like attitudes and experience. However understanding the reasons beyond such behaviors and the actions followed by predicted buying decisions is an important question that needs to be answered and well clarified to help new companies marketing their cell phones faster and effectively.

Also it is not clear how consumers background and experience affect their interest to buy new cell phone or change the brand they used to buy, it must be recognized that personal interest increase or decrease the intention to purchase a new brand or new cell phone. However the purchasing decision must be understood from other views and by studying other factors associated with consumers and not only the prices and quality.

New firms intending to enter the cell phone market globally must understand very well consumer behavior and the factors affecting their buying decision, their main problem is how to measure these factors and how to reach for common conclusions in order to build their marketing strategy and enter a very competitive global market.

## **5. Research Objectives:**

- 1) Analyzing the brand effect on buying decision of young consumers in general and Malaysian consumers in particular for cell phone products
- 2) Analyzing the major personal characteristic factors that affect the purchasing decision of young consumers
- 3) Finding the right approach to improve marketing of new cell phone brands

## **6. Research Variables**

In this study the purchasing behavior is the dependant variable that will be used to measure the reliability of the hypothesis. The independent variables are consumer attitude and consumer background. The moderate variables are the cell phone brand equity and cell phone price. In this research judging the quality of measures used in collecting research data: are Validity and Reliability

## **7. Research Questions**

- 1) Does brand affect the buying decision of young consumers?
- 2) Does age affect the buying decision?
- 3) Does education and consumer background affect the buying decision?
- 4) How are personal characteristics related to the purchasing decision?

## **8. Research Hypothesis**

Purchasing decision nowadays is more associated with specific brands comparing to others and there are more studies on the effect of brand equity on the buying decision of young consumers. This study will attempt to approve this fact based on the Malaysian market for cell phone products.

It is very important and essential task for companies manufacturing cell phones that considered the second of third level on buying favorite to think of new marketing plans and better ways to distribute their products based on the results of studies covering consumer behaviors and buying decision-making process in certain regions.

The hypotheses of this study are

H1: The cell phone market price is correlated to the personal attitude and background of consumers in Malaysia

H2: The purchasing decision process depends on psychological, information, personal, and demographic factors

H3: Purchasing decision is properly correlated with personal experience and brand equity.

## **9. The contribution of the research**

This study contributes to the market researchers in the field of electronic devices and especially cell phone market. It will provide essential information about the non-marketing factors that affect purchasing decisions by young consumers.

It also represent a primary stage towards further understanding about the criteria that affect selecting certain brands by consumers.

## **10. Previous Studies**

From a historical point of view, consumer behaviour became the object of interest in the beginning of 20th century (Mowen, 2001; Belk, 2006). According to Erasmus (2001), it initiated the research of the consumer decision-making by marketers. The first consumer decision model was developed by Howard in 1963 and was followed by other scientists, such as Andreason (1965), Nicosia (1966), Engel, Kollat and Blackwell (1968) (Erasmus, 2001; Swarbrooke & Horner, 2007).

Literatures in this field indicates that corporate image, customer switching costs, and trust (Lau and Lee, 1999) have significant effects on customer loyalty. Behavioral intentions of consumers have been the most significant factors of business success for either manufacturers or service providers and switching cost; corporate image and customer's



trust have significant impact on it (Nguyen & Leblanc, 2001; Parasuraman, Zeithaml, & Berry, 1988; Zeithaml, Berry, & Parasuraman, 1996).

The information processing theory (or cognitive theory) is central to the variety of hierarchy of effect models which, as Barry and Howard (1990, 121) explain, posit that consumers go through a “variety of stages, namely cognitive, affective, and cognitive, in responding to advertising, and other marketing messages”. Accordingly, “the dominant pattern of relationship between the three stages is that cognition (thought) precedes both affect (feeling) and conation (behaviour)” (Marsden and Littler 2003). The most widely accepted position that opposes behaviourism is that thought and feeling can produce change in action directly. This is cognitivism; in its strongest form it suggests that attitudes control behaviour, and reinforcement only acts by changing attitudes. Overall, the implication for marketing strategy is that - “Consumers must be exposed to information [e.g., advertising] if it is to influence their behaviour” (Sternthal and Craig 1982,314).

The many factors that affect acquisition, usage, and disposition decisions can be classified into four broad domains: (1) the psychological core, (2) the process of making decisions, (3) the consumers’ culture, and (4) consumer behavior outcomes. Although the four domains are presented in separate sections of this book, each domain is related to all the others. For example to make decision that affect outcomes like buying new products. Consumers must first engage in processes described in the psychological core. They need to be motivated, able, and have the opportunity to be exposed to perceive and attend to information. They need to think about this information develop attitudes about it, and form memories.

The cultural environment also affects what motivates consumers, how they process information, and the kinds of decisions they make. Age, gender, social class, ethnicity, families, friends, and other factors affect consumer values and lifestyles and in turn influence the decision that consumers make and how and why they make them. (Wayne D. Hoyer, Deborah J. Macinnis, 2009)

Consumer behavior is the study “of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires” (Solomon 2005).

In the marketing context, the term ‘consumer’ refers not only to the act of purchase itself, but also to patterns of aggregate buying which include pre-purchase and post-purchase activities. Pre-purchase activity might consist of the growing awareness of a need or want, and a search for and evaluation of information about the products and brands that might satisfy it. Post-purchase activities include the evaluation of the purchased item in use and the reduction of any anxiety which accompanies the purchase of expensive and infrequently-bought items. Each of these has implications for purchase and repurchase and they are amenable in differing degrees to marketer influence (Foxall 2003).

Engel, et al. (1986) define consumer behavior as “those acts of individuals directly involved in obtaining, using, and disposing of economic goods and services, including the decision processes that precede and determine these acts”. Simple observation provides limited insight into the complex nature of consumer choice and researchers have increasingly sought the more sophisticated concepts and methods of investigation provided by behavioral sciences in order to understand, predict, and possibly control consumer behavior more effectively. Psychology, social psychology, and sociology are

the disciplines most widely employed in this endeavour which has become a substantial academic industry in its own right. In order to develop a framework for the study of consumer behavior it is helpful to begin by considering the evolution of the field of consumer research and the different paradigms of thought that have influenced the discipline (Marsden and Littler, 1998). Paradigms in consumer research can be broadly classified as a set of fundamental assumptions that researchers make about what they are studying and how they study it (Kuhn, 1962). As described below, a set of dimensions can be identified in the literature, which can be used to characterize and differentiate the various perspectives on consumer behavior.

Consumer behavior itself emerged as a distinct field of study in the 1960s. A major catalytic influence in its emergence was the formation of the *Association for Consumer Research* in 1969. Membership now exceeds 1700 ([www.acrweb.org](http://www.acrweb.org)), and the growing maturity of the field is reflected in its annual conference proceedings, entitled *Advances in Consumer*.

Young consumers learnt about cellular phone from many sources, mainly from friends and families, through advertisement and from their own experience. Whether a promotion and advertising hurt or help a brand is under-researched (Mela, Gupta & Lehman, 2001). In the long-run, advertisement helps brands by making consumers less price sensitive and more loyal. Exposure of an ad is crucial to be effective in changing consumer knowledge, attitude and behavior (Evans, Moutinho & Van Raaij 1999).

And for the ad to be seen, it must grab the attention of its target audience. 'Ad originality' as defined from Pieters, Warlop and Wedel, (2002) were easier for customers to remember than ordinary ads by increasing attention to it. This thus increased attention to



the brand being advertised. However, regardless of the content, ads for brand leaders are more successful due to the influence of the brand (Simon, 1970). Ads for less popular brands may be less successful even though the content may be good.

Liking towards the brand itself can influence liking for the brand (Hawkins, Best & Coney, 1992). However according to study by Biehal Stephens and Curio (1992) whether consumers like or dislike an ad does not necessarily lead to brand acceptance or rejection. So, even though consumers may like the ad that they see, it does not necessarily mean that they will go out and buy the brand advertised. Usually the consumer rates their attitude towards the ad (A ad) in brand choice equalled that of attitude towards the brands (AB).

The behavioral perspective therefore focuses on external environmental cues (such as advertising) that stimulate consumer response through learning. The strategic emphasis, of the behavioural modification theories, for example, are to devise a set of expanded behaviour modification techniques (e.g., respondent conditioning; operant conditioning; vicarious learning etc.) that can be used to influence, modify, and control consumer behaviour (Peter and Nord 2003).

The literature about consumer behavior has grown sharply, with the Journal of Consumer Research (first published in 1974) standing as a premier source. More recently, the Journal of Consumer Psychology was launched in 1992.

The choices made by consumers have consequences not merely for competing companies within a given, traditionally-defined industry; because of the high levels at which discretionary income is running, companies are increasingly forced to compete across the conventional boundaries of markets and industries (Foxall 1987).