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BTMM

2015

UTeM

COMPETITIVE MARKETING STRATEGY IMPACT  
GEN-Y's PURCHASING BEHAVIOUR: THE CASE  
OF SMARTPHONE USER

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## DECLARATION

I declare that this project paper ‘COMPETITIVE MARKETING STRATEGIES IMPACTING GEN-Y’s PURCHASING BEHAVIOR: THE CASE OF SMARTPHONE USERS’ is the result of my own research except as cited in the references.

Signature:

Name: Ahmad Ruzqan Bin Md Yaman @ Mohd Rosli

Date:

## **DEDICATION**

This paper is dedicated to:

My beloved parents, with their love and effort who always pray and support me, my family for their never ending support, motivation and attention.

## ACKNOWLEDGEMENT

In the name of God The Most Gracious and The Dispenser of Grace, Allah S.W.T. This research could not been accomplished without any contribution from many people. Firstly, I would like to thank to my supervisor, Mdm Edna Binti Buyung, that teach us a lot, spent more time to guide us and share knowledge with us in order to fulfill the research needs. Besides that, I also want to thanks my friends and other lecture that helps in contributing in the construction of this research.

Then, I also likes to thanks to all respondents for their participation in this study. Without their cooperation as respondents, this research cannot be completely and successfully. Unforgettable, thanks to my fellow colleagues that willing to support in the progression of this research.

Lastly, not to forget my families deserve the greatest thanks for their loves, patience and support. As for my beloved families, the appreciation was never expired because of the supportive in term of many aspects that contributing in the construction of this research paper.

Thank You.

## TABLE OF CONTENT

<b>CONTENTS</b>	<b>PAGES</b>
THESIS DECLARATION	i
DEDICATION	ii
ACKNOWLEDGEMENT	iii
TABLE OF CONTENT	iv
LIST OF TABLES	vii
LIST OF FIGURES	viii
ABSTRAK	ix
ABSTRACT	x
<b>CHAPTER 1: INTRODUCTION</b>	
1.1 Research Background	1
1.2 Problem Statement	3
1.3 Research Question	4
1.4 Research Objective	4
1.5 Scope of study	5
1.6 Significant of the study	5
1.7 Summary	6
<b>Chapter 2: LITERATURE REVIEW</b>	
2.1 Introduction	7
2.2 Competitive marketing strategies	7

2.3 Marketing mix strategy	9
2.4 Generation Y (Gen-Y)	10
2.5 Generation Y purchasing behaviour	11
2.6 Product Features	12
2.6.1 Customer Satisfaction	14
2.7 Price	15
2.7.1 Rebate	16
2.8 Brand	16
2.8.1 Brand Loyalty	17
2.9 Theoretical Framework	19
2.10 Hypothesis	19
2.11 Summary	20
<b>CHAPTER 3: RESEARCH METHODOLOGY</b>	
3.1 Introduction	21
3.2 Research Design	22
3.3 Methodological Choices	23
3.4 Primary Data Sources	24
3.5 Secondary Data Sources	24
3.6 Data Analysis	25
3.7 Location of the Research	25
3.8 Research Strategy	25
3.9 Scientific Canons	26
3.9.1 Construct Validity	26

3.9.2 Reliability	26
3.9.3 Reliability Statistic of all Variables	28
3.10 Pilot Test	28
3.11 Time Horizon	29
3.12 Summary	30
<b>CHAPTER 4: DATA ANALYSIS</b>	
4.1 Introduction	31
4.2 Frequency Analysis	31
4.2.1 Gender	31
4.2.2 Age	32
4.2.3 Race	32
4.2.4 Average Expenses	33
4.2.5 Status	34
4.2.6 Education Level	34
4.3 Descriptive Statistic	35
4.3.1 Descriptive Statistic of the influence by product features	35
4.3.2 Descriptive statistic of the influence by pricing	36
4.3.3 Descriptive statistic of the influence by brand	37
4.4 Data Correlation	38
4.4.1 Pearson Correlation	38
4.4.2 Pearson Correlation Analysis of Product Features	38
4.4.3 Pearson Correlation Analysis of Pricing	39
4.4.4 Pearson Correlation Analysis of Brand	41

## **CHAPTER 5: DISCUSSION AND CONCLUSION**

5.1 Introduction	43
5.2 Discussion of product features	43
5.3 Discussion of pricing	44
5.4 Discussion of brand	45
5.5 Conclusion	46
5.6 Limitation of study	47
5.7 Recommendation for individuals	48
5.8 Recommendation for study purpose	48
REFERENCES	49
APPENDIX	53



## LIST OF TABLES

<b>CONTENTS</b>	<b>PAGES</b>
Table 3.1 Rules of thumb about Cronbach's Alpha Coefficient size	27
Table 3.2 Reliability Statistics of all statistics	27
Table 4.1: Descriptive Statistic of the influence by product features	34
Table 4.2: Descriptive Statistic of the influence by pricing	35
Table 4.3: Descriptive Statistic of the influence by brand	36
Table 4.4: Correlation between product features and Gen-Y purchasing behaviour	37
Table 4.5: Correlation between Pricing and Gen-Y purchasing behaviour	39
Table 4.6: Correlation between Brand and Gen-Y purchasing behaviour	40

## LIST OF FIGURES

<b>CONTENTS</b>	<b>PAGES</b>
Figure 2.1 Research Framework	19
Figure 3.1 The Process of Deduction	22
Figure 4.1 Gender of respondents	30
Figure 4.2 Age of respondents	31
Figure 4.3 Races of respondents	31
Figure 4.4 Average Expenses of respondents	32
Figure 4.5 Status of respondents	33
Figure 4.6 Education Level of respondents	33

# **STRATEGI PEMASARAN YANG BERDAYA SAING MEMBERI KESAN TINGKAH LAKU PEMBELIAN GEN-Y: KES PENGGUNA SMARTPHONE**

## **ABSTRAK**

Penduduk Malaysia secara rasmi melebihi 30 juta pada bulan Februari 2014, 34 peratus penduduk bandar berumur antara 15 hingga 34 tahun. Landskap mudah alih merekodkan 66% setiap penembusan internet yang bermaksud bahawa negara ini mempunyai 20 juta pengguna internet dengan kadar pertumbuhan sebanyak 18% 2009-2012. Penembusan mudah alih direkodkan sebanyak 140% menunjukkan bahawa 47 peratus rakyat Malaysia memiliki lebih daripada 1 telefon mudah alih, langganan 3G menyumbang sebanyak 10 juta (Bank Dunia 2012). Kertas penyelidikan ini bertujuan untuk mengkaji kesan strategi pemasaran ke atas Gen Y atau kelakuan pembeli dalam pemilihan penggunaan telefon pintar. Set data akan dikumpul melalui soal selidik, dan kaedah persampelan rawak. Seramai 200 sampel telah dikumpulkan dari Melaka, Malaysia, bagi tempoh empat bulan dari Januari hingga April 2015. Data yang dikumpul dianalisis dengan menggunakan SPSS versi 2.0. Hasil kajian akan membantu peniaga dalam menentukan bagaimana keputusan pembelian Smartphone oleh Generasi Y dipengaruhi oleh ciri-ciri seperti produk, harga dan jenama. Ia menyediakan implikasi bagi aplikasi telefon bimbit dalam membangunkan dan melaksanakan strategi pemasaran yang terbaik untuk menarik pembeli dari kalangan Gen Y sebagai pengguna telefon pintar, mengekalkan pelanggan dan meneroka pasaran baru untuk kekal berdaya saing. Sebagai pemimpin pasaran dan kekal nombor satu, firma perlu mencari jalan untuk mengembangkan jumlah permintaan pasaran, melindungi bahagian pasaran, dan meningkatkan bahagian pasaran dengan menggunakan strategi pemasaran yang paling kompetitif (Kotler & Keller, 2012) dan mempunyai kelebihan daya saing yang ketara dalam pasaran, (Richard & Dorathy, 2009, p. 152).

# **COMPETITIVE MARKETING STRATEGIES IMPACTING GEN-Y's PURCHASING BEHAVIOR: THE CASE OF SMARTPHONE USERS**

## **ABSTRACT**

Malaysia's population officially surpassed 30 million in February 2014, per cent is urbanites with 34% population age between 15 to 34 years. The mobile landscape records a significant 66% per cent internet penetration which means that the country has 20 million internet users with a growth rate of 18% from 2009 to 2012. Mobile penetration is recorded at 140% indicating that 47 per cent Malaysians own more than 1 mobile phone, 3G subscription accounts for 10 million (World Bank 2012). This research paper aims to study the impacts of marketing strategies on Gen Ys or the millennial's purchasing behaviour in the selection of smartphone usage. The data set will be collected through self-administered questionnaire, and random sampling method. A total of 200 samples were collected from Melaka, Malaysia, for a period four months from January until April 2015. The data collected were analyzed using SPSS version 2.0. The findings will assist marketers in determining how the Smartphone purchase decision of Generation Y is influenced by product features, price and brand. It provides for implications for mobile apps providers in developing and executing the best marketing strategies to attract Gen Y's purchasers as smartphone users, retain customers and explore new markets to remain competitive. As market leaders and to stay number one, the firms must first find ways to expand total market demand, protecting market share, and increase market share by employing the most competitive marketing strategies (Kotler & Keller, 2012) and possess the competitive advantage with a distinctive edge in the marketplace, (Richard & Dorathy, 2009, p. 152).

## CHAPTER 1

### INTRODUCTION

#### 1.1 Research Background

Literature defines the beginning of Gen Y as early as 1977 and as late as 1981 and ending as early as 1994 and as late as 2002 (Karefalk, Petterssen and Zhu 2007). Erickson (2008) states that Gen-Y's populations are currently estimated between 70 and 90 million individuals, depends on the specified boundaries. Gen Y has also known to be as well educated, upbeat, socially conscious self-reliant and entrepreneurial thinkers (Broadbridge, Maxwell, & Ogden, 2007). Smartphone becomes a trend nowadays among Gen-Y in Malaysia.

A smartphone is a mobile device which is more than merely making and receives phone calls, text messages, and voice mail. The basic feature of a Smartphone is able to access to the internet. It can also access digital media such as picture, music and videos. Also, Smartphone needs to have the ability to make use of small computer programs called applications or apps (Weinberg, 2012). From 2007 to 2010, there are more than 300,000 of mobile apps being developed and forecasted to have \$35 billion of revenue by 2014 (International Data Corporation, 2010). With the increasing development in technology and telecommunication sector, numbers of Smartphone users around the world are increasing. In Malaysia, some of the popular Smartphone brands are such as Apple, Samsung, HTC, Sony, Asus, Nokia, and LG. Among these Smartphone brands, Samsung Galaxy and Apple iPhone have the strongest competition in the market. In the

third quarter of global Smartphone market 2012, Samsung successfully overstepped Apple, according to a Reuters poll (The Star (a), 2012)

In Malaysia, the majority of Smartphone users is from 25 to 34 years of age, highly educated and full time employment with RM5000 income or more, according to a report on year 2011. In addition, the highest rate of internet usage using the Smartphone falls in the age group 25 to 34 years old and 18 to 24 years old, which is generally the Gen-Y (Enterprise News, 2011). Thus, this research will look into the Gen-Y purchase decision towards Smartphone, holds the highest Smartphone ownership and usage rate. The most important usage of Smartphone for users is for browsing, social network, music and using the internet on a further device (Enterprise News, 2011). Another study indicates that the key motivating factors for future Smartphone users are internet surfing, upgrading from current devices, and applications (Enterprise News, 2012). Also, the most important criteria that affects the Smartphone purchase decision is the trend in community, followed by needs and software of the Smartphone (Osman, 2012). The marketers should concern about this scenario because Smartphone businesses with a big presence in the market are seen as a worthwhile investment, as they usually profit by keeping up with the whole industry. Occupying the most desirable market space in the minds of Gen- Y consumers make it impossible for competitors penetrate.

Another study by global information and measurement company Nielsen shows that there will be an increasing number of Smartphone users in Malaysia, where 79% of mobile users plan to purchase a Smartphone (MySinChew, 2012). International Data Corporation (IDC) Asia Pacific, whereas indicate that, from 30% in year 2011, Smartphone market share increased up to 35% in the year 2012 in the Malaysia's mobile phone shipments (The Star (b), 2012). It shows that there is a large opportunity in the Smartphone market in the future and Smartphone producers should exploit this window of opportunity on a broader scale.

In this study Gen-Y purchasing behavior is taken as dependent variable while various marketing strategies in terms of product feature, price and brand used by major

Smartphone Companies are taken as independent variables. The research paper will determine whether these independent variable product features, price and have an impact on the Gen-Y purchasing behavior of Smartphone.

## 1.2 Problem Statement

This research aims at investigating Gen-Y purchasing behavior on smartphone industry, as it has a large impact in sustaining its market value. Additionally, this study will also determine the factors affecting purchasing of smartphones, that eventually lead to purchase decision of generation Y in Malaysia. More and more consumers believe their purchase behavior will have a direct impact on ecological problems (Mostafa, 2007). Though most of the previous studies focused on the usage of specific mobile applications, the overall picture of smartphone market in Malaysia is unclear, and the statistics are hardly available. Such information is vitally important for both academics and marketers. From the academic viewpoint, the overview of the smartphone market in Malaysia provides them a foundation where they further design their research. On the other hands, marketers such as mobile phone manufacturers, application developers, and relevant stakeholders in the industry would greatly appreciate the information as they can be used to strategize their marketing strategies, and plan for the future directions.

### **1.3 Research Question**

In order to study this issue, several research questions are specifically set as follows:

1. What is the relationship between the firm's competitive marketing strategies and Gen-Y purchasing behavior on Smartphone?
2. What are the impacts of the firm's competitive marketing strategies on Gen- Y's purchasing behavior on Smartphone?
3. How do firm's competitive marketing strategies influence Gen-Y is purchasing behavior on Smartphone?

### **1.4 Research Objectives**

The aim of the study will be stated as below:

1. To determine the relationship between the firms's competitive marketing strategies and Gen-Y purchasing behavior on Smartphone.
2. To examine the impacts of the firm's competitive marketing strategies on Gen- Y purchasing behavior on Smartphone.
3. To examine the influence of the firm's competitive marketing strategies on Gen- Y purchasing behavior on Smartphone.



## **1.5 Scope of study**

The scope of this research covers Gen-Y who was born among 1980 to 1990 and is currently Smartphone users. This study is primarily conducted in Melaka examining the firm's competitive marketing strategies, their relations, impacts including their influences on Smartphone users. It focuses on examining the product features, pricing and brands and how marketers align their marketing strategies to meet the satisfaction of this market segment of buyers.

## **1.6 Significance of the Study**

This study is important to establish the connection between the firm marketing strategies and their influence on Gen-Y's purchasing behavior on Smartphone. The focus is essentially on Gen-Y is essential as this group of the population will soon dominating the consumer market. Better understanding on the purchasing behavior of Gen-Y will assist the marketers to come up with the right product to fulfill their needs. This study is also important for new marketers to enter the market by using effective marketing strategies in order to sustain their business.

The smartphone has become trends nowadays among Gen-Y in worldwide. In fact, some people prefer using their phone to access the internet than using their computer. The smartphone also will fit Gen-Y tech Savvy lifestyle. For example the GPS apps that help Gen-Y to find some place, banking apps that help Gen-Y view their account and make importance transactions. The most importance of Smartphone usage is to interact with between one another using social media such as Facebook, WhatsApp,

Twitter, and others. It means the world for Gen-Y is a digital world and for some they cannot live without their Smartphone for a day.

## **1.7 Summary**

This chapter established the foundations for this research. It introduced the background of study, problem statement, the research problems and the research objectives, the importance of the study, as well as the scope and the limitation of the study. Based on the research foundations, the researcher proceeds to the next chapter in chapter two and discussed the literature review and theoretical framework.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 Introduction

This chapter reviews the literature which focuses on the key items that are used in this research. It will review with the full understanding about this research topic, the research variables, and research purpose.

A brief account of the main ideas and issues concerning about research activities advocated by various scholars, from the traditional to contemporary, is presented. This is because reading through the ideas of those scholars will lead to a better understanding of the present and most contemporary perspectives in Gen-y is purchasing behavior. It is obvious that many major elements in the present focus on Gen-y purchasing behavior and marketing strategy and also development activity research and its approaches still maintain some elements that were once suggested and theorized by earlier scholars in the area. This leads to the introduction of relevant theories related to the impact of marketing strategies on Gen-y is purchasing behavior toward smartphone usage.

## 2.2 Competitive marketing strategies

Marketing strategy has been defined as the marketing logic by which the business unit hopes to create customer value and achieve profitable relationships (Kotler& Armstrong, 2010, p.72). According to (Ranchhod&Garau, 2007, p.5) marketing strategies are defined by the overall corporate vision of an organization and constitute the actions taken to satisfy customers and their needs. Though both definitions focus on the customer, they can be distinguished based on the factors that they propose when developing competitive marketing strategies. The first definition is narrow in its sole focus on customer value and relationships, whereas the later definition takes a broader perspective with its acknowledgement that the organization's overall vision must be taken into account. Aaker (2008), on the contrary, defined marketing strategy as a process that can allow organizations to concentrate resources on optimal opportunities with goals of increasing sales and achieving sustainable competitive advantage. Based on the foregoing statement, it can therefore be said that marketing strategy is an organization's strategy that combines all of its marketing goals into one comprehensive plan. It involves participating in selling business objectives and formulating corporate and business unit strategies. It involves a process of strategically analyzing environmental competitiveness and business factors affecting business units, and forecasting functional trends in business areas of interest to the enterprise (Scrizzi, 2007). This concurs with Ezekiel Tom Ebitu, (2014), who states that marketing strategy involves all basic and long term marketing activities of an organization, including strategic direction of the organization, formulation, evaluation and selection of market-oriented strategies that therefore contribute to the goals of the organization and its marketing objectives, which is to satisfy consumers profitably. The ultimate objective of any marketing strategy is consumer's satisfaction without which no organization can meet its goals, Ramesh (2012 p. 1-4) defined competitive marketing strategies (CMS) as a systematic action setting process as much as it is a dynamic adjustment process. Petzer, Steyn&Mostert (2008 p. 3) View it as a service to be deployed by an

organization to improve its own ability to compete with others, gain a competitive advantage and thus retain a greater number of customers. Alternatively, Dann&Dann (2007) defined competitive marketing strategy as a paradoxical aspect of modern business. At times, it relies on the instincts, skills and artistry of the marketer, yet at the same time, there is an expectation that the scientific rigor of market research, business statistics and economic measurement be applied in equal measure. Strategy, on the other hand is a technique that is an art form that is learnt best by doing, and a science that is learned through models, theories and the analysis of existing knowledge. Over time, marketing scholars have broadened the marketing concept beyond current customers and competitors to include future consumers and societal needs. There is a connection between how these marketing and stakeholder concepts have evolved the company's obligations beyond shareholder to include customers as one of their primary stakeholders. Marketers adopting the stakeholder concept have shifted the firm's focus to a broader set of stakeholders, including suppliers, employees, regulators, shareholders, and the local community. In the context of smartphone usage, marketers can increase the amount, the level or frequency of consumption by expanding new customers or more usage or convince more usage from existing customers, as well as introducing new ways to use the brand among Gen-Y customers.

### **2.3 Marketing mix strategy**

Marketing mix strategy is a planned mix of the controllable elements of a product's marketing plan commonly termed four P's that is product, price, place, and promotion. Chai (2009) explained that marketing mix was offered by McCarthy in 1964 as a conceptual framework that identifies the principle decisions making managers make in configuring their product or service to satisfy consumer's needs. The tools are used to develop long term strategies and short term tactical programs. Popvic (2006) agree that a

firm adopting marketing mix strategy must create a mix of the right product at the right place and sold at the right price using suitable promotions. According to Moller (2006), the product has to have the right features, the price must be right, the goods must be at the right place at the right time, and the target group needs to be made aware of the existence of the product through promotion.

## **2.4 Generation Y (Gen-Y)**

Gen-Y is a population group that being considered as tech savvy, early adopters of new technology, extensive user of internet and eager to shop (Archana&Heejin, 2008; Broadbridge et al., 2007; Morton, 2002). Gen-Y has also known to be as well educated, upbeat, socially conscious self-reliant and entrepreneurial thinkers (Broadbridge, Maxwell, & Ogden, 2007)

Gen-Y consumers are regarded as the future market target group as it represents a significant consumer segment as reported by Archana and Heejin (2008), it accounts nearly 70 million people in USA as of 2008. While in Asia, this population group has grown from 648 million in 1995 to 729 million in 2006, Karen & Ho Voon (2007). It was reported that a large population of Gen-y will soon form the major force in the consumer marketplace and significant behavioral shift on consumer buying behavior is expected (Belleau, Summers, Xu, &Pinel, 2007), gen Y is the emerging generation with significant disposal income (Archana&Heejin, 2008; Cui et al., 2003). This is due to the fact that this group of the population has substantial buying power relative to their incomes (Focsht et al., 2009). Often Gen Y will base on emotional value when making choice in selection of brand (Dee &Eun Young, 2007). Similar finding was observed in Morton (2002) indicated Gen Y trends prefer brands which offer individuality.

Gen-Y is brought up in the era where shopping is not considered as a simple act of purchasing. Gen-Y was labeled as a group that “born to shop” due to much exposure to advertising media and living in the era of the internet (Bakewell& Mitchell, 2003). Since Gen-Y is the main user of smart phone, marketers must do a strategy that can attract Gen-Y.

Gen-Y adults are savvy about marketing technique and expect marketers to be sincere in their marketing approaches (Cui et al., 2003). Therefore, it is the best that marketers can combine the elements of emotional value in the electronic communication service to reach out for large Gen-Y consumer. This is because the emotional value has been identified as one of the critical factors that will have greater control over Gen-Y’s choices for the brand (Dee & Eun Young, 2007).

## **2.5 Generation Y purchasing behavior**

Schiffman&Kanuk (2008) stated that consumer purchasing behavior involves three steps by which consumer decide to purchase. These are input, process and output stage. Information both for formal and informal source is vital in deciding which product to purchase. The marketing strategy was designed by marketers using the four P’s of marketing to provide information internally while external information can be gathered from informal source as family, friends and word of mouth receiving information is followed by processing it in a meaningful way according to knowledge, experience, perceptions and culture of consumers. Output stage involves sub stages of post purchase and post purchase evaluation.

In the selection of smartphone, information is received both from formal and informal sources, processing of information, after which consumer decides which

smartphone to select. According to Janarain, (2010) Gen-Y is considered an important segment of the market. Their accessibility to readily available information and sensible judgment of surrounding make them an important consumer segment. Constantine, (2010) also includes the young consumers in Gen-Y due to their high technology orientation and exposure to the internet. They are innovators, always in search of new experience, considered as a large segment of the market using smartphone.

According to Macgregor (2004), Gen-Y today are more confident to consume and can influence the purchase of their family. They consider themselves as independent consumers by showing confidence and their extensive ability to consume as compare to previous generation. Torlak, Spillan&Harcar, (2011) agree that in future companies can only achieve high market shares and profits if they target Gen -Y as their major market segment. Ernst & Young, (2012) also find out recent era youth segment as more aware of technology, users of social media, innovators and like to do online transactions.

## **2.6 Product features**

Kotler, Philip, Armstrong, and Gary, (2007) agree that feature is an attribute of a product to meet the satisfaction level of consumer's need and wants, through owning of the product, usage, and utilization of a product,(Kotler, Philip, Armstrong, and Gary, 2007).Oulasvirta et al. (2011) stated that the phones now feature with wireless connectivity, a built-in Web browser, application installation, full programmability, a file management system, multimedia presentation and capture, high-resolution displays, several gigabytes of storage location and movement sensors, (Oulasvirta, 2011).

According to Chang and Chen (2005) each operating system has its own exclusive personalities and backgrounds, (Chang and Chen, 2005).The software of a