CHAPTER 1: INTRODUCTION

1.0 Chapter Overview

This chapter focuses on the background of this research, research objectives, the importance of the study, its scope and limitations, and organization of the study.

1.1 Background of This Research

In this twenty-first century, almost everyone has this tiny gadget, that is, a mobile phone. It is a technological device that most of us cannot do without. It is needed everywhere he or she goes. Apart from the standard voice function, it is used for many other purposes such as text messaging, emailing, internet services, sending and receiving photographs by means of MMS, gaming, entertainment, and GPS tracking devices.

When the mobile phone was first introduced in Malaysia in the early 1990's, it was considered a luxurious item. Today, mobile phone is no more a luxurious item for any economic class. It is being used by the masses at large from lower class to upper class income groups. Due to the expansion of the mobile phone market, it is getting cheaper and easily available with the growing competition and advancement in technology. Mobile phones have become so cheap that

even students and people with low profile jobs are also able to afford these gadgets according to their budgets and needs.

In addition, mobile phones have also created a lot of craze in the minds of the youths. They are constantly seeking to find out more about the latest model, its features, its looks, colors, and so on. Mobile phone manufacturers are also increasing their specialties and launching more and more models at regular intervals.

As technology is getting more and more advanced day by day, each brand tries to attract customers by providing the latest mobile phones with unique, innovative features and attractive designs or looks in their models. Additionally, these gadgets offer many attractive gifts to customers who purchase them.

In the mobile phone industry, there are many brands of mobile phones which are competing with each other to attract customers. Nokia, Samsung, LG, Motorola, Sony Ericsson are the major brands which are dominating the global mobile phone market today as shown in Table 1.1.

These brands are competing with each other in terms of offering various functionalities such as unique and innovative features in their models, as well as great designs or enhanced aesthetics. Based on this scenario, the tasks of comparing and choosing a brand seemed to be the most difficult while purchasing a mobile phone.

Table 1.1: Global Mobile Phone Market Share for 2nd Quarter 2009

Brand	Market Share (Percentage)
Nokia	40.47%
Samsung	20.51%
LG	11.69%
Motorola	5.84%
Sony Ericsson	5.41%
Others	16.08%

Source: (http://www.mobileisgood.com).

As in any product category, different customers have different choices. This applies to mobile phones as well. With so many features, evolving technologies and all the important aspects of image and branding, the customers need to choose the right mobile phone. In relation to this, brands can play an important role by offering a quick, clear guide to a variety of competitive products and helping consumers to reach better and quicker decisions.

Consumers can rely on the chosen brands to guarantee standards of quality and service, which reduces the risk of failure in purchase. Generally, mobile phone brands that are established and have the patronage of consumers are said to possess "brand loyalty". Brand loyalty has been defined as "a strongly motivated and long standing decision to purchase a product or service to the extent that buyers become loyal to a specific brand" (Dibb et al., 2001).

The loyalty of the customer base is often the core indicator of brand equity (Aaker,1991b). If customers continue to purchase the brand of mobile phone in the face of competing brands with superior innovative features in their models, great designs, attractive prices, and convenience, it means that considerable value exists in the brand.

This research focuses on one of the most popular mobile consumer products, mobile phones. Five factors have been identified as key determinants of brand loyalty in the choice of mobile phone namely, brand name, brand design, perceived quality, price, and promotion. Taking all these factors into consideration, the customer goes for the brand which he or she likes.

1.1.1   The Global Landscape

The mobile cellular has been the most rapidly adopted technology in history. Today, it is the most popular and widespread personal technology on the planet, with an estimated 4.6 billion subscriptions globally by the end of 2009 as shown in Figure 1.1.

Figure 1.1: Global Mobile Phone Subscriptions 2009

Source: (http://www.itu.int/ITU-D/ict/statistics/).
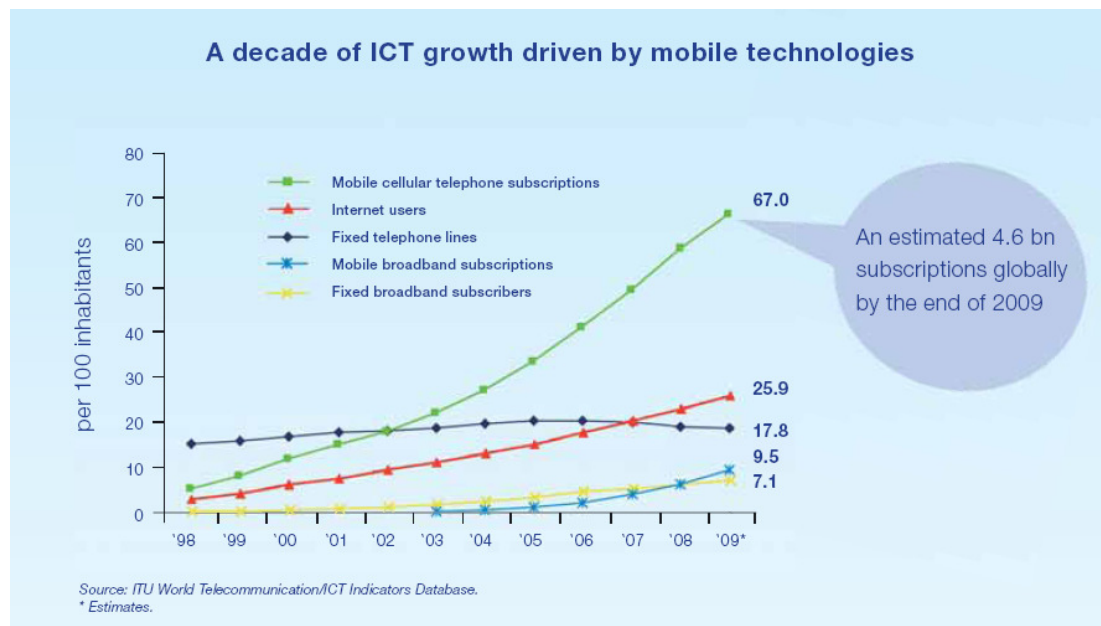
According to Gartner, a research firm, the global handset sales have reached a total of 1.21 billion handsets in 2009, which were led by sales of smart phones and lower-end devices. Of that, 483.5 million devices were sold in the Asia-Pacific region, up 6.7% from 453.1 million in 2008. Smart phone sales totaled 172.4 million units, a 23.8% increase from 2008, and this was led by compelling device experiences and touch interfaces.

1.1.2   The Malaysian Scenario

The mobile phone industry in Malaysia has undergone significant development. Based on a recent report in the Star Biz dated Wednesday, 3 March 2010 on "The growth of handset sales in Malaysia", analysts have forecasted that there will be a 5% growth in handset/mobile phone sales for 2010 with more varieties being offered. This prediction is also backed by sales increasing 1.4% year-on-year in the forth quarter of 2009. It was also reported that 5.5 million handsets were sold in Malaysia in 2008 and about the same figure was recorded in 2009. It was also reported that in Malaysia, the top three mobile phone vendors in terms of unit shipments for last year was Nokia, with a market share of 53%, Samsung (18%) and Sony Ericsson (11%).

As at end 2009, there were 30.3 million mobile subscribers in Malaysia and mobile penetration rate had reached about 106% (currently no published data is available on the breakdown of how many subscribers who have more than one mobile phone subscriptions). The key mobile network service providers comprised of Maxis Communications Berhad (Maxis), Celcom Axiata Bhd and DiGi Telecommunications Berhad (DiGi). Maxis had a subscriber market share of 40%, Celcom Axiata (35%) and DiGi (25%). Of this, 24 million and 6.3 million were prepaid and postpaid users respectively, according to the Malaysian Communications and Multimedia Commission website: http://www.mcmc.gov.my.
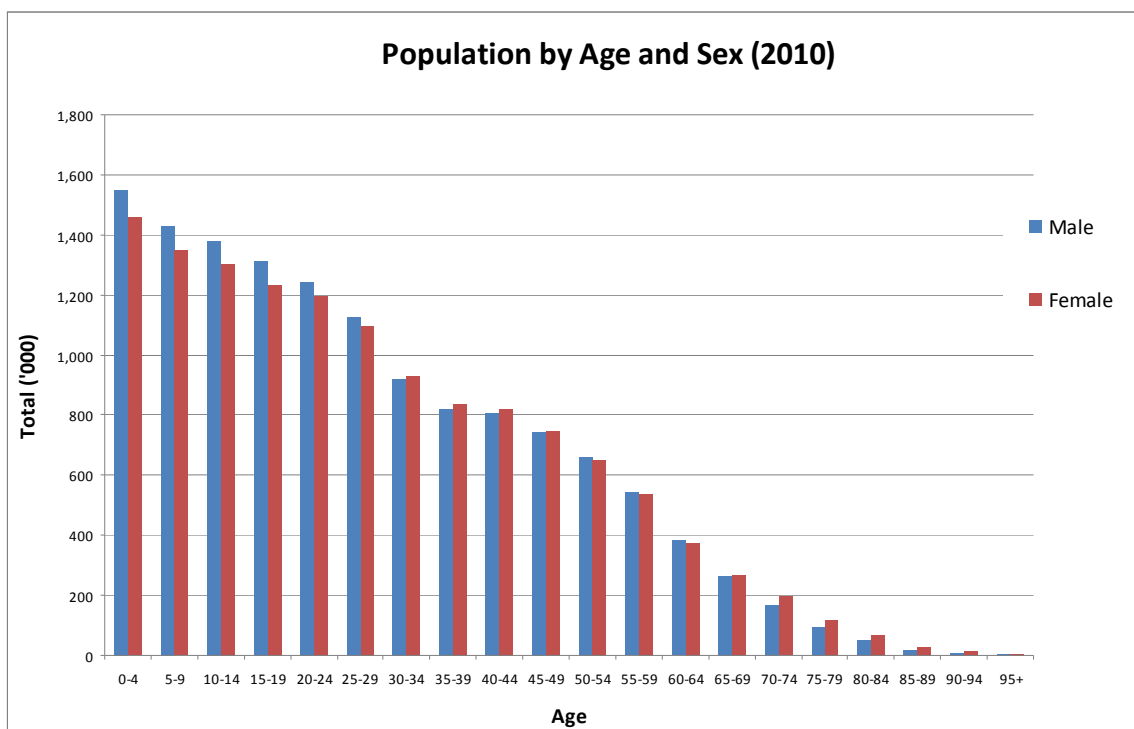
Mobile operators are focusing on the youth market segment (those 25 years old and below) which accounts for more than half of the mobile industry's subscriber base in Malaysia. This is in line with the projections by the Department of Statistics Malaysia on the population distribution by age and sex in 2010 and 2020 (as shown in Figures 1.2 & 1.3 respectively). Based on the projections, about 50% of the entire Malaysian population in 2010 and 2020 will be aged below 25 (as summarized in Table 1.2). This population trend will continue to reflect the importance of this age group as the highest group of mobile phone users in the future. Therefore, there will be a huge potential market in this age segment in the mobile phone industry.

According to the New Straits Times dated Monday, November 30, 2009, Mr Sandip Das, the chief executive officer for Maxis highlighted that there is a huge potential in the youth market since every year about 500,000 youth turn 16. He also emphasized that what makes telecommunication companies or telcos more excited is the fact that today mobile phone users are getting younger, that is, below 12 years of age. IDC Malaysia's telecommunication research manager Lincoln Lee said: "The youth market is a long-term investment for mobile operators, as it tends to have a higher propensity to adopt new and emerging services, especially services within an affordable budget." Lee added: "Despite being categorized as low average revenue per user (ARPU) at this stage, these subscribers will eventually enter the workforce, and hence, they are an

investment for service providers, who will nurture these subscribers into loyal subscriber base."

By end 2009, according to IDC, the mobile penetration rate in the country is expected to hit at least 106 per cent. It is also expected that the mobile penetration rate will hit 110 per cent by the end of 2011 (Source: http://www.idc.com.my)

Figure 1.2: Malaysia's Population Distribution by Age and Sex - 2010

Source: Adapted from Department of Statistics Malaysia (see Appendix 3.1)
http://www.statistics.gov.my

Figure 1.3: Malaysia's Population Distribution by Age and Sex - 2020

Population by Age and Sex (2020)

Source: Adapted from Department of Statistics Malaysia (see Appendix 3.2)
http://www.statistics.gov.my
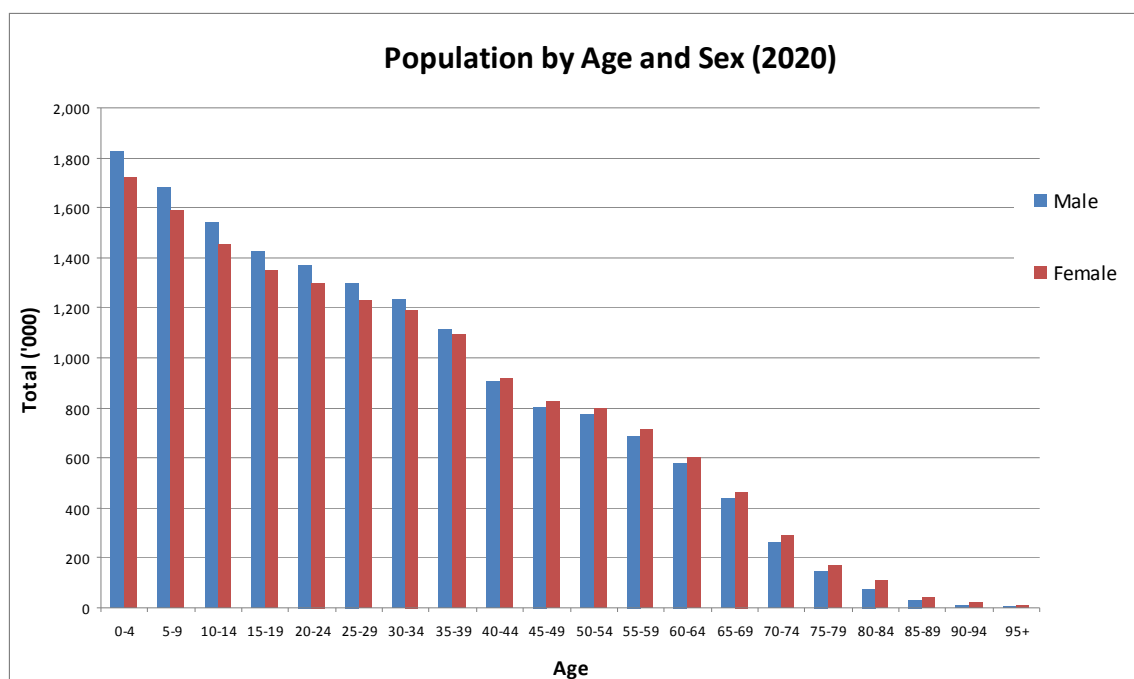
The above figures are summarized as follows:

Table 1.2: Percentage Distribution Of Population By Broad Age Category

Age Category	Population (Percentage)	
	2010	**2020**
Below 25	50% (14.4 mil)	48% (16.7 mil)
25-34	16% (4.6 mil)	15% (5.2 mil)
35-44	13% (3.7 mil)	13% (4.5 mil)
45-54	11% (3.0 mil)	11% (3.9 mil)
>50	12% (3.4 mil)	15% (4.5 mil)
Grand Total	100% (28.90 mil)	100% (34.87 mil)

Source: Adapted from Department of Statistics Malaysia (see Appendix 3.1 & 3.2)
http://www.statistics.gov.my
Note: The added total may differ due to rounding

1.2   Purpose of the Study

This study focuses on one of the most popular mobile consumer products, mobile phones. Based on the current scenario, there is a lack of empirical study in Malaysia to examine brand loyalty among consumers in their choice of mobile phone brands. Although there are quite a lot of past researches on mobile phones in other countries, but they focused primarily on the brand choice of mobile phones such as studies by Riquelme, (2001); Jones, (2002); Liu, (2002); Wilska, (2003); In-Stat/MDR (2002); O'Keefe, (2004); Karjaluoto et al., (2003a; 2003b); Karjaluoto et al., (2005).

Since the importance of brand loyalty as a factor in research on consumer choice of mobile phone brands has not been empirically studied in previous research, this study aims to close the gap.

There are two main objectives of this study:

1) To investigate how Malaysian consumers are influenced by factors of brand loyalty in their choice of mobile phone brands.
2) To identify the relationships that exist between these factors that influence brand loyalty of mobile phones.

1.3   Importance of the Study

This research will be able to address the following questions:

1) Is mobile phone brand loyalty driven to a certain extent by brand name, brand design, perceived quality, price and promotion in the Malaysian context?

2) Which factors (brand name, brand design, perceived quality, price and promotion) have the most significant impact on mobile phone brand loyalty?

3) Is there a relationship between demographic variables and mobile phone brand loyalty?

1.4   Scope of the Study

The product category studied is mobile phone. The sampling frame for this research is based on a convenience sampling of 230 respondents staying in Kuala Lumpur and Selangor.
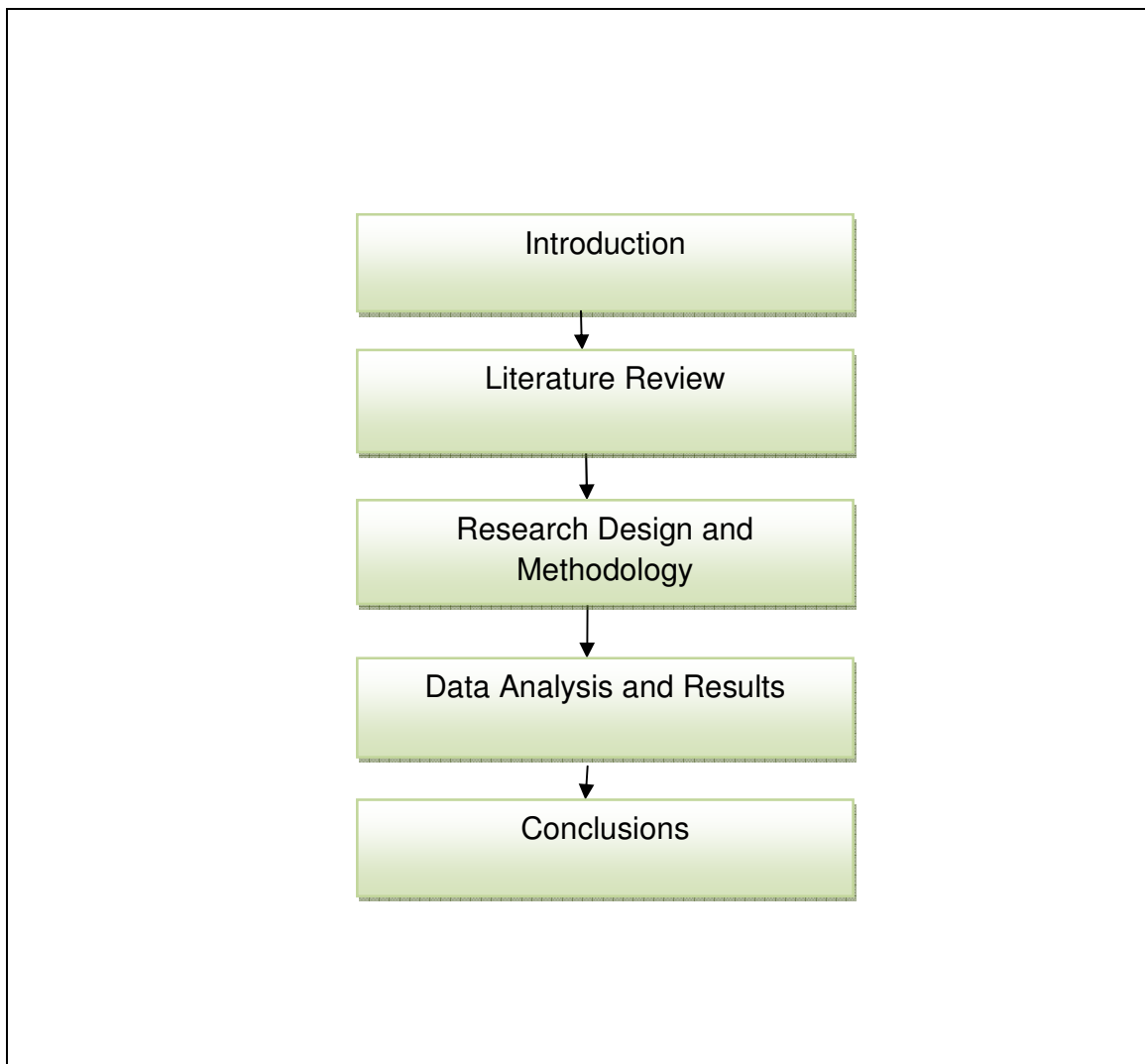
1.5   Limitations of the Study

Despite the contributions made by the present study, the following limitations are acknowledged.

1) The factor of refusal by certain respondents to participate. There are some respondents who are not willing to participate in this study and the non-response could be due to their indifferent attitude.

2) The sample of the study is confined to those participants located in the Kuala Lumpur and Selangor. A good geographical spread to obtain the data will be an added advantage to obtain a more accurate data representation. However, other parts of the country are excluded from the study due to time and cost constraints. Thus, there is a possibility that samples from other states in the country may lead to different findings.

3) The interpretations and understanding of the questions in the questionnaire – there is a possibility that different respondents may have different understanding on some questions even though clear instructions and explanations are given.

4) The time factor – this will have a direct impact on getting a bigger number of participants. A bigger number of at least 300 respondents will reduce biasness in the findings.

1.6   Organization of the Study

This thesis is structured into five chapters as outlined in Figure 1.4.

Figure 1.4: Research Flow

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│        Introduction         │
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┌─────────────────────────────┐
│      Literature Review      │
└─────────────────────────────┘
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│     Research Design and     │
│        Methodology          │
└─────────────────────────────┘
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│   Data Analysis and Results │
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┌─────────────────────────────┐
│         Conclusions         │
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This project paper contains five chapters. The first chapter focuses on the background of mobile phone industry in Malaysia in general, the purpose of the study/ research objectives, the importance of the study, the scope and limitations of the study. The second chapter aims to critically review the existing literature on branding and brand loyalty.

The third chapter draws out the methodology of the study. In addition, the theoretical framework of the present study is presented to show the relationships between the variables being investigated. Detailed explanations about the research instrument, sampling design, data collection procedures and techniques of processing and analyzing the data are also presented.

The forth chapter reviews the results of the data analysis and presents key findings of the study.

The final chapter concludes the research by reinforcing the overview of the study, key research findings and their implications on mobile phone brand loyalty among Malaysian consumers. Recommendations for future research are also included.