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Consumer Behaviour Towards Smartphone Industry in Indian Market

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Abstract: Smartphones have been a daily driver to our lives. It has been 16 years since the first smartphone launched (Ericsson R380 smartphone), It has been for than a decade. There are approximately 2 billion smartphones sold since 2000. Earlier consumers used to just talk and send small text messages but lately the industry has evolved with new technologies coming every year. Research and Devolvment teams of these smartphone manufacturing companies have invested a lot in technology. There are new smartphones coming into the market every day. There is a lot of competition within the industry, there is no key player. As there are immense choices available to the consumer, it is difficult for them to choose, that's why it is important to understand the consumer behaviour or decision making in the smartphone industry. The consumer is influenced by various external and internal factors. The research will focus on the Indian market as it is one of the fastest growing economies in the world and they have the third largest smartphone users i.e. 123.3 million by the end of 2015, which is expected to exceed 200 million by the end of 2016, exceeding the number of smartphone users in the United States and becoming the second largest market for the industry. The research will collect primary data from consumers across all age and would analyse the behaviour of consumers before purchasing a smartphone.

Keywords: *smartphones, decision making, economy, consumers*

Introduction

The major increase in the smartphone industry has led to this research, there are smartphone users present across all age groups. As new smartphones are launched every year the old ones become absolute and that has led to consumers upgrading their old smartphones to new ones every year. The aim of this research is to find out what influences our consumers while purchasing a smartphone and what factor motivates them to finally buy a smartphone. The consumers come from different backgrounds and age groups, they also have a different background in terms of social status, family and groups. There are smartphones available in all price bracket, but why people choose to buy expensive devices? And also, still manage to upgrade every year. There are smartphones available by manufacturers from across the globe but the Chinese manufacturers have disrupted the market by giving top end specs in their smartphones with a very reasonable price. These Chinese companies have lately entered the Top 5 manufacturers in the world beating big manufacturers like Microsoft, Nokia and HTC. The consumer has become smart and no longer can be fooled as they have access to the internet and can access information based on these companies very quickly, they can see other consumers writing about their experiences on e-commerce sites about various brands and their own user experience with them. There are also websites that review smartphones

and post them on various social media channels, with all this affecting and influencing the decision the manufacture has to market their products very smartly so that they can be the one who are influencing the decision making of the consumers. The manufacturers have to gain consumer insights and know what makes a consumer buy a product and also understand who/what are influencing them.

History

Merriam-Webster concisely calls a smartphone “a cell phone that includes additional software functions (as e-mail or an Internet browser).” On the other hand, Oxford dictionary says a smartphone “is able to perform many of the functions of a computer, typically having a relatively large screen and an operating system capable of running general-purpose applications.”

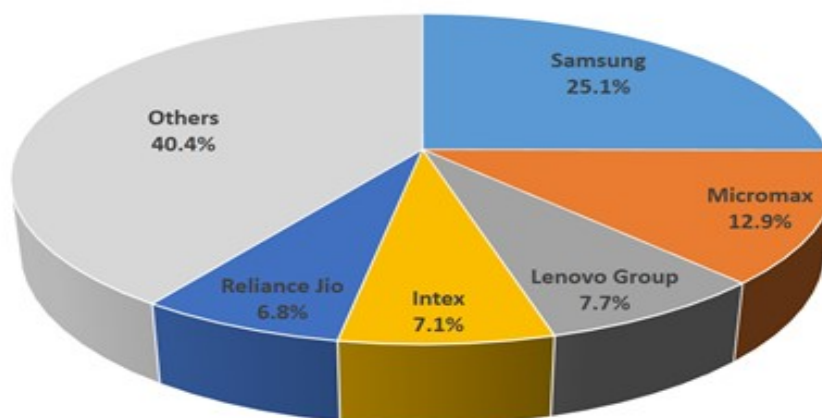
The very first idea of a smartphone came in the 1970's, but it never came into existence until IBM showed its first personal computer, which was a monochrome device called Simon. It had a stylus and came with a charging base. Though it could send and receive emails apart from calling it was never regarded as a smartphone. Then in 1996 Nokia introduced the 9000 communicator and then companies like Ericsson and Palm also entered the market. Since then the industry has changed year after year seeing developments in new technology with new fast processors, in built cameras capturing high resolution images, display technologies and also internal operating system advances has led to high end smartphone available in the market.

Overview: Smartphone Market in India

India is one of the fastest growing economies in the world, the development in the telecom sector is huge, 4G services have rolled out in various parts of the country. Service providers have a huge competition within the country as Reliance Jio is giving 4G services at a very cheap price. Consumers have started upgrading their services to 4G, there were 16 million subscribers in the first month of launch of Reliance Jio 4G services (indianexpress.com), so by this we can assume that if given better services at a cheaper rate the consumers are ready to upgrade. There is a continuous increase in the disposable income; the consumer's aspirations and demand have changed compared to recent years, as new technology is coming every year, the old one becomes absolute so there is a constant urge between the young people to upgrade to new smartphones very fast. India has overcome US to become second largest smartphone market in the world, there are new brands entering the market every year. The industry is expected to grow 19% in 2016 as against 15% in the previous year. There is a constant demand of all in one devices and the smartphone category has been further divided into high end smartphone and mid-range smartphone. There are total 163 brands selling their smartphones in India as of 2015, out of that only 19 brands are selling High End smartphones; i.e. above 20,000 INR, 46 brands are selling phones between 10,000 INR – 20,000 INR; i.e. mid-range smartphone category, rest 153 brands are selling smartphones less than 10,000 INR in India. (cybermedia report). The consumers have become mature and smart as their demands are increasing for an all in one device. There is immense competition which has led these companies to research on consumer buying behaviour as it is important to know what influences their decision and what companies should focus on. India has the second largest subscriber base after China. The total subscriber base as of February 2016, was 1.05 billion compared to 22.8 million subscribers in 1999. Price is the most important criteria before buying a consumer electronic device in India. The parameters that are set to buy a smartphone are price, features, style/ design and after sale service. Indian market is the best place to invest as 4G services have been rolled out, there is an expected growth in the

smartphone industry as consumers would like to upgrade their smartphones to a 4G compatible device. Smartphone shipments in India grew 23 per cent annually in the third quarter of 2016 as compared to the global smartphone market which grew at five percent. (Counterpoint Research). Samsung rules the market currently with 25.1% in Q2, 2016 registering 10.9 percent sequential growth over previous quarter and 15 percent growth from the same period last year. Brands like Micromax, Lennovo, Intex, Reliance Jio are also in the Top 5 Smartphone vendors based on their market share. Figure 1

Indian Smartphone Market Share by Vendor, Q2 2016



Source: IDC Asia/Pacific Quarterly Mobile Phone Tracker Q2 2016

Note – Lenovo Group includes Lenovo and Motorola

Market Challenges

Indian Smartphone Market is one of the emerging markets; there are various International as well as National players in the business. International brands like Apple, Samsung have dominated this sector from a long time but various local companies have given them immense competition. Chinese manufacturers have also entered the Indian Market and their target is to achieve market share by providing High end smartphones with an affordable price, for example One Plus a Chinese smartphone manufacturer currently 5th in Market share in India has introduced smartphones with high end specifications at a reasonable rate. One Plus 3, which has a 6GB ram and Snapdragon 820 processor comes at a price of 27,999 INR whereas no other manufactures can give that specification at such a small price tag. same has been the ideology adopted by Indian smartphone manufacturers like Micromax and Intex. In a market like this where manufacturers have to understand the demands of the consumers and also see what makes them buy a smartphone is very important.

Research Questions

- To understand the influence of family and friends on purchase of a smartphone.
- To know whether financial status or capability affect the consumer buying behaviour?
- To know the effect of advertisement on buying behaviour of a consumer?
- To know if prior experiences and perceptions affect the behaviour of the consumer?
- To know whether reviews submitted by other consumers have an effect over new potential consumers?

- Should companies collaborate with tech reviewers who review new products over the internet? Would that help the company influence the consumer's decision?
- Does the name of the brand influence the buying behaviour?
- Do festival centric promotional campaigns influence the consumer to buy a smartphone?

Research Objective

The research objectives to this study are as follows:

- To identify what factors influences the consumer to switch from their existing product / brand to another.
- To understand the influence of both external and internal influence that affects the consumers and eventually results in making a decision.
- To understand what motivates the consumers of different age groups.

Consumer Decision Making

A consumer goes through several stages before purchasing a product or service.



Stage 1 - The primary most important factor that leads to purchase of any products or services is the need or the desire to have that product. Need in fact triggers the cycle of consumer decision making process. i.e. If you wouldn't have the need to buy a smartphone why would you even check prices of the smartphones, or go looking smartphones in the stores. If your old smartphone might have stopped functioning or it might be too old, In that case you would have a need to buy a new smartphone.

Stage 2 – The next step is when a consumer recognizes his need for a particular product/service, in this case a smartphone. He tries to gather as much information as he can. There are various sources a consumer can acquire information.

- Such as websites that review or give a verdict over new smartphones coming in the market. For example: phonearena.com / gsmarena.com / fonearena.com / theverge.com
- There are several tech experts who give their opinion on a video sharing website like Youtube.com. for example: Unbox therapy / MKBHD / Detroit brog / android authority / theverge.

- Existing users also submit their own user experience on e-commerce websites like amazon.com / flipkart.com / bestbuy.com.

Stage 3 – The next step is to evaluate the various alternatives available in the market. An individual after gathering relevant information tries to choose the best option available as per his need, taste and pocket.

Stage 4 - After going through all the above stages, customer finally purchases the product.

Stage 5 - The purchase of the product is followed by post purchase evaluation. Post purchase evaluation refers to a customer's analysis whether the product was useful to him or not, whether the product fulfilled his need or not? Customer satisfaction and feedback takes place in this stage.

Factors affecting purchase decision for smartphones

Consumer makes a decision towards buying a smartphone based on certain factors, such as price, specifications or features, operating system, design, size, availability etc. It is seen that consumers who are involved a lot in the purchase use more such criteria and find more information before making a decision.

- *Social Factors*

The civilization of humans grew when they started to live in a society; just then as humans are known as social animals, they tend to interact with other humans for the betterment of themselves and the society. This interaction within social groups, family led to influence the decision of the consumer.

- *Groups* are made on the basis of a common interests, some due to common work grounds, some because they live together. Humans tend to learn from each other, how to fit in the society, what to do and what not to do? Groups have a direct influence on the members of the group, it may be friends, family or co- workers. Different people have different opinions over the same thing, sometimes there are influencing leaders within the group whose opinions are heard of. Nowadays people write their opinions and user experience on the internet, they can also influence other prospective consumers.
- An Individual always makes the closest contact with their *family*, they are the strongest influence towards decision making. Different families have different set of values and tradition which they follow, children learn from these values and the pattern which their parents follow towards consuming a product or service. Even if an individual does not stay with the family or does not interact daily, he/she would contact someone from the family first to gather information about a certain product or service, they will know their opinions and those opinions can highly influence the buying behaviour.
- Everyone holds a different *role* depending on what groups or organization they belong to. For example, Man employed in a company as a manager holds several positions within internal groups in that company, as he comes home when he is with his family, he might play the role of a son or a father. Each role or position would affect his decision; he would choose the product according to his position/status in his society.

Personal Factor

The personal characteristics of the buyer such as age and life-cycle stage, occupation, lifestyle also affects the buyer's decision.

- As you grow older, your preferences differ and your buying patterns of certain goods and services also change, you might not the same clothes which you wore when you were a teenager as you are a grown person. So, as **age** passes buy our buying habits

change, different age groups have different desires and preferences of lifestyle so they make the decision of purchase accordingly.

- **Occupation** of a person would affect the consumption of goods and services, if someone is a CEO of a company, he would consume different products then who is a teacher or a professor, they would have different purchasing power and different desires. so occupation of a person also influences the decision-making process.
- **Lifestyle** is the way of living of an individual which he/she chooses according to their interests, opinions. India is a diverse country, people from different culture reside together. Different cultures have different lifestyle or the activities they like, they also have different opinions. Consumers who have different lifestyle, follow a different pattern towards consumption of goods and services.

Research Methodology

Primary data was collected from 230 respondents by means of survey with questionnaire as the research instrument. A 5 point Likert scale with values ranging from strongly agree to strongly disagree was used for measuring the responses.

The responses were then simplified into individual pie chart for figure to understand the Responses to specific questions individually. There was an extensive questionnaire prepared to know the consumers buying behaviour pattern.

The questionnaire is shown below or you could also go to this link: https://drive.google.com/open?id=1eNVQYjimCktWKqFhkTLyuuJRxawtY_-DT4KltcAqmlY

Data Analysis:

As the primary method of the survey was survey. Questionnaires were distributed via different channels through personal message, Facebook and other ways over the internet. The form was made using the google doc form and was linked to my google drive so the responses were saved in a spreadsheet. There were total 229 respondents and the data was analyzed accordingly.

Demographics:

Gender:

Male / Female	Frequency	Percentage
Male	125	54.58 %
Female	104	45.42 %
<i>Total</i>	229	100 %

Age:

Age Group	Frequency	Percent
18-21	151	65.93 %
22-25	44	19.21 %
26-30	18	7.86 %
31-40	6	2.62 %
41-50	8	3.49 %
50 and above	2	0.87 %
<i>Total</i>	229	100 %

Occupation:

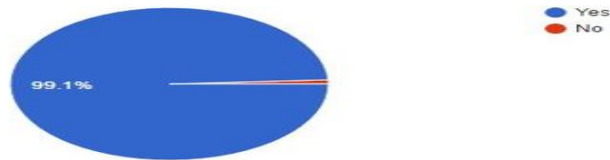
Occupation	Frequency	Percent
Student	164	71.61 %
Employed	61	26.63 %

Housewife	4	1.74 %
	229	100 % Total

Research Questions and Outcome:

1.

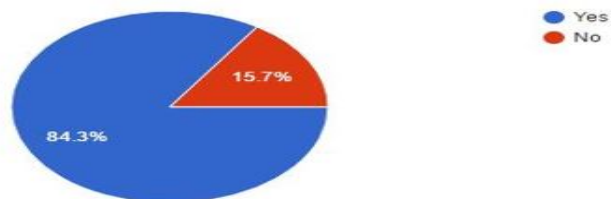
Do you own a smartphone? (229 responses)



We can say that majority of people own a smartphone.

2.

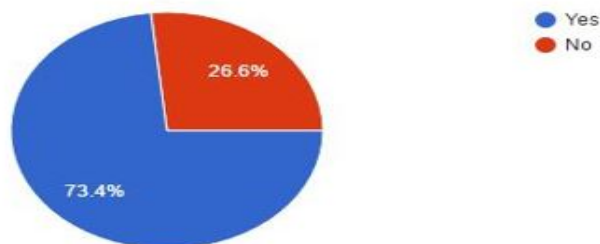
Satisfied with your smartphone? (229 responses)



As we can see that only 84.3% approximately 193 people are satisfied with their smartphones but the rest of them still have complaints about their existing smartphones, these 35 (15.7 %) people can be the target consumers for new smartphones. The fact that brands are coming with new smartphones every quarter has brought a little dissatisfaction within their consumers, as a customer would always want the latest features in their phones.

3.

Will you buy a smartphone in near future? or upgrade your existing smartphone?
(229 responses)

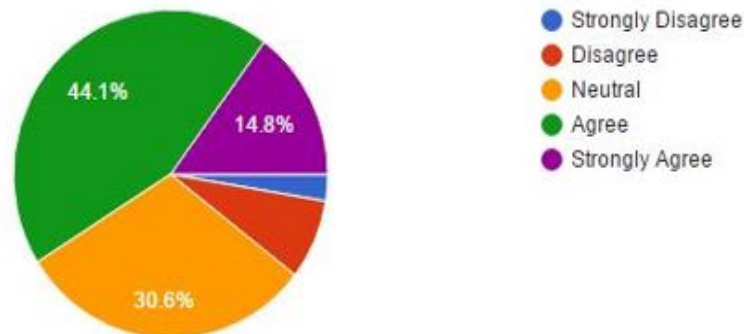


As we can notice that there is a huge scope in India for the smartphone market specially within the youth, even though 84.3 % people were satisfied with their existing smartphones, 73.4 % i.e. 168 respondents still wanted to upgrade their existing smartphones to a new one.

4.

Do family and friends / Word of mouth influence your decision before your purchase of a smartphone?

(229 responses)

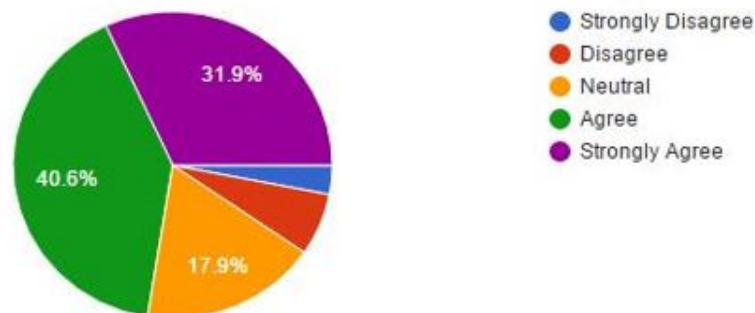


If we sum up the percentage of Agree and Strongly agree, i.e. (44.1 + 14.8= 58.9 %), which shows that more then 50% people get strongly influenced by their families or word of mouth.

5.

Does the name of the Brand influence your decision before your purchase of a smartphone?

(229 responses)

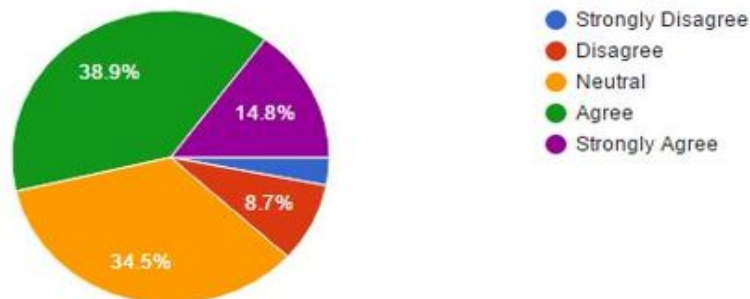


Brand name has always represented the position of the user in the society, if someone uses a luxury brand smartphone then it is conceived that the person has some position in the society, the pie chart shows us that majority of users are influenced just by the name of the brand. I.e. (40.6 % + 31.9 % = 72.5 %) 166 people out of 229 are influenced to buy a smartphone just because it has good reputation and brand name in that sector.

6.

Does User Reviews available online influence your decision before you purchase a smartphone?

(229 responses)

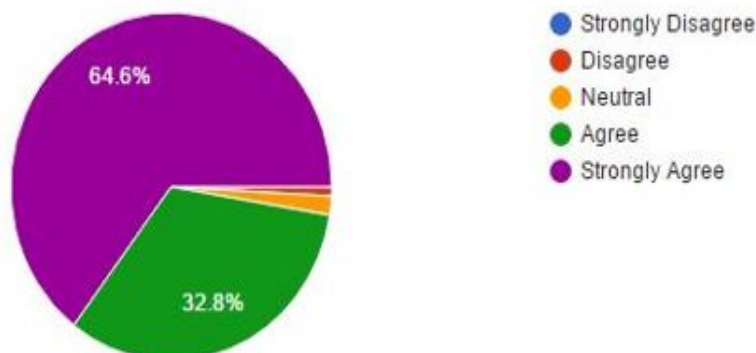


Customers often give their feedback of their own experience after using the product themselves, they usually post these reviews on e-commerce websites or give their opinion to others on various social media platforms. These reviews have an influence over the decision making of the consumer it does not affect everyone but more then 50% of the respondents are influenced by these reviews.

7.

Does Quality of the product influence your decision before your purchase of a smartphone?

(229 responses)

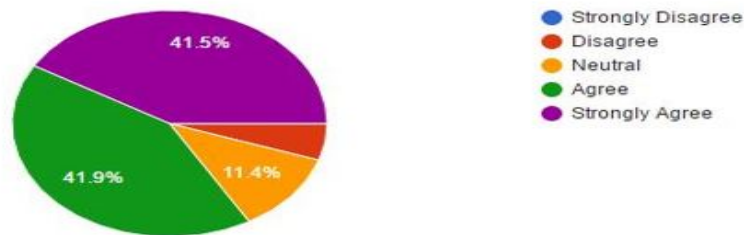


Quality of smartphones have always been a benchmark to buy a smartphone, if the smartphone is not built to last then consumers don't prefer that particular smartphone or the brand, here above in the pie chart we can see 97.4% people believe that the quality of the smartphone influences their decision to buy a smartphone.

8.

Does the previous experience of the same brand influence your decision before your purchase of a smartphone?

(229 responses)

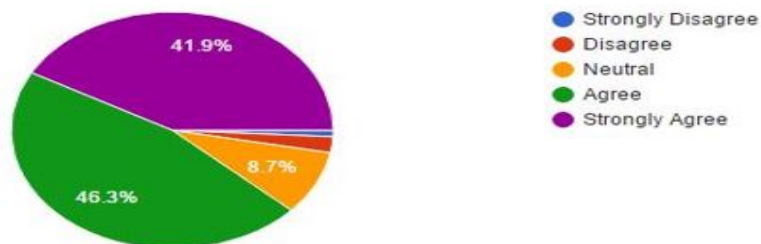


If someone has bought a smartphone from XYZ brand and supposedly the experience of using that phone of that particular brand has not been good, then the consumer would think a lot before buying a smartphone from XYZ brand, the above pie chart shows that 83.4% i.e. 190 people out of 229 get influence by their previous experience.

9.

Do Technical Specifications of the smartphone influence your decision before you purchase a smartphone?

(229 responses)

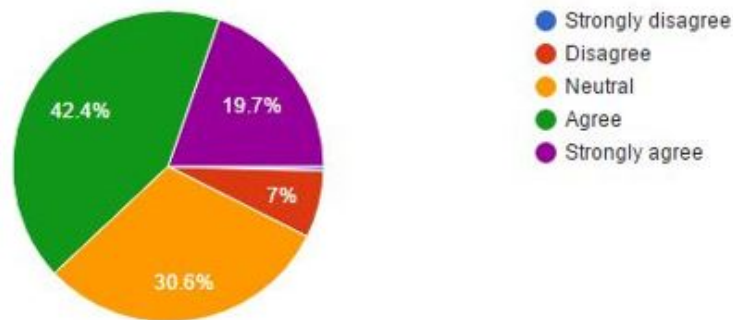


Everyone wants to have a smartphone with all the latest features, operating system, advanced camera etc. The sole reason they want to upgrade their existing smartphone to a new one is because the old one lacks all the new features. The above pie chart shows that 88.2% people i.e. 201 people out of 229 buy a smartphone based on the technical specifications.

10.

After Sales Service of a brand influences your decision to purchase a smartphone?

(229 responses)

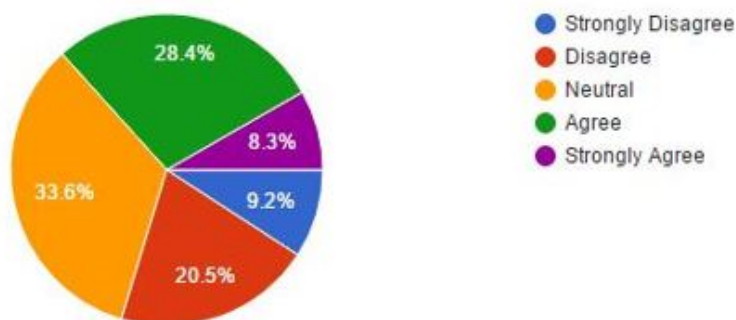


In India, consumers gather information regarding the after sale service of a brand before investing their hard earned money into them. They check reviews online, talk to other existing consumers using the same brand and know their opinions on it and then invest. After sales service has been of greater importance lately because these smartphones have these huge screens which are not easy to repair or replace. The pie chart shows that more than 50% of people are influenced by the performance of the after sales service.

11.

Festival Season / Promotions influences your decision on purchasing a smartphone?

(229 responses)

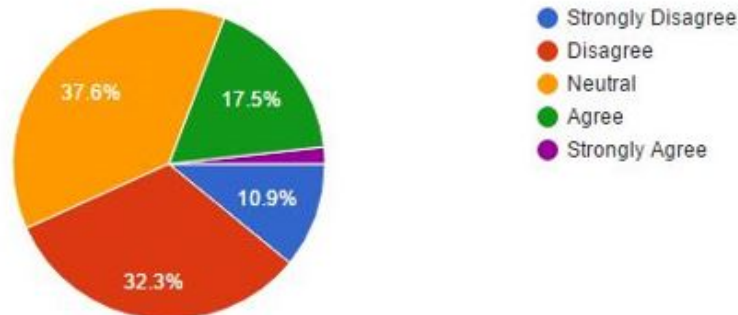


India is a country where people from different culture and religion reside together, they celebrate different festivals, during these festive seasons many e-commerce websites run their festive offers and promotional campaigns to woo the consumers or to influence them but the study shows that these promotional campaigns and offers done during festive season could influence only 36.7% of people. i.e. 84 people out of 229.

12.

T.V Commercials Influences your decision to purchase a smartphone

(229 responses)

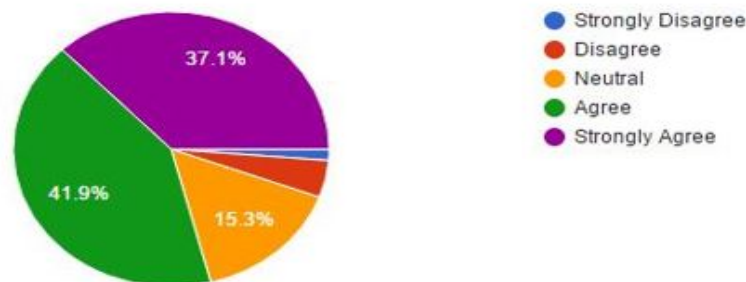


Indian consumers spend more time on their smartphones then watching T.V. So advertisements on T.V is a diificult decision for smartphone brands as it does not influence a lot of people, the study shows that merely 17.5% people i.e. 40 out of 229 people are influenced by these T.V commercials.

13.

Does Finance / Cost influence your decision before your purchase of a smartphone?

(229 responses)

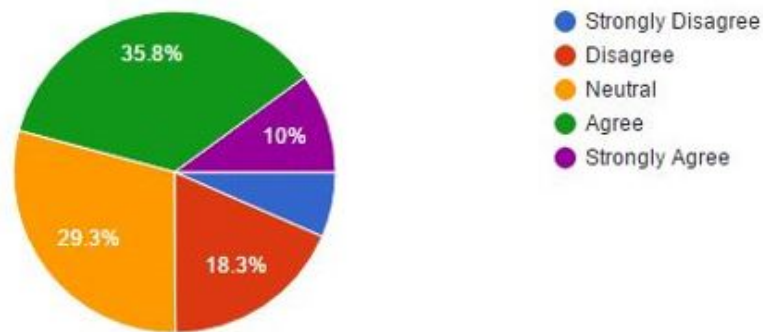


Financial status or purchasing power of a consumer highly influences the decision to purchase a smartphone, because if you don't have the money to buy a high-end smartphone and then too you need that smartphone would not convert the decision. 79% people say that their decision is affected by the cost of the phone.

14.

Smartphone Review Videos on Youtube or Vimeo influences your decision before purchasing a smartphone?

(229 responses)



Videos on social media websites like Facebook, YouTube have an influence over the consumer to an extent that consumer might get influenced to buy a smartphone just by seeing videos showing the features of the phone or the performance of the phone. More than 45.8% people have been influenced by such videos.

Consumer Behaviour Towards Smartphone Industry in Indian Market

The purpose of this questionnaire is to gain consumer preferences towards their smartphone buying behavior.

*Required



1. Full Name *

.....

2. Email address

.....

3. Country *

Mark only one oval.

☐

India

☐

Other:

4. Age *

5. Occupation ***6. Do you own a smartphone? ****Mark only one oval.*

- ☐ Yes
☐ No

7. Satisfied with your smartphone? **Mark only one oval.*

- ☐ Yes
☐ No

8. Will you buy a smartphone in near future? or upgrade your existing smartphone? **Mark only one oval.*

- ☐ Yes
☐ No

9. Do family and friends / Word of mouth influence your decision before your purchase of a smartphone? **Mark only one oval.*

- ☐ Strongly Disagree
☐ Disagree
☐ Neutral
☐ Agree
☐ Strongly Agree

10. Does the name of the Brand influence your decision before your purchase of a smartphone? **Mark only one oval.*

- ☐ Strongly Disagree
☐ Disagree
☐ Neutral
☐ Agree
☐ Strongly Agree

11. Does Quality of the product influence your decision before your purchase of a smartphone? **Mark only one oval.*

- ☐ Strongly Disagree
☐ Disagree
☐ Neutral
☐ Agree
☐ Strongly Agree

12. Does the previous experience of the same brand influence your decision before your purchase of a smartphone? **Mark only one oval.*

- ☐ Strongly Disagree
☐ Disagree
☐ Neutral
☐ Agree
☐ Strongly Agree

13. Does User Reviews available online influence your decision before you purchase a smartphone? **Mark only one oval.*

- ☐ Strongly Disagree
☐ Disagree
☐ Neutral
☐ Agree
☐ Strongly Agree

14. Do Technical Specifications of the smartphone influence your decision before you purchase a smartphone? **Mark only one oval.*

- ☐ Strongly Disagree
☐ Disagree
☐ Neutral
☐ Agree
☐ Strongly Agree

15. Festival Season / Promotions influences your decision on purchasing a smartphone? **Mark only one oval.*

- ☐ Strongly Disagree
☐ Disagree
☐ Neutral
☐ Agree
☐ Strongly Agree

16. T.V Commercials Influences your decision to purchase a smartphone **Mark only one oval.*

- ☐ Strongly Disagree
☐ Disagree
☐ Neutral
☐ Agree
☐ Strongly Agree

17. After Sales Service of a brand influences your decision to purchase a smartphone?*Mark only one oval.*

- ☐ Strongly disagree
- ☐ Disagree
- ☐ Neutral
- ☐ Agree
- ☐ Strongly agree

18. Does Finance / Cost influence your decision before your purchase of a smartphone? **Mark only one oval.*

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Neutral
- ☐ Agree
- ☐ Strongly Agree

19. Smartphone Review Videos on Youtube or Vimeo influences your decision before purchasing a smartphone? **Mark only one oval.*

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Neutral
- ☐ Agree
- ☐ Strongly Agree

20. Specify any other factor that influences your decision before purchasing a smartphone:

Conclusion:

The Objective of this study was to gain consumer insights about what influences, their decision making, it focused on the smartphone business only. Where there were, several factors identified that influences the buying behaviour. We conclude that previous experience with the same brand and the name of the brand influences the highest to a consumer, which in turn converts their desire or need to actually buy a smartphone. We therefore also recommend brands to keep providing better sales and service as that influences the brands overall performance. Brand loyalty is also one of the biggest factor. Consumers can be influenced by either giving them the best overall experience of the product or by focusing on quality rather than advertisements or promotional campaigns.

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