

## **CHAPTER 1**

### **INTRODUCTION**

Universal Mobile Telecommunications System (UMTS), an international organization committed to the successful introduction and development of applications and services in telecommunications industry, have reported that Asia Pacific region represents the single largest total revenue opportunity, forecasted to reach US\$120 billion in 2010. The report published had also forecasted that revenues gaining from the third generation, or 3G services worldwide will represent a cumulative market opportunity worth as much as US\$1 trillion between now and 2010.

In Malaysia, mobile communications industry indeed has been a booming business for the past few years. According to the Malaysian Communications and Multimedia Commission (MCMC), the regulator for the converging communications and multimedia industry, there are now approximately 11.1 million mobile phone subscribers in the country (see Appendix I). Mobile service providers have outperformed the initial target of having 38 per cent penetration by 2005, with the penetration already reaching 43.9 per cent in fourth quarter of 2003 (see Appendix I). Malaysian mobile phone industry can be expecting to see major 3G rollouts this year, driven by consumer needs for higher capacity and speed as well as new and more cost-efficient services. In this regards, 3G technologies will enable users to buy games, pay for add-ons like multimedia messaging, downloading and listening to music, using real-time global position system maps, shopping for shoes while we waited for the bus and so forth.

As this rapid transformation undoubtedly will soon influence deeply on various areas of people's daily lives than ever before, it hence will also create enormous market opportunities for the industry. In view of that, mobile operators certainly need to identify potential users of the new 3G applications and services based on the knowledge and information of mobile phone user behaviour. However, the whole process of bringing Information Communication Technologies (ICTs) such as mobile phone to enter and to fit in the routines and practices of daily life is

somewhat complex. In fact, the degree to which Malaysians being dependent on mobile phones is rather unproven.

The study will extend the concept beyond the ordinary adopted ones to consider the implications for our understanding of the experience of using mobile phone, by capturing invaluable information with regards to mobile phone usage dependencies and usage patterns while mobile phone users' usage dependencies could have been also influenced by demographic and psychographic factors. In other words, it could be possible to profile mobile phone users with regards to their mobile phone usage dependencies along with the demographic and lifestyle characteristics, which subsequently can be used as a foundation for market segmentation.

### **1.1 Objectives of the Study**

The purpose of this study is to provide an insight into the profile of mobile phone users in urban Malaysia in terms of their usage dependencies, along with the demographic and lifestyle characteristics. The study will use Malaysians' mobile phone usage behaviour as the dependent variable to differentiate the Malaysian mobile phone users into dependent and non-dependent user groups and adopt psychographic and demographic analysis as the proxies of the said dependent variable.

Specifically, the objectives of the study are as follows:

- To segment Malaysian mobile phone users by categorizing them into dependent and non-dependent users based on their attitudes and perception towards the importance of mobile phone in their daily activities.
- To distinguish the identities of the dependent and non-dependent mobile phone users by profiling them based on demographic and lifestyle factors.

- To explore whether demographic variables can then be clearly related to psychographic characteristics to enrich the diagnostic profile of mobile phone users in urban Malaysia.

## **1.2 Significance of the Study**

Given Malaysia is a multiracial country, it is an enormous challenge to mobile phone market operators to project their 3G rollouts marketing strategies by keeping pace with the demographic as well as lifestyle characteristics of the diverse groups of the Malaysian mobile phone users. As asserted by Friend, a marketing researcher for Survey Research Malaysia (SRM), the Malaysian marketers can see their consumers in black and white by using demographic variables. However, with psychographics, the marketers can see them in colours (Ho, 1988).

With the increasingly sophisticated growing mobile phone market and dynamic technology changes, there would be a need for market operators to take into account the consumer psychological, social and attitudinal criteria for the development of market segmentation other than the traditional bases of geography and demography (Wells and Tigert, 1971). In other words, the marketing strategy to be formulated should not just sell fundamental mobile phone applications and services per se, but could aim to sell the whole range of lifestyles to mobile phone users.

By exploring the demographic and psychographic characteristics of Malaysian mobile phone users, it is hoped that the findings of the study will facilitate further development of mobile phone market in Malaysia. Most specifically, the study aimed to explore how demographics and lifestyle patterns will direct user attitude and perception towards mobile phone usage dependencies differently in urban Malaysia. The consumer behaviour knowledge obtained can be an utmost useful information for mobile operators in the formulation of marketing strategies pertaining to the rolling out of 3G technology related applications and services in Malaysian market in the near future. From this, mobile operators will embrace niche marketing to refine and target their service offerings to different potential

and profitable user groups or market segments. The target markets can then be reached through appropriate marketing mixes and efforts with the help of more meaningful portraits of target groups so defined in the study.

In order to combine the virtues of demographics with the richness and dimensionality of psychographics, it is therefore suggested that the demographic profiles of different lifestyle segments of the Malaysian mobile phone users will be explored to complement the analysis of mobile phone users profile whereby special segments may emerge. For instance, given Malaysia is a complex ethnics marketplace, it is thus crucial for mobile phone marketers to explore the lifestyles of the diverse ethnic groups so as to obtain greater insights to discern new marketing opportunities as well as to formulate appropriate marketing programmes to encompass the ethnic dimensions more effectively.

As Lesser and Hughes (1986) asserted, there are many ways to approach a segmentation task. As such, the study will utilize the demographic and lifestyle factors in the quest of finding valid segmentation criteria for the current 11.1 million mobile phone subscribers (see Appendix I) in the country, which is nearly half of the approximately 25.3 million population.

A few academic studies have examined why and how mobile phones are adopted and used (Kwon and Chidambaram, 2000). However, empirical research on consumer lifestyle of mobile phone users is somewhat limited.

The study will attempt to answer the following questions:

- What are the demographic and lifestyle profiles of mobile phone dependant and non-dependent users?
- Can a new market segment be developed from the lifestyle and demographic profiles of the dependant and non-dependent mobile phone users?

- Can users' lifestyle segments then be clearly related to demographic variables to improve the description of different groups of mobile phone users?

### **1.3 Scope of the Study**

This study will be conducted in Klang Valley using quota and convenience sampling to represent urban Malaysian mobile phone users. Klang Valley, being the largest and most cosmopolitan area in Malaysia, which is lived with a sizeable percentage of the population who making their livings from diverse industries. Selection of sample in this particular area is due to these people who lived in large city are perceived to be more exposed to questionnaires, and would be more responsive to the study. Moreover, time and cost constraints have also limited the geographical coverage to other areas. The data for this study were collected through self-administered questionnaires during the period from February 2004 to March 2004.

The scope of this study uses attitude and perception towards the importance of mobile phone in daily personal and business related activities as the dependent variable and later explicating the relationships through empirical testing with demographic and lifestyle variables of urban Malaysian mobile phone users.

### **1.4 Limitations of the Study**

Firstly, this study is limited in its scope of study and sampling procedure. The impacts of consumer behaviour on mobile phone usage dependencies could be examined in many perspectives and in more details. This study only focuses on the consumer attitude and perception towards mobile phone, the lifestyle and demographic variables in which the study viewed that it will provide useful insights to the influences of mobile phone usage behaviour.

Secondly, in view of the time and cost constraints, the present study will be restrictively conducted with the participation of mobile phone users in Klang Valley, which may not be representative of the total market. Apart from that, the

use of quota and convenience sampling is a limitation which may account for upwardly biased findings. As a matter of fact, a larger and diverse sample is able to produce a more generalized result of the impact of demographics and lifestyle of mobile phone users on their mobile phone usage dependencies. As a result, this study will be exploratory in nature.

Therefore, the findings of this research should be interpreted within the limits of the sample size (n=500 urban consumers), sample space (Klang Valley) and time (data collected within 4 weeks). Despite the above shortcomings, the findings of this study will be able to provide insights into the impacts of lifestyle and demographic characteristics among urban Malaysian mobile phone usage dependencies.

### **1.5 Organization of the Report**

This report has been organized into five main chapters. Chapter One serves as general introduction to the study. It presents an overview of the problem, objective, significance and scope of the study. Chapter Two reviews the literature on the adoption or usage of mobile phone and some previous researches in the field of segmentation based on consumer lifestyle and demographic characteristics, as well as researches with respect to sub-segments determination based on the relationship between demographic characteristic and lifestyle constructs. Chapter Three presents the methodology of the study, which includes the sample design and procedures, the measuring instruments adopted, followed by data collection method and data analysis techniques used in this study. Chapter Four presents the overall findings of the study and discussion of the research results. Lastly, Chapter 5 concludes the study by summarizing the findings and provides implications of the study. Some recommendations for future research are also presented in the study.