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# INFLUENCING FACTORS ON CONSUMER BUYING BEHAVIOUR OF SMART PHONES

– A research on the buying behaviour of young  
consumer in Kathmandu, Nepal



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## TURUN AMMATTIKORKEAKOULU THESIS

Mankind has made an impressive progress over time. What once used to be in the dimension of science fiction has now become reality. Remarkable progress has been made in science and technology. Telecommunication is one of the greatest example of this. Technologies used for long distance communication has been changed from lung-blown horns and loud whistles to smart phone. These days mobile phone has been a basic device that one must possess

The research investigates how much a consumer is influenced by their lifestyle and analyzes the factors that influence young consumers in purchasing smartphone. Furthermore, the research explores, how social media affect consumption behavior of mobile phones among young consumers. Hence, buying behavior of consumers with the age bar of 18-35 years is analyzed by considering present situation of mobile phone market of Nepal.

The primary objective of this study is to explore future potential in consumption of future smart phones in Nepal. I believe this study will provide some significant knowledge and information to the smart phone manufacturers to uncover consumers' preferences and anticipate consumer buying behaviour to surmount the smartphone market in Nepal.

Therefore, a research is conducted on the present situation of Nepal to understand the influencing factors among the youths while buying smartphones in Kathmandu, the capital city of Nepal with respect to low per capita income. Based on the findings of the study, suggestions have been provided and conclusions has been drawn.

### KEYWORDS:

Consumer Buying Behaviour, Smartphone ,Young consumers, Lifestyle, Influence

OPINNÄYTETYÖ (AMK) | TIIVISTELMÄ  
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## **LIST OF ABBREVIATIONS (OR) SYMBOLS**

GDP	Gross Domestic Product
NTC	Nepal Telecommunication Company
NTA	Nepal Telecommunication Authority
NPR	Nepalese Rupees
SNS	Social Network Service

# 1 INTRODUCTION

Mobile phone has become an integral part of human life. With the increasing use of technology for mediating communication, it is used for both personal and organizational use. In today's modern life it plays a predominant role since mobile phones these days are used by people at all levels across the world.

The booming mobile telecommunication sector has been an exceptional factor for economic growth in both developed and developing markets. It has been one of the important aspects for the development of information technology. Various businesses like hotels, services, travel and tourism, airlines, and many more has been positively influenced by the use of mobile phones which flourished their businesses. Thus, mobile services, have become an indispensable part for the direct impact on the function of economy. (Deloitte, 2012)

Hence, it is both critical and substantial to comprehend consumers' emerging habits and preferences in today's ecosystem of mobile. The growing obsession of youngsters with mobile phones, specifically smart phones is one of the potential for the mobile marketers to develop new phones with enhanced technology.

## 1.1 Why this topic?

While studying consumer behavior, which was a compulsory study module for International Business students at Turku University of Applied Sciences, I developed a personal interest in this subject. Later, in 2015, I went back to Nepal to do practical training. After 2 years away from home, I was in the state where I compared Finland and Nepal in various aspects like social, economic, cultural, political and technological. Nepal is a developing nation and it lacks behind in

various aspects of development in comparison to Finland. On the other hand, the impact of social media and western culture have been growing at an exponential rate influencing the society and the native culture.

Surprisingly, I saw mobile phone in every individual that I happen to meet; may it be school students, house wives, plumber, electrician, house maids, sweepers or rickshaw driver. Based on my understanding, they have all realized its significance and made a purchase. In context of Nepal, dramatic decrement in cost price of mobile phone is one of the important factor for increasing purchase even among lower strata of the population. As stated by the management Information System (MIS) report of Nepal Telecommunications Authority (NTA), “97.65 percent of 26.49 million people in the country have access to telephone service.” (Authority, 2015) Rapid consumption of mobile phones was witnessed radical changes in Nepalese society, particularly among young generations. But what startled me was to see most of them with smart phones. The increasing trend of smartphones among young consumer is the main reason that has amplified my interest to research on this topic.

Also, Nepal being a least developed country where GDP per capita is low, still people are carrying latest smart phones. This was really something to think about. How can people afford to buy an expensive phones when their income level is low? I became inquisitive to understand the spending habits and buying power of consumer from different background. Thus, on the basis of this entire scenario, I was motivated to do research and explore more on this topic.

## 1.2 Aims and Objectives

In past decade, significance of mobile phones have been realized globally. There are almost 7 billion mobile subscriptions worldwide. (Union, 2014) According to International Telecommunication Union, “there are 5.4 billion mobile cellular subscriptions in the developing world i.e. 78 percent of global subscriptions in



2014.” (Union, 2014) Global mobile statistics stated that there is high potential of mobile penetration in the developing nations which is already in a peak point i.e. 90.2 percent in 2014. (mobiThinking, 2014) There is expanding worldwide interest from various sectors like governments, banks, commercial sectors and many more. Recently Asia’s largest telecommunication groups, Malaysian company Axiata has resolved to buy 60.4 percent out of 80 percent of TeliaSonera’s ownership in the Nepalese operator Ncell for USD 1 billion. (Post, 2015) This verifies that Nepal is more potential for penetration of mobile technology in future.

Therefore, primary objective of this study is to explore future potential in consumption of future smart phones in Nepal. I believe this study will provide some significant knowledge and information to the smart phone manufacturers to uncover consumers’ preferences and anticipate consumer buying behaviour to surmount the smartphone market in Nepal.

Following are the specific research questions required to gain insights of age group that influence them to buy mobile phones:

1. What are the most significant factors that influence and eventually motivate young Nepalese consumer to buy smart phones?
2. How does the social media contribute/affect in the purchasing behaviour of young consumers?
3. What are the most desired brand and mobile features used by the young generation?
4. How does lifestyle affect the consumer decision making process?

## **2 NEPALESE MARKET OVERVIEW**

Nepal is a small mountainous country situated in the southern part of Asia; landlocked by India to the south, east and west and China to the north. Nepal has vast physical diversity commonly divided into the Mountain region, Hill region and

the Terai region. Difficult land topography has been one of the main reason for failure in the development of physical infrastructures like transportation, communication and electricity. With a GDP of 19.8 billion USD, Nepal is one of the poorest and least developed countries in the world. (Bank, 2014) Government of Nepal has not been able to develop telecommunication sector of the nation as per requirement.

Nepal has considerable potential for development in various aspects like international industries and communication sector. However, political uncertainty and difficult business climate (landlocked, geographic location, poor infrastructure and poor economic policies) has been a key hurdle to attract foreign investment. In addition, persistent power cut, civil conflict, labor unrest, rudimentary state of transportation infrastructure, and earthquake-prone nation have been a challenge to flourish business in Nepal.

April 3, 1973 was the day when the first handheld mobile phone was invented by Martin Cooper of Motorola Company. (Dhir, 2004) Later, Amos Joel Jr. of AT&T/Bell Labs gave true meaning of mobile phone by inventing the system that lets caller talk without any interruption during their movement by switching signals from one cell tower to another. (CBS News 60 Minutes, 2010) In Nepal, the history of Telecommunication service began with open wire trunk between Kathmandu and Raxual (Indian border town). It was the first telephone line introduced in Kathmandu in 1914. After the establishment of Mohan Akashwani in 1948, telecom service was officially provided. (Telecom, 2015) It was 1995, December 25, the then government of Nepal made a decision to involve private sector for the development and expansion of telecommunication sector in a competitive environment. In order to make the telecommunication services and facilities reliable and easily available to the public in all rural and urban areas throughout Nepal; Telecommunication Act 1997 and Telecommunication Regulation 1998 was implemented as a legal support. In 1998, Nepal Telecommunications Authority (NTA) was established as an autonomous regulatory body to initiate work. (Authority, 2012) The state-owned incumbent operator, Nepal Telecom Company (NTC) held a monopoly in all aspects of

telecom in the country. However, licensing of United Telecom Ltd. (UTL) made NTC to lose its monopoly on basic telecom services. NTC was transformed into Nepal Doorsanchar Limited on 13 April, 2004. (Telecom, 2015) In the same year, Spice Nepal Pvt. Ltd. started the operation of Mero Mobile which was later changed to Ncell. It is the first private GSM Operator in Nepal. Ever since, there has been remarkably strong subscriber growth in the mobile segment of the market.

Mobile communication industry in Nepal is still emerging or more likely in its infancy. 15 years ago it was a symbol of status for Nepalese people to have a mobile phone. Mobile phone used to cost more than NPR 50,000, which in today's mobile market costs NPR 3,000 or even less. At the same time, cost for making and receiving phone calls was comparatively high. In a span of just five years, there has been a rapid growth of mobile technology in Nepal. Mobile penetration in Nepal is moving steadily. It stood at 89 percent in mid-December, 2014, registering a rise of 14.03 percentage point compared to mid-December, 2013. (Republica, 2015) It was after 2011, the mobile internet market has been expanding in an accelerated pace including mobile broadband. NTC had launched its full WiMAX service in 2013. (Evans, 2015) According to the report provided by NTA, in one year period internet penetration increased from 28.63 percent to 38.09 percent in mid- December 2014.

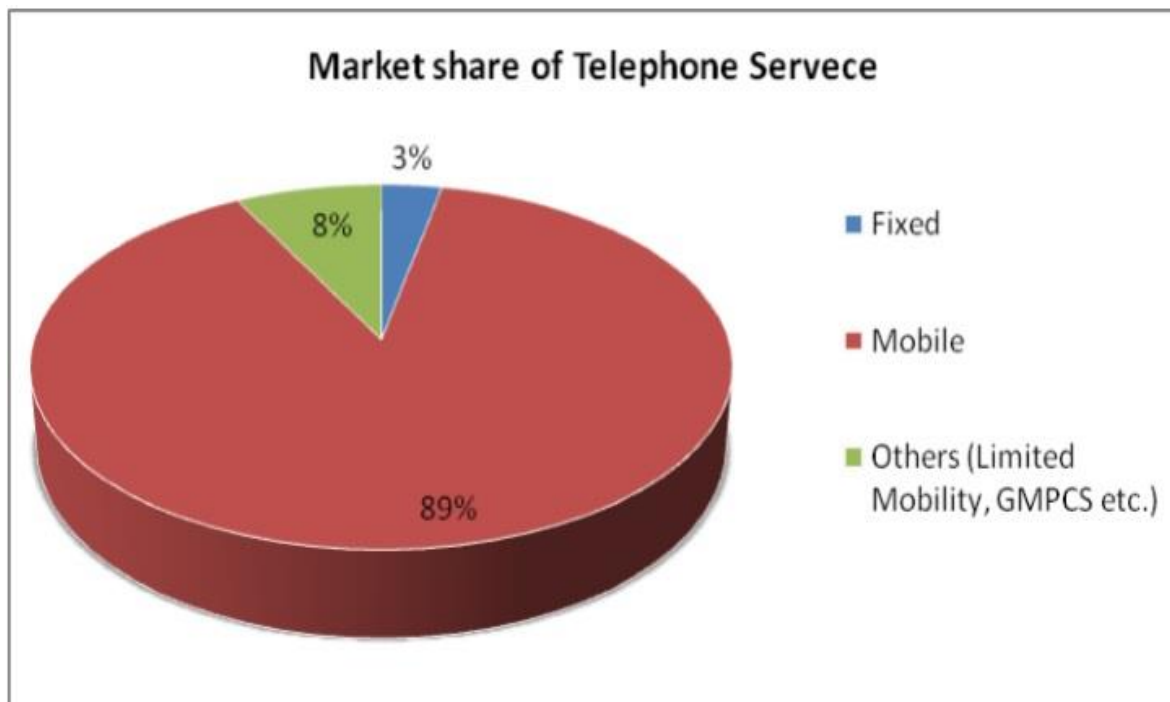


Figure 1: Market Share of Telephone Services in Nepal (adapted from NTA-MIS Report)

For a developing country like Nepal with approximately 29 million population, it has been quite challenging task to make the availability of telecommunication facility in each and every corner, particularly with topographical complexity. In present context, mobile phone has been predominant means of communication and is emerging as consumers' general purpose digital tool. People are giving up landline phones and are directly plunged into mobile telephony. There are several reasons for mobile phone to become popular in Nepal. Lack of physical infrastructures like roads and phone wires has made difficulty in connectivity of landline phones. This motivated people to use mobile phones since there is no need to rely on such infrastructures. Secondly, people use mobile phones because it provides benefits such as mobility and security to owners. Third, unlike laptops and computers, owner only need basic literacy. Fourth, competitive market has made easy availability and affordability of mobile phones to people with low income. As a result, ordinary people including poor have been adopting mobile phones as a basic human needs. (Rashid & Elder, 2009) Moreover, young

people are contending with the forces of conformities. Therefore, having a branded mobile phone has been a symbol of status for youngsters in Nepal. They even purchase mobile phone as a fashion accessory.

### **3 THEORETICAL FRAMEWORK**

#### **3.1 Consumer Behaviour**

As quoted by Patricia Seybold, "A lot of people think that the new economy is all about the internet. I think that it's being fueled by the internet – as well as by cell phones, digital assistants, and the like – but that it's really about customers." (MARUCA, 2000) We are living in era of technology where the products are manufactured targeting consumers and their satisfaction. Several researches has been conducted to understand the buying behavior of consumer like (ROOK & FISHER, 1995); (Hausman, 2000); (Kacen & Lee, 2002). Various scholars like (Evans, et al., 2006), (Solomon, et al., 2013), (Schiffman, et al., 2012) have implemented structured and systematic theories to interpret how an individual make a choice among various available alternatives.

Consumer buying behavior is a human behavior with a procedure associating numerous events which involves analyzing, feeling and behaving, as an individual addresses the existing needs. As a field of study, consumer behaviour is the science of studying a set of value-seeking activities in exchange of their existing resources such as; time, money and effort of consumers which is motivated by addressing real needs. There are several definitions of consumer buying behaviour, however most of the definitions are similar in scope. As stated by Solomon, consumer behaviour is the study of process when individuals make selection, usage or disposal of products and services during purchase in order to meet their needs and fulfil their desires. (Solomon, et al., 2010)

Consumer behaviour focuses on the behaviour of frequently changing human needs and wants that an individual parade in searching for, purchasing, utilizing,

evaluating the products and services that they expect will fulfil their wants and desires ( Schiffman, 2012).

Consumers make different types of decisions in everyday life. The decision consumer make while purchasing is the focal point that marketers try to study. In this competitive business world, it has become important for every organizations to put great effort on researching consumer buying behaviour to find out detailed information on what consumers purchase, where, when and why they purchase, how and how much they purchase. (Kotler & Armstrong, 2012). This research intends to investigative study by using Black Box Model of buyer behaviour as the main theory in order to understand the influencing factors of young consumers buying smart phones.

### 3.1.1 Black Box Theory

Various marketing efforts are used by companies to influence the decision of consumers. But it is full of challenge to know exactly how buyers will respond to them. Marketing stimuli comprises 4 Ps, which would be Product, Place, Price and promotion. Mobile phone companies use these stimuli to persuade consumers to buy new mobile phone. Environmental stimuli that the consumer may take into account are political, economic, cultural and technological factor.

These stimuli presented to consumer by various marketers of smart phone is dealt with by the buyer's black box. Black box is a metaphor used for consumer mind. Marketers know nothing, but can only predict about what goes inside black box. Buyers' Black Box comprises of consumer's personal characteristics and buyer decision process. All these marketing and environmental stimuli enter the buyers' black box, which is where characteristics of consumer will be taken into account in order to initiate the buyer decision. After processing all the information, buyer come up with the observable buyer response: product choice, brand choice, retail choice, dealer choice, purchase timing, purchase amount and purchase frequency. (Kotler & Armstrong, 2012)

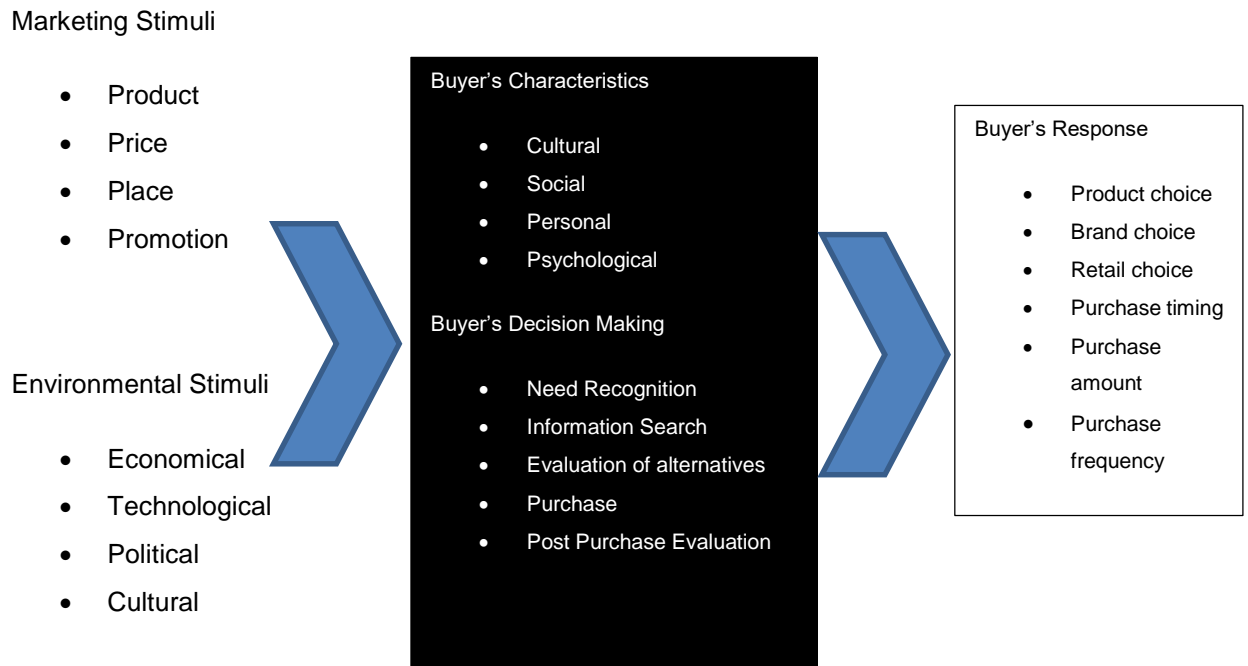


Figure 2 Stimulus Response model

Usually a buyer use large number of factors as a basis for making decision in the process of purchase. For this research, theoretical aspects and relevant influencing factors related to smartphone buying behaviour of consumer are taken into consideration. The model can act as a basis for argument as all the steps provided in the model are not identified in smartphone buying behavior. Therefore, only the most suitable elements are discussed.

### 3.1.1.1 Marketing Stimuli

Product, price, place and promotion are the four elements of marketing mix that company develops to satisfy customer needs. For smartphone marketers, with the change in technology, products become out-of-date. Hence, they must replace the smartphones with new features that adds value to the customers. Likewise, price is another key element that differentiate products and brands

(based on varying price). Karjaluoto et al. (2005) surveyed 196 people to understand the influencing factors that motivates consumers to acquire new mobile phones. The result of their survey indicated that price, brand, interface and properties are the most influential factors affecting the choice of a new mobile phone brands. Target audience is informed about the product through various promotional activities. According to the research of Kim (2015), young consumers preferred advertisements on streaming media or TV with hedonic contents, e-book avdertisements, SNS and coupon advertising strategy.

### 3.1.1.2 Consumer Decision Process

A buyer usually passes through five different stages to reach his/her buying decision. They are need recognition, information search, evaluation of alternatives, purchase and post-purchase. A consumer goes through all these stages while purchasing a smartphone. These stages helps buyer to evaluate his/her needs, choose the best one according to his/her need and available resources (budget) and purchase it.

Problem recognition appears when consumer sees a significant difference between his/her current state of affair or actual state and some desired or ideal state. (Belch & Belch, 2003) A person's actual state can decline if they are not satisfied with the current state of affairs, or if they are out of stock, or if new needs or wants are evolved. (Solomon, et al., 2013) In general consumer behaviour theory, a need can be triggered by either internal stimuli such as hunger and thirst or external stimuli such as advertisement or suggestion from friends. (Kotler & Armstrong, 2012) In the case of smartphones, this can mean that the buyer recognizes a need of new smartphone for social status, or to upgrade and enjoy new features or for his/her daily work need.



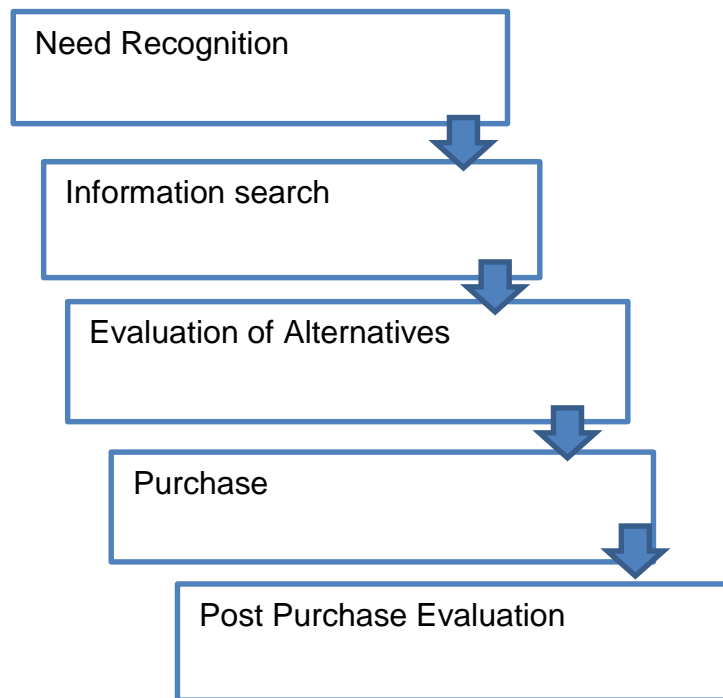


Figure 3 Consumer Decision Process

Consumer will acquire information after the problem has been recognized. The information can be obtained from various sources like family, friends, acquaintances, websites, trader, mass media, promotion and displays in shops, advertising, or using the product. (Kotler & Armstrong, 2012) A consumer may recognize a need of smartphone and then search the marketplace for specific information related to smartphone. Information about the smartphone is collected via internal sources such as family and friends and external sources like online review of the product and packaging and marketing communications.

In stage of evaluation, consumers will upgrade their own evaluation standard by comparing acquired alternatives from various information search. Criteria of evaluation that consumer can use may be objective like price and warranty, and subjective attributes such as image and performance. (Belch & Belch, 2003) In case of smartphones, there are different brands and features of smartphones which comes in various price categories. Consumer buying smartphone analyses

various smartphones on the basis of numerous brand which have different features and specification and most importantly various price categories.

Purchase decision is an outcome of evaluation of alternatives. Blech and Blech (2003) describe this stage as the end goal of a customer which starts with mind makeup of the product that customer desires or wishes to purchase. Buyer solves his/her problems and satisfy his/her needs and desires and evaluate various alternatives and make product selection and ultimately make a purchase. This ultimate stage is the stage of purchase decision. Smartphones are updated with new features and technology and introduced in the market as new models. Most of the consumers prefer buying new models as they are enhanced with new technology and features. Consumers purchase smartphone based on purchase motives with matching characteristics or attributes of brands underprice consideration. However, for loyal consumers of various smartphone brands such as Apple, Samsung and Sony, they always stick to their brand as it satisfy their need and demand.

Kotler (2012) stated that “a marketer’s job does not end when the product is bought”. Also Blech and Blech (2003) mentioned post purchase evaluation as an important stage for marketers where customers evaluate and analyses the product after experiencing its performance if the purchase met their expectations, exceeded expectations or left them disappointed. After buying smartphone consumer make actual use of it and analyze its functions and evaluate it as satisfying or disappointing based on its experience. If consumer is fully satisfied he/she may rate the specific brand with five stars and post comment about their experience. However if consumer is not happy with the product, he/she may review it negatively. Post purchase evaluation of one customers helps other customers in buying the products.

Likewise, Dorsch, et al (2002) found that purchase decision for mobile phone follows the same buying process however, in some cases buyers may be influenced by symbolic preference related to some brands. According to the research of Laroche, et al (2003), evaluation of alternatives is an important activity in consumer decision making process as buyer select the perceived brand

based on the past experience. In other study conducted by Swait and Adamowicz (2001), consumer selection behaviour can be approached individually because decision making process of a buyer is different from one individual to another.

### 3.1.1.3 Social Concept

Living in a society, people collaborate with each other to overcome various problem. They share common goals for better solutions. Therefore, various social factors such as family, groups and roles and status influences consumer's buying behaviour directly and indirectly. They have the capacity to change the activities or behaviour of other people.

An individual or a group of people that can basically influence a behaviour of a person is known as 'reference group'. (Bearden & Etzel, 1982) Consumers often tend to be affected by the desires and attitudes of other individual or group (Evans, et al., 2006). A reference group that have a significant relevance upon an individual behaviour, evaluations and aspiration can include parents, classmates, friends, team members etc.

Family is one of the most important reference groups among other. Children learn consumption skills by observing their parents and older siblings. For children, parents function as their role models. Family plays a great role in decision making process like: influencer (children), initiators (children/parents), information gatherers (children/parents), deciders (children/parents), buyers (parents) and users (children/parents). (Evans, et al., 2006)

Normative and comparative reference groups are two types of reference groups which are equally important for marketers to understand. Normative reference groups possess power to define basic code of behaviour, for e.g. upbringing of child by the immediate family whereas comparative reference groups influences narrowly defined behaviour and attitudes, for e.g. admiring lifestyle appears of television personalities, neighboring family etc. (Schiffman, et al., 2012)

Normative reference group sets and consolidates fundamental standards (group norms). Normative influence works best when social acceptance is a strong motive. On the contrary, comparative reference group sets the standards of comparison for self-appraisal. Comparative reference group affects the activities of a consumer, for instance, during decision making of specific brands.

Smartphones are publicly consumed necessity product. For mobile phone companies, they tend to have more control over comparative reference group as they are more easily recognizable and accessible. There is a strong reference group influence on a specific smartphone brand which is purchased. In context of Nepal, reference groups are more persuasive in purchase of smartphones. Recommendations of close and trusted friends, associates, and relatives have powerful impact on purchase decision than those coming from advertisements and salesperson.

#### 3.1.1.4 Social class, status and roles

According to Solomon (2013), social class of a consumer is identified by a complex set of variables which includes income, profession, wealth, education and family background. Meaning that group of people shares very much alike social and economic condition. Therefore, social class have a powerful impact on consumer's purchase decision. Society can be classified into seven different groups. They are, upper uppers, lower uppers, upper middles, lower middles, working class, upper lowers and lower lowers. (Kotler & Armstrong, 2012)

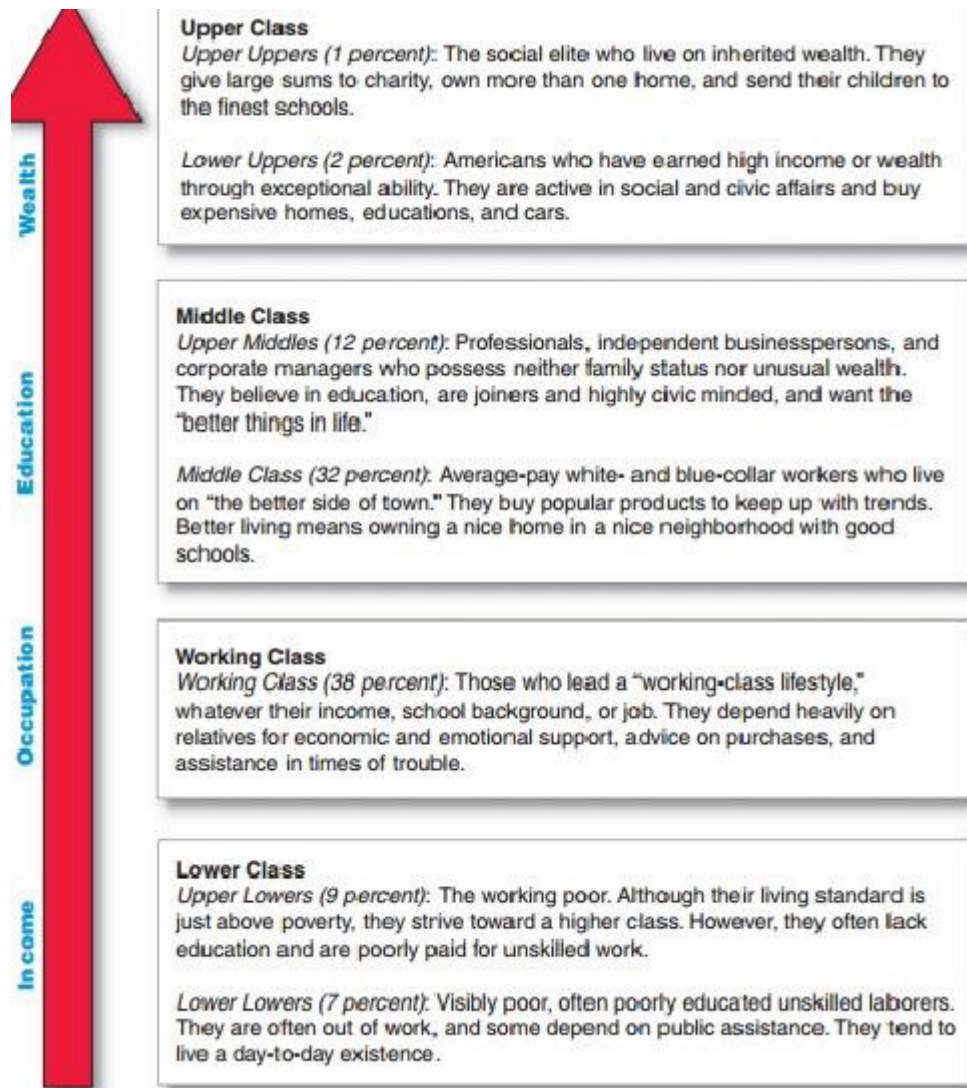


Figure 4 Social Classes (Kotler & Armstrong, 2012)

Society is stratified based on power, prestige and wealth. (Prandy, 1999) Different products are distinguished by consumers which are appropriate for specific social class or group. For instance, upper class who are known to be the social elite tends to purchase luxurious goods (e.g. Rolex watch) which defines them. They are less likely to experiment cheap products even if the product is stylish and fashionable.

Living in a society, every individual wants to be recognized and belong a group. Furthermore, every individual plays different roles and status depending upon the position and relation that they hold in different groups. For instance, a man could

play various roles being a son, husband or father in a family, and friend, colleague and manager in a company. He performs certain activities depending upon the people around him. His buying behaviour during decision making process is directly affected by the role he has been playing. As a son, husband and father, he will buy goods relevant to his family, and as a manager he will purchase clothes and accessories that reflects the general esteem given to his position by the society. This position is therefore known as social status. Status is one another interesting factor that is reflected in buying behaviour of consumers. (Kotler & Armstrong, 2012)

In context of Nepal, socio-economic class system such as caste and ethnic groups are found under different categories. There are 125 castes and 123 spoken languages which has entitled the nation as multilingual, multiethnic, multi religious and multicultural country. (Statistics, 2014)

Opportunities for advancement are not equally open to all and are always biased in the name of class, race, sex, creed and other discriminatory criteria. Social stratification is the top most reason for economic inequality in Nepal. For instance, people from higher caste tend to hold higher position in public and private position and are wealthy whereas lower caste people are not provided with similar kind of privileges and are constantly poor. This has affected the distribution of income and wealth in the Nepalese society, forming a big gap between higher and lower social classes. According to World Bank (2010) 25.2% of the population lives below the poverty line.

Nevertheless, it cannot be denied that in recent years there has been a notable change in the composition of society. People from different social class may have similar income. A lot of affordable luxuries now are easily accessible to many consumers who could not think of purchasing them in the past. As a result, consumers, particularly from middle-class are evolving in a rapid manner. Their buying behaviour is determined by values and attitudes they possess.

In Nepalese society, people usually compare one's standard of living with others (mostly neighbors, close relatives and friends). Buying smartphone also comes

under this phenomena. Smartphone has been one of the must buy product among middle-class people. Therefore, understanding social factors of specific social group is the most important thing while comprehending consumer buying behaviour.

### 3.1.1.5 The role of Psychology

Perception is the involvement of combining various sensory receptors (eyes, ear, nose, mouth, and, fingers) to understand the external environment in reality. In other words, it is an analysis of an individual by selecting or filtering interesting and most important things that comes through, and organizing and interpreting them to view the reality of the world in a meaningful manner. Meaning that people perceive same situations and motivation differently. During the perceptual process, consumers sense and organize stimuli to react. Sensing is the important step necessary for learning. Sensation refers to immediate response made by 5 sensory receptors of a consumer to stimuli. (Blythe, 2008) (Schiffman, et al., 2012)

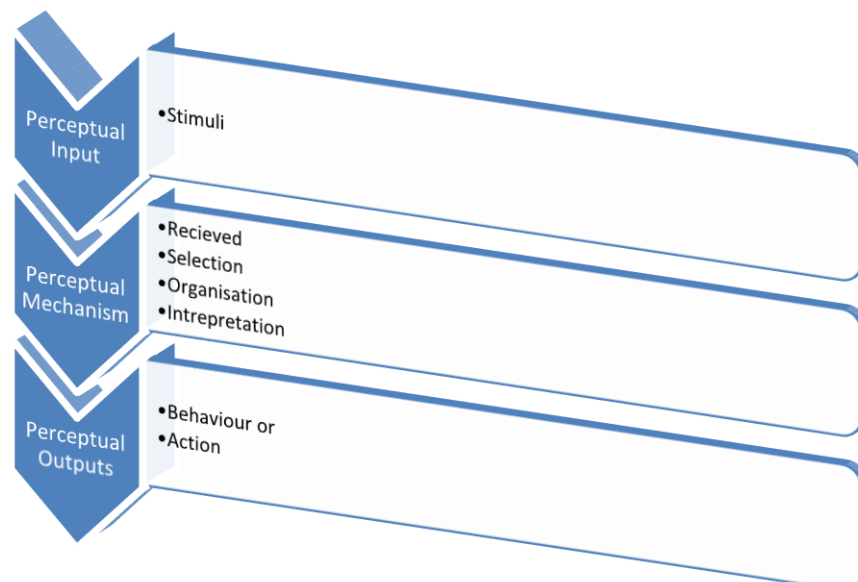


Figure 5 Perceptual Process

Among all five senses, visual aspects is very essential for marketers in every marketing form, may it be store or package designing, or advertising. Visual elements can be interpreted into various messages. Color is the best example of visual aspects which can interpret and convey several meanings and emotions. Color speeds search times and are basically used to attract consumers. Different colors have different values and their own cultural significance. For instance, in Nepal and India white is the color of mourning, whereas in the United States and most of the European countries it is the color of purity and cleanliness. However, depending upon the situations and circumstances, signification of color varies from person to person. Let's take Pink color as an example for this. This delicate color holds different meanings. Some may view it as a feminine color, for some it may be associated with babies especially, little girls and for some it may be associated with the gay movement. Therefore, naming of colors in the marketing products is a critical factor since they influence consumer's emotions more precisely.

Similarly, sound can affect consumer's feelings and behaviours. Most of the stores and restaurants play soft background music to calm customers during their visit and this also motivates them to stay for longer period. Selection of music in advertisement contributes to the well-being thus, making an impact on buying activities of customers.

There are sheer number of models of cell phones in the mobile market these days. Mobile phones are being customized according to the sophisticated demand trends from consumers. From Nokia 3310 to iPhone, there has been a significant improvement in the mobile technologies. For instance, companies have been improving interface constantly that makes mobile phones easier to navigate. Physical keyboards from early cell phones are replaced by multi-touch sensor. Touch, therefore is another receptor that is used to account for the human perception.



Wilska (2003) conducted a research on mobile phone use as part of young people's consumption styles. Accordingly, the result of the study showed that younger consumers tend to value more hedonistic features (games, music, camera, and application) in mobile phones.

Motivation is another important characteristics of psychological factor that affects consumer buying behaviour. Stated simply, motivation is the inner driving forces which causes human action that instigate person to address his/her real needs. In other words, it is a process of involvement of social, emotional and cognitive influences that activate action. Human needs are perpetual and ever changing in response to person's physical condition, experiences and internal and external environment. When one need is satisfied, new needs emerge. (Schiffman, et al., 2012) (Babin & Harris, 2015) According to Maslow's hierarchy of needs, an individual satisfies his/ her lower need first, which comes under basic needs such as food, clothing, shelter and safety. Once these needs are satisfied, person will then move on to increasingly complex needs, following psychological and self-fulfillment needs with the available resources (budget).

Michaluk, founder of Crackberry recognized the hierarchy of needs for mobile devices and introduced 'hierarchy of smartphone needs'. (Michaluk, 2009) This model helps smartphone consumers to assess a platform and device's strengths and weaknesses. There are five steps in 'hierarchy of smartphone needs' pyramid.

The base level of this hierarchy is 'connectivity, compatibility and security'. According to Michaluk, basic needs that a smartphone user needs is adequate coverage from carrier and secure data connection. He also stated that Wi-Fi is one important factor that smartphones must have. User will not purchase phone if there is no Wi-Fi in its feature, no matter how attractive that smartphone looks in its design.

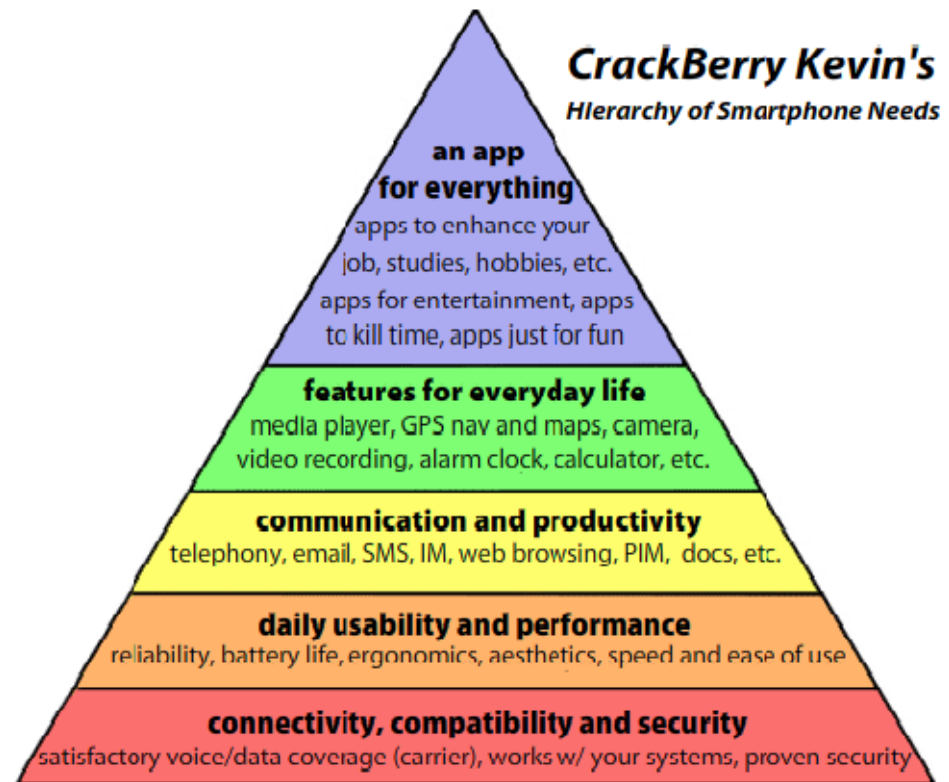


Figure 6 CrackBerry Kevin's Hierarchy of Smartphone Needs (Michaluk, 2009)

The second level is 'daily usability and performance'. When consumer purchase smartphone, they become dependent on it. They feel that there is no life without it. So, they choose smartphone on the basis of its performance such as battery life, reliability, speed and ease of use, and aesthetics. 'Communication and productivity' is the third stage of hierarchy of smartphone needs. In this stage, finally consumer search for core feature of a mobile phone i.e. communication. Consumer try to get more information on voice quality, speaker, and web browser. The needs then step up to 'features for everyday life'. In this stage, consumer think of smartphones as a substitution of various other devices such as alarm clock, calculator, camera, video recording, media player and navigator. The top of the pyramid is 'an app for everything' in which search for smartphones which supports different apps to enhance jobs, studies, hobbies, and apps for entertainment and fun. (Michaluk, 2009)

Moreover, Saif et al (2012), conducted a study on factors affecting consumers' choice of mobile phone selection. The result of their study showed that new technology features is the motivational factor that influences consumers to purchase new mobile phone.

#### 3.1.1.6 Lifestyle and Self concept

Lifestyle is self-definitions of group members which is highly influenced by internal and external stimuli. Moreover, it is the attitude, value and belief of an individual that creates a consumption practice. How an individual allocate his/her time and money for living can simply be stated as lifestyle of a person. Lifestyle of an individual is affected by various factors such as: family life cycle, social class, reference group, occupation, income, and person's self-concept and personality. In general, lifestyle differentiates the representatives of each class from the members of all other social classes. (Babin & Harris, 2015)

In addition, it is a fact that people make different choices with change in time. In context of consumers, they tends to make different buying decisions in relation to their age. And in different stages of life, different roles are played which changes direction of life. Such life-changing events are marriage, divorce, having children, new job, and retirement and so on. According to Lamb et al. (2010), "the family life cycle (FLC) is a series of stages determined by a combination of age, marital status, and the presence or absence of the children." Family life cycle also helps marketers to segment their target market by developing appropriate products for each stage. Therefore, people purchase goods and services with a change in their consumption priorities over a lifetime.

Shiffman (2012) described personality as individual's reflection of inner psychological characteristics to his/ her surroundings. Generally, personality is the characteristics of an individual in terms of thinking, feeling and behaving. A child is born and raised in a family and society sharing a particular culture. They learn to consume by imitating their surroundings. Therefore, heredity and

childhood experiences plays a great role in the development of personality. Smartphone companies can use personality trait to segment their target market. It helps them analyze consumer buying behaviour for certain brands which can be referred to as brand personality.

Furthermore, Li and Li (2010) examined the psychological factors influencing college students' consumption of mobile phone in West China. According to the result, special mobile phone function and style influences the consumer's individuality, style and life concept. Their study also revealed that purchasing motivation positively influences the social attribute factor.

Moreover, occupation of an individual has a great impact in his/ her purchase decision. For example, customer service oriented job holders are more focused in buying suits whereas cleaners have zero degree of motivation in buying suits as it is not required in their profession.

Also, income of an individual is reflected by his/ her profession. Income is one of the most important variables among others. Increase in income of a person means, increase in purchasing power and increase in living standard. With a rise in living standard, people often tends to shift their purchasing habit from cheaper products to expensive products.

Self-concept as stated by Babin & Harris (2015) is the definition given by a person to his or her own personality or identity. Many researcher like Rosenberg (1979); Rogers (1951) and Burns (1979) have recognized different types of self-images. They are: actual self-image (how consumers in fact see themselves), ideal self-image (how consumers would like to see themselves), social self-image (how consumers feel others see them), and ideal- social self-image (how consumers would like others to see them). (Schiffman, et al., 2012)

The personality of a people are presumed based on their consumption behaviour such as clothing, jewellery, food preferences, furniture, car and such like. The purchase behaviour of a consumer helps to identify their self-concept and social identity. The ideal self of a consumer tends to appear during the purchase of social products such as car, whereas the actual self appears to be apt for

everyday products. Hence, products often play a critical role in defining the self-concept. Therefore, on the basis of self-concept, marketers can locate their products as a symbol of relevant consumers' self-image and segment the market accordingly. (Solomon, et al., 2013)



Figure 7 Self-Concept (Tapsell, 2010)

Sirgy (1982) attempted to investigate self-concept in consumer behaviour. The study indicated that consumers' self images and the brand personality would impact consumer's purchasing decision.

However, it completely depends upon an individual and the usage situation. Either they purchase products because they are seen similar to the self, or they speculate that the pursued products must be similar to the self.

## 4 RESEARCH METHODOLOGY

The objective of this research is to explore potential consumption of future smart phones in Nepal by identifying the buying behavior of young consumers from middle class family and the impact of their lifestyle and social concept in their buying decision. In order to lay out the foundation of theoretical framework on decision making of consumers during purchase of smartphones, secondary data was collected from books, international journals, articles, newspaper articles, reports and documents. Primary data was collected through survey and interview to further verify the buying behaviour of targeted consumers.

For this research, deductive reasoning was adopted. In this type of research, conclusions are drawn from logical reasoning where assumptions come first and impact the whole research process. (Ghuri & Gronhaug, 2010) To some extent this research is also exploratory as there has not been much research conducted in this area in the context of Nepal.

### 4.1 Research Data

According to the requirements of the research questions, combination of both qualitative and quantitative method research approach were used. This method is commonly known as mixed method research approach which provides the best understanding of a research problem. (Creswell, 2003)

Quantitative data is a raw form of data which needs to be processed and interpreted to change into information. This method is a scientific measurement as it involves numerical data of larger sample sizes in a systematic way, so as to gather representation information. It analyzes a huge amount of data through the use of diagrams and statistics. The aim of the quantitative research method is to exhibit generalizable results by addressing the questions of how much and how many. (Saunders, et al., 2012)

However, qualitative data is based on meanings expressed through words. It provides non-standardized data which requires classification. Moreover, qualitative data analysis is administrated by using conceptualization. In this method, researcher needs to explore information from various individuals and/or groups, summarizes and categorizes the gathered information to make sense of those collected data in the form of case studies. Qualitative data are complex in nature as words may have unclear or multiple meaning. Generally, this method explores perceptions of chosen group or person by engaging in participant's activities through observation of their behaviours. (Saunders, et al., 2012) (Creswell, 2003)

Mixed method approach is a model for social research combining qualitative and quantitative methodologies which is adequately flexible, accessible and multilayered to interpret real meaning from the collected data. It consolidates a distinct set of ideas and practices that separate it from other research approach. (Denscombe, 2008)

For the purpose of this research, online survey was created as a quantitative method. Standardized surveys are an effective tool to collect broad range of data for instance; attitudes, opinions, behaviour, beliefs and values of respondents. (Ghuri & Gronhaug, 2010)

The research is based on analyzing the behaviour of young consumers buying smartphones, therefore as a qualitative method, a group of Nepalese people living abroad were interviewed via skype and face to face. The main reason for applying this method is to have insight on how living standard contributes in decision making process of a buyer.

Furthermore, using mixed method in a research helps to improve the accuracy of data by combining and collaborating data from different research and produce a more complete picture to come to a conclusion. (Denscombe, 2008) Therefore, in this research it has served to explain social complexity in a factual manner. Information gathered from this method will help in understanding the buying behaviour of smartphone users.

## 4.2 Sampling Design

Sample is the segment of selected population for investigation. (Ghauri & Gronhaug, 2010) Sampling allows the researcher to make valid generalizations. The selection of representative sample is a critical concern when planning research. To conduct a survey or interview, it is not practicable to collect data from the entire population because of time and financial constraints. Results of the research is based on its sampling as the participants who take part in the survey should be the representative of the whole population. Particularly, for quantitative studies, sampling is intensely important. There are two sampling procedures which are probability sampling and non-probability sampling.

The population of interest for the research is young smartphone users from middle class family in Kathmandu City. The research applied the purposive sampling for the online survey. It is one of the most frequently used form of non-probability sampling which is also known as judgmental sampling. (Saunders, et al., 2012)

For the interview, convenience sampling, also known as accidental or haphazard sampling was used. In this sampling, members of the selected population are homogeneous which is chosen on the basis of approachability and convenience to the researcher. (N.Ross, 2005)

## 4.3 Data Collection

According to the need of the research and the reliability of data, both primary and secondary sources were used to collect data. Primary data are the data collected from original sources that were previously unknown. These data are collected particularly for the research project. (Saunders & Lewis, 2012) It can be collected by various methods. For this research, primary data were collected through personal interview and online survey.



Research interview is an instrumental and hierarchical form of systematic conversation between the investigator and informant, where interviewer determines scripts according to his or her research interest. (Kvale, 2006) Primary data for this research was collected through face to face interview and skype interview using semi-structured interview method. In this method, interviewer will have a list of themes and questions that need to be covered, but is also able to change the question pattern depending on the response. (Saunders, et al., 2012) The questions of research interview were created to serve as a comparing tool between the lifestyle of Nepalese people living abroad and Nepal.

Likewise, online survey or questionnaire was created to collect primary data. Structured questionnaire was used to collect data for this research. It is a method of data collection using a questionnaire in which each person is asked the same set of questions in the same order by the researcher. (Saunders & Lewis, 2012)

The use of online survey to collect information is a legitimate and beneficial way of conducting research. Online surveys offer many benefits to various social scientists. Therefore, it is used widely to collect data as it is a quick method of data collection in which populations are more accessible. Internet based data collection is cost effective which is also more effective by eliminating hundreds of hours of data entry. (Saunders, et al., 2012)

In Nepal, there has been limited research on the topic of smartphone buying behaviour, hence it is beneficial to cover larger group of participants. Therefore, questionnaire was set accordingly, which took approximately 3-5 minutes to complete. There were 21 questions in which 3 questions were open-ended and rest of them were close-ended. This was to make respondents easy to complete the survey.

#### 4.4 Response rate

Response rate is the percentage of selected representative who completes the questionnaires genuinely. Groves et al (2009) defined response rate as percentage of eligible sample cases that cooperates in a survey. In order to achieve the goal of carrying out high quality research, high response rate is the must, as it depicts that the results are representative of the population.

The response rate for the survey was the proportion of qualified young smartphone consumers who belong to middle class family. For the research to have credible findings, lower response rate was avoided by approaching the respondents personally via emails and social media (Facebook pages). This research is fully based on survey to gather reliable data, hence, it was essential to achieve lofty level of response rate. In order to make the results more realistic and reliable, it was clearly mentioned in the cover letter of survey that it was intended for young consumers in Nepal. The administration of the survey was carried out anonymously. Hence, the data collected are likely to have sincere and truthful answers. The survey was open for 20 days. 123 people participated in the survey. Within that time span, 20 selected people were interviewed to collect qualitative data.

#### 4.5 Validity and Reliability

To assure the validity and reliability of the survey questions, the questionnaire was pre-tested with 5 persons. This helped refine the questionnaire, which otherwise would have been underestimated and resulted with irrational findings and conclusion. It was necessary to refine the questionnaires before it was sent to public to gain quality data and to confirm that the research findings profess to research objectives.

It was assumed that some respondents would answer that they do not possess any phone at all, therefore questions were drafted accordingly where they can skip numbers of questions if chosen "0" as an option for **how many mobile**

**phone/s do you currently use.** Nevertheless, they can still continue the survey answering rest of the 11 questions which contributes in analyzing features, functions and brand preferences, and important factors considered during the purchase of mobile phone. It was necessary to design the survey questions in this way to get valid data.

To ensure the objectiveness of the result, the target size of the respondent sample was 100. However, 123 people participated the survey. Therefore, it potentially increased the reliability and validity of the research.

## **5 DATA ANALYSIS**

This chapter aims to interpret data collected through the survey questionnaire and personal interview and analyses the results together with the researched theories. It further summarizes the findings according to the research objectives. MS Excel was used to process the data and illustrate the findings using different charts and graphs.

### **5.1 Background**

Primary data collection for this research was personal interview and online survey. Hence, questionnaires were conceptualized on different aspects of buying behaviour of young consumers and influence of social media and lifestyle during their purchase behaviour. The survey was sent via email to close friends and relatives living in Nepal and via various popular Facebook groups and pages to the targeted groups. As the survey was intended for young consumers residing in Nepal, it was posted in various Nepali Facebook pages with the age bar of 18-35 years which includes students, non-students, working students and full time workers who currently lives in Nepal.

Total of 20 Nepalese people living abroad were interviewed via skype and face to face. Age of interviewee ranged from 21 to 35 which includes working students and full time workers. The main reason for interviewing this particular group is to acknowledge how living standard contributes in decision making process of a consumer.

The questions on the survey were designed in a simple format where respondents could answer easily. Almost all questions were marked with a \* which was mandatory, except one. The reason behind making 20 questions out of 21 mandatory is to increase the percentage of valid sample records by preventing item nonresponse (missing answers).

In the following section, survey structure is summarized and detailed information on findings of survey and interview are analyzed, and finally results are presented.

## 5.2 Profile of the research sample

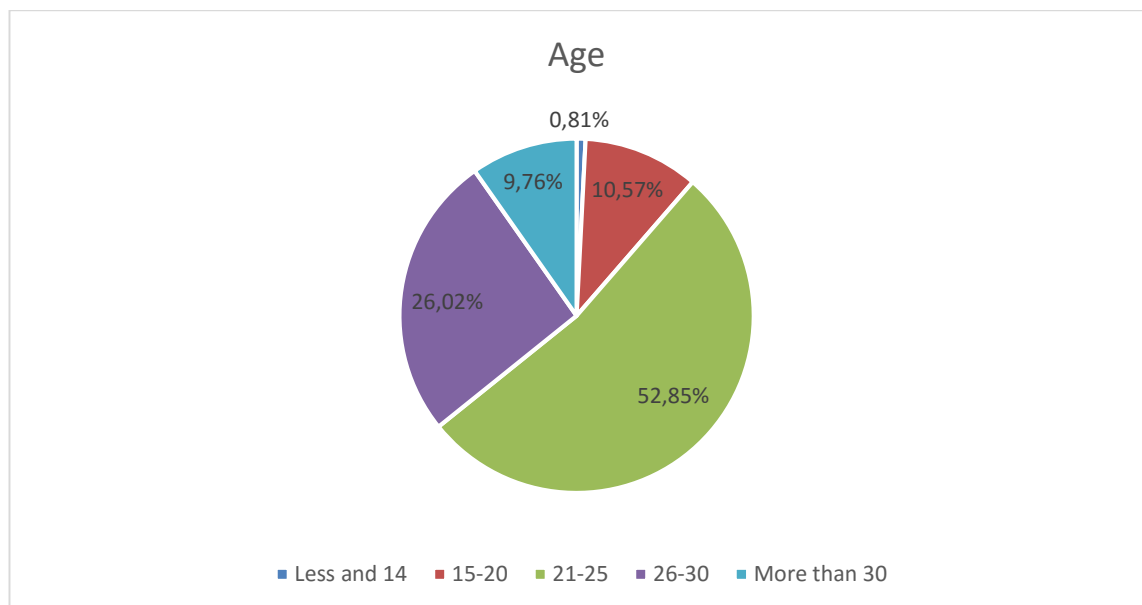


Figure 8 Age-Group of Respondents

The participant's age ranged between 14 to more than 30. As shown in the diagram, the total targeted sample consisted of 123 people in which mode respondents are represented by age group 21-25 followed by 26-30. That comes to 53% and 26% of total respondents proportionately. On the contrary, the least number of participants was from age less than or equals to 14 which accounts to 1% of total respondents. There were 13 participants from age 15-20 and 12 respondents from age more than 30.

Since the main objective of the thesis was to study the purchasing behaviour of people of ages 18-35 therefore, this can imply that the results were positive.

The result shows that all 123 participants were students, in which 81 were Bachelor students; which accounts to 65.85%. followed by Master degree students; which accounts to 25.2% of the total respondents.

#### 5.2.1 Consumer's attitudes toward owning

This section focuses on the mobile brand that respondents said to own, the price they paid for, the information they obtained from and finally their preferred place to buy mobile phone. It further analyses consumer's frequency of switching smartphone.

According to the survey, 72.36% of the respondents own one mobile phone, 22.76% stated that they own 2 mobile phones, 2.44% own 4 and 0.81% own 3 mobile phones. There were 2 respondents who answered that they do not own any mobile phone, out of which one of them belong to age group less and 14 and the other from 21-25.

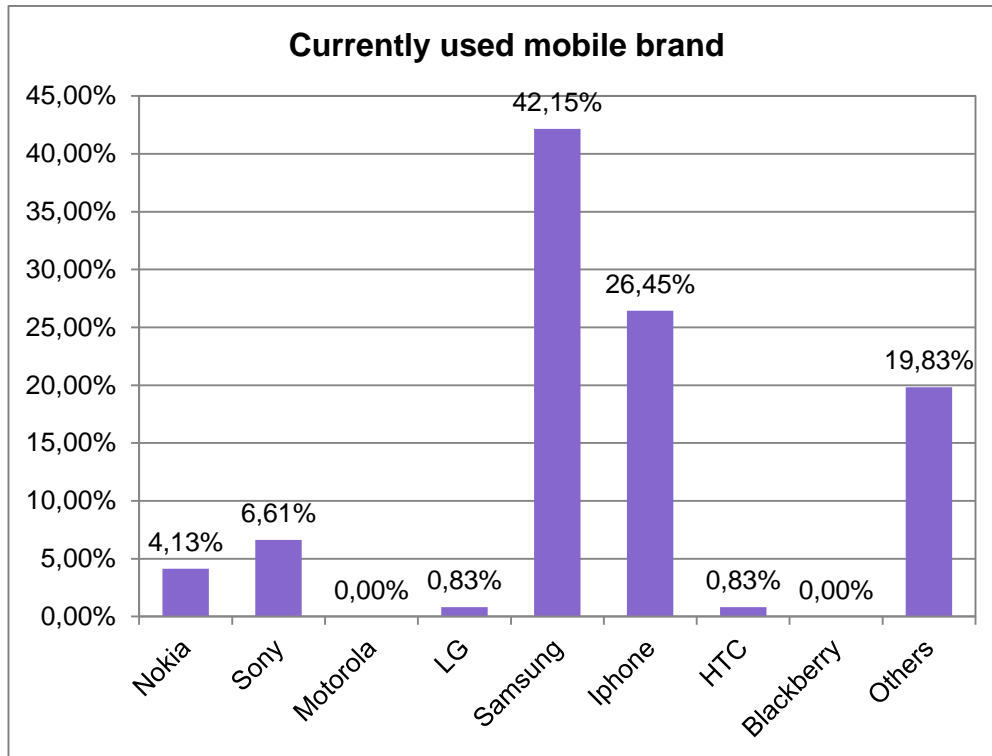


Figure 9 Preference of mobile phone brand

Question 5. Please select the mobile brand you currently use. (If you have more than one mobile phone, which one do you use most frequently?) To this question, none of the respondent own Blackberry phone. Majority of the respondents possess Samsung phone; which accounts to 42.15% of total respondents. The other brands that most participants possess are IPhone (26.45%), Sony (6.61%), Nokia (4.13%), LG (0.83%) and HTC (0.83%). Of the total respondents, 19.83% owned other brands exempted from the choices. Of these group 15.5% owned Chinese brand such as Huawei, Xiaomi, Oneplus and Ningo Bird. The other remaining 4.33% owned Indian brands like Karbon, Micromax and Intex Cloud. Data gathered from interview revealed that the most purchased smartphones were Samsung followed by IPhone and OnePlus.

Based on the survey results, Samsung is the most preferred brand, as highest respondents whose previously owned mobile phone was also Samsung (31.4%) followed by Nokia (28.93%) Iphone was merely owned by 10.74%.

According to the news reported by BBC, (News, 2016) an Indian company Ringing Bells had launched Freedom 251 which is a 3G phone with 8 GB storage costing less than 7 €, is the world's cheapest smartphone till date. Since Nepal and India are a neighboring country, most of the products are imported from India. Hence, if the Ringing Bells Company maintain similar strategy in future, it signifies the growth and popularity of this brand in Nepal in no time. This will further increase smartphone consumers in Nepal.

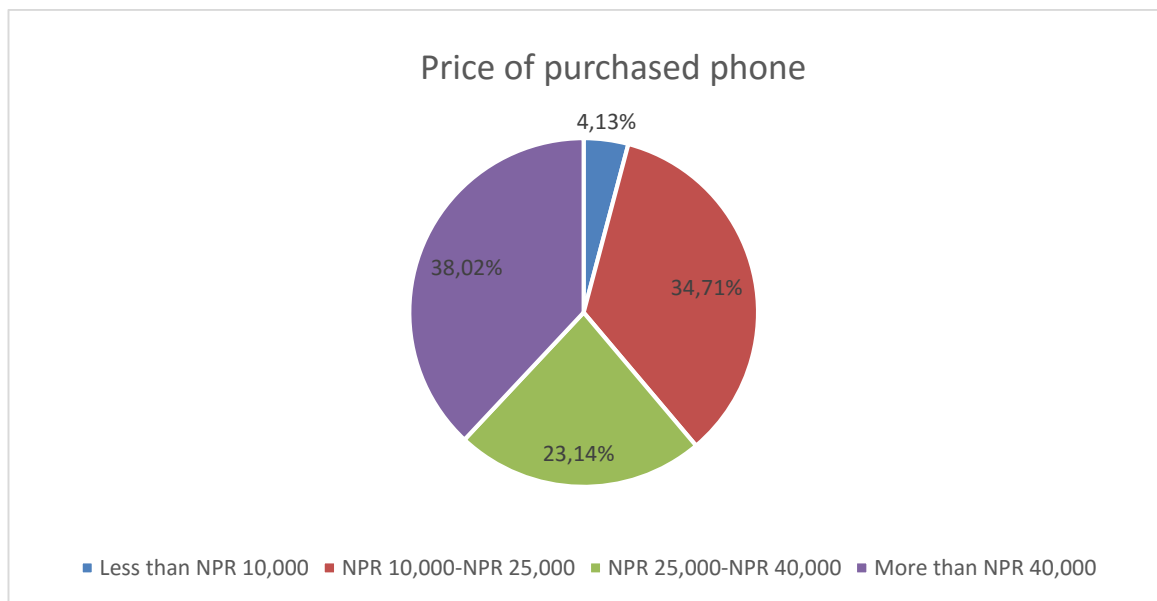


Figure 10 Price paid for the mobile phone

According to the figure 11 from the sample of 123 participants, 38.02% respondents which is the highest, have bought mobile phone costing more than NPR 40,000 followed by NPR 10,000-25,000 (34.71%) and NPR 25,000-40,000 mobile phone set (23.14%). This result might give smartphone manufacturers to understand the range of smartphone that have high sales in Nepal.

Out of 121 respondents, 47 people (38.84%) answered that they switch or change their smartphone in 2-3 years and 37 people (30.58%) changed their phones on a time frame of 3 years. There was a mere 3.31% of the respondents who said that they change their smartphone in less than a year. This reflects the life period of mobile phones with a single consumer in the context of Nepal. Nevertheless,

for people residing abroad accepted that they tend to change their mobile phone with the introduction of new technology. Majority of them change their phone in the span of 1-2 years.

Consumer buying smartphone goes under various decision making process. Gathering information is the second process of decision making.

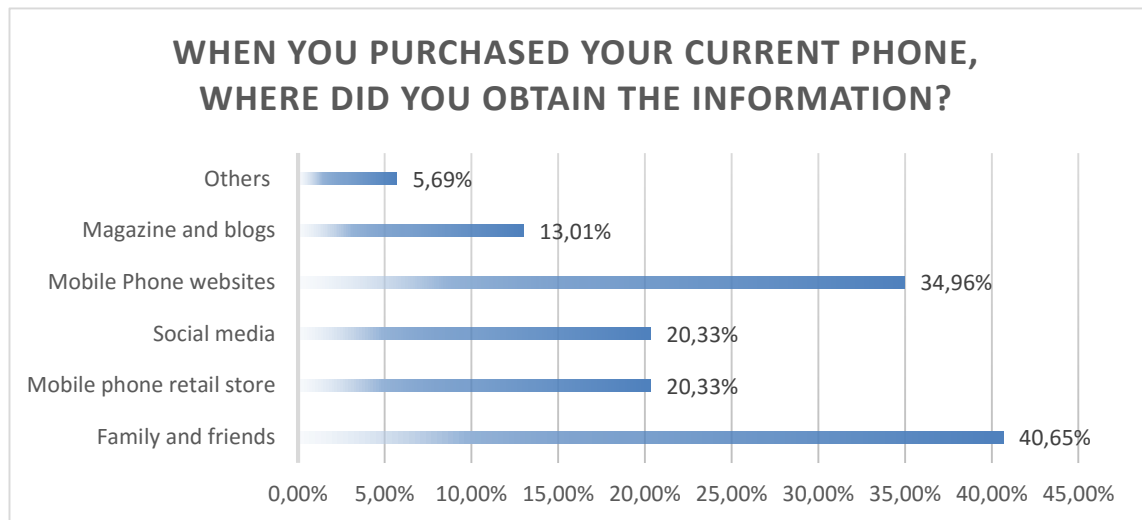


Figure 11 Source of information while purchasing mobile phone

This question was asked to identify how consumers obtain information before purchasing smartphone. With no surprise 40.65% of the sample group answered that they obtained the information from family and friends. Result did not surprise me as Nepalese people are family and friends oriented. 34.96% of the respondents which was the second highest said that they obtained the information from mobile phone website. One exceptional response to the source of information was from a tourist, which is quite plausible in a touristic destination. 25 people (20.33%) out of 123 said that they obtained the information from social media and another 25 people answered mobile phone retail store. Only 13.01% said that magazine and blogs are the sources of information.

When respondents were asked where they purchased their current phone, majority respondents replied authorize retailer; which accounts to 47.15% of the



total respondents. Smartphone consumers have their own fundamental reasons behind choosing authorized retailer and some of the reasons are trustworthiness, knowledgeable seller and recognized quality. This establish a fact that consumers tend to buy smartphone from trustworthy sellers. To substantiate it, when asked same question to the interviewees, they replied that most of the time they bought their phones from authorized retailer. Also, these days online shopping has been a trend among many young consumers. Online stores in Nepal are increasing slowly but steadily. This has also been proved through the survey where 10.57% answered that they bought their current phone through online shopping.

### 5.2.2 Consumer Behaviour

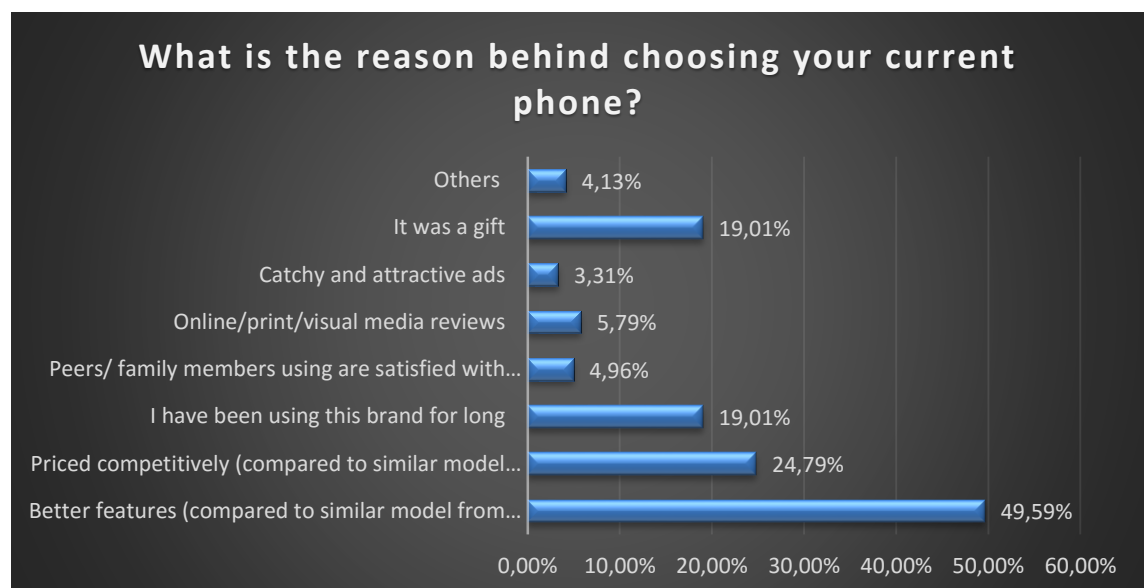


Figure 12 The Reason for Selecting Current Phone

This question was to identify various reason that made them choose their current phone. For the majority of the participants (49.59%) it was important to have better features followed by priced competitively (24.79%) when compared to

similar model from other brands. As presumed, 19.01% respondents answered that it was a gift. Since the sample group of this survey is 18-35 years, many of them are assumed to be dependent members of their family, specially being in context of Nepal. In addition, the data from the interview also validate the conclusion drawn from the questionnaire. More than 80% of the interviewees said that, they have switched their brand from iPhone to Samsung because of better features in it.

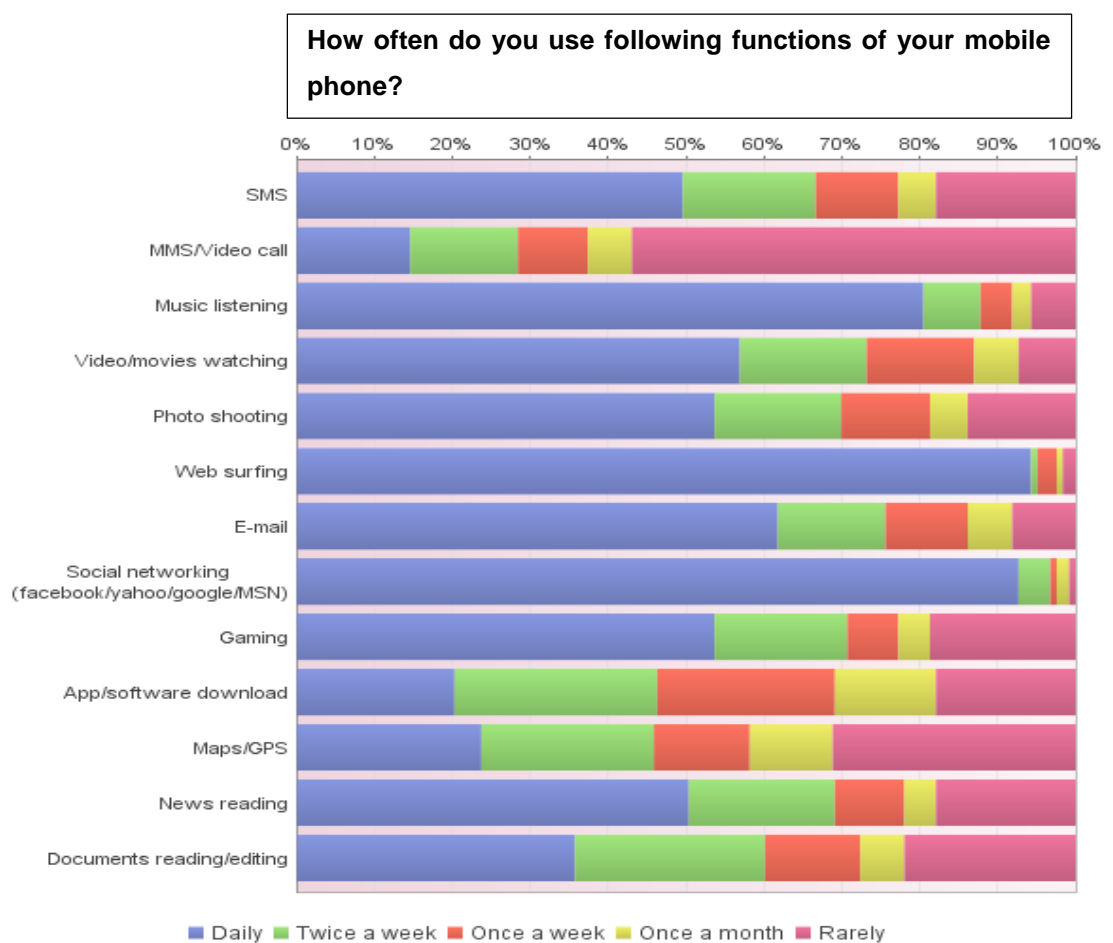


Figure 13 Most used functions by the smartphone users

The purpose of this question was to find out the most used functions by the smartphone users. According to the above table, 116 respondents which is 94.31% said that web surfing is done on a daily basis. With a difference of just 2

respondents, second highest participants (92.68%) answered that they use social networking sites daily in their smartphones. Listening to music (80.49%), Email (61.79%) and video or movies watching (56.91%) are other functions used by the respondents on a daily basis. In contrast to above mentioned functions, MMS/video call was rarely used by 56.91% respondents. The second rarely used function was maps/GPS (31.15%).

Question 21. How often do you access the internet in your phone? The purpose of this question was to validate the answer provided by the majority of the respondents (94.31%) who said that they do web surfing in their smartphone daily. This answer was already presumed as the sample group represents young consumers and hence, survey questionnaires were set accordingly. The assumption was correct as 113 (91.87%) people out of 123 answered many times a day.

### 5.2.3 Most important features of smartphone

Based on the Likert scale, respondents rated the following features (see appendix 4) from extremely important to not important at all. 85.37% stated that battery life is one of the extremely important feature in smartphone. This does makes sense where people are facing 13 hours of power cut a day. (Post, 2016) The second highest respondents (75.61%) referred to internet connection as extremely important features followed by sensitive touch screen (65.85%), camera quality (62.6%) and resolution (57.72%). Game and status symbol are not considered to be important. However, for those Nepalese consumers living in abroad, camera quality followed by resolution and sensitive touch screen is the extremely important feature in smartphone.

To validate the result obtained from aforementioned question 18, respondents were asked to choose 3 important functions from the list. (See Figure 13)

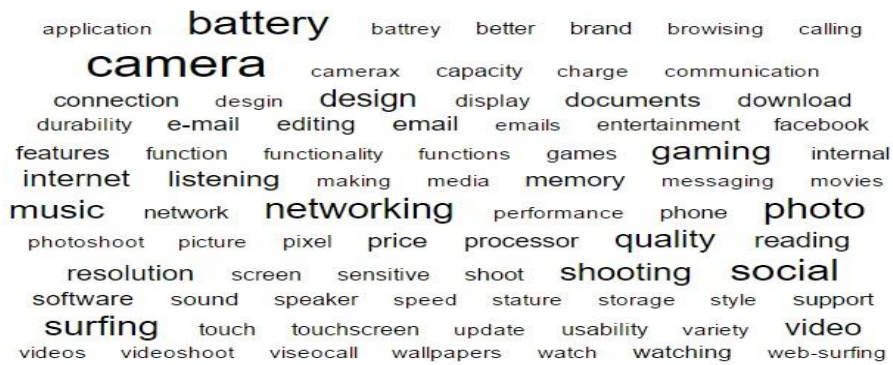


Figure 14: 3 Most Important mobile phone functions

Among all above mentioned 13 functions, the most often referred functions were; camera, battery, and network connection. This clarifies that consumers are seeking great battery life along with good network connection and quality camera in smartphones.

#### 5.2.4 Influencers of consumer buying behaviour

One of the research objective was to analyze the factors that influence and eventually motivates young consumers in purchasing a smartphone. Therefore, this section covers the questions related to external and internal influence which affects consumer decision making process.

Question 15. Who influence you most in purchase of your mobile phone? To this question, 51.22% which is the majority replied that they made their decision independently whereas 31.71% who are the second highest respondents, said friends are their influencers for the purchase of mobile phone. This clarifies that young consumers are mostly independent individual decision makers and when compared to family (17.89%) they are more influenced by their friends as most of the time these generations' people hangout with their friends.

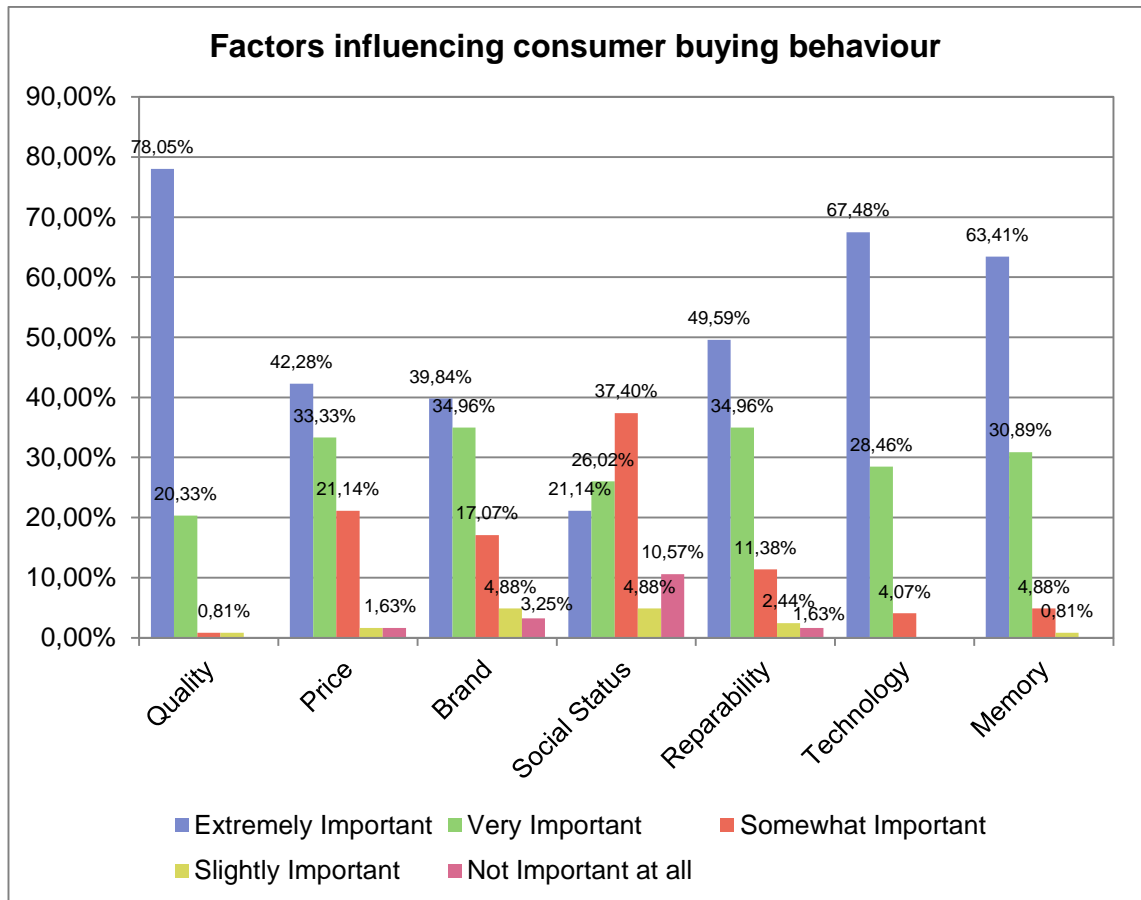


Figure 15 Factors influencing consumer buying behaviour

For this, matrix style question was asked which had five options. They were: extremely important, very important, somewhat important, slightly important and not important at all. According to the survey result, quality of smartphone is extremely important to the consumers, whereas social status is not important at all. Price, which was believed to be extremely important factor is not considered to be even very important when compared to brand and reparability. Also, the data from the interview justifies that price is not an important factor when purchasing phone. Hence, it can be concluded that consumers are willing to buy the smartphone which is of high quality despite the high price.

### 5.2.5 Impacts of lifestyle in decision making process

In order to analyze how much a consumer is influenced by their lifestyle, two survey questions were merged. They were asked to give their opinion on average household income of upper class, middle class and lower class family and at the same time they were also required to provide their average monthly expenditure. To substantiate it, data from the interview of Nepalese people living abroad were analyzed.

In context of Nepal, it is very sensitive to ask the respondents about their average monthly income. Although it was most important question regarding my research question, it was a bit tactical to cover this part. Therefore, trying not to be offensive by asking their monthly income directly, they were asked about their spending habits and their personal opinion on average household income of lower, middle and upper class family. These questions were motivated to gather the information regarding family class type and monthly spending habits of the sample group. Since, spending habit rely upon family income, and family income portray the family class type, these questions are interrelated.

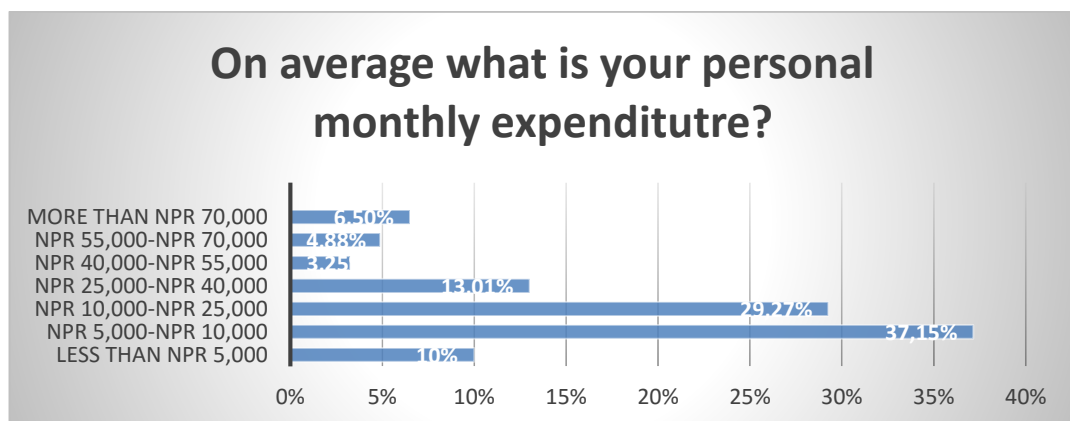


Figure 16 Personal monthly expenditure of the respondents

The result from this question depicts that the majority of the participants (37.15%) have an average personal monthly expenditure between NPR 5,000-10,000. The

second highest respondents came at 29.27%, signifying people who have an average monthly expenditure between NPR 10,000-25,000.

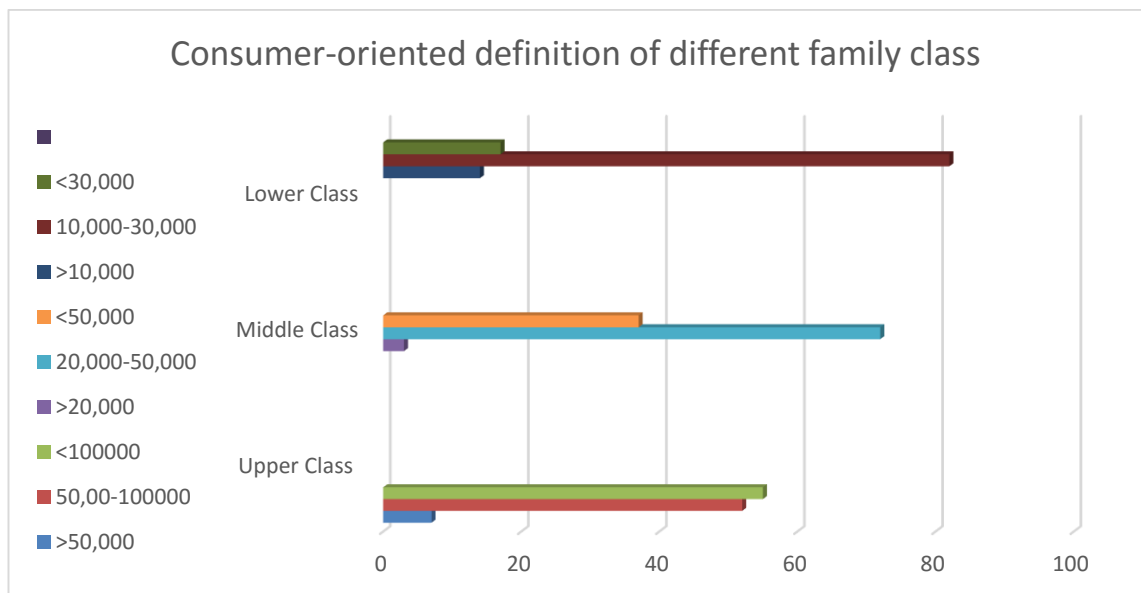


Figure 17 Consumer-oriented definition of average monthly income of different family class

Consumer-oriented average household income of three different family class are illustrated in the above figure. According to the figure, respondents answered that lower class family has an average monthly income of NPR 10,000-30,000, middle class family with NPR 20,000-50,000 and upper class family has an average monthly income of more than NPR 1,00,000 (<1,00,000)

Income level of Nepalese people and their spending pattern is inter-related. One spends according to his/her income level. In relation to the consumer-oriented definition of average monthly income of middle class family and their average personal monthly expenditure, it indicates that maximum respondents are from middle class family.

### 5.2.6 Impacts of social media

Question 14. What level of influence did social media (Facebook, YouTube, Instagram, etc.) had when you purchased your mobile phone? This question was to identify the role social media played in the purchasing process of consumers. Contrary to the assumption, second highest respondents (19.51%) said that social media did not influence them at all during their smartphone purchase. Majority of the participants (31.71%) answered that they were moderately influenced by social media. Only a mere 13.82% said that social media extremely influenced them during their purchase of smartphone.

However, it cannot be denied that 114 (92.68%) people out of 123 were using social networking sites everyday in their smartphone, which means, consumers purchased smartphone to access social media. It can therefore, be considered that social media played indirectly significant role in the smartphone purchase.

## 6 CONCLUSION

The main purpose of this study was to investigate the underlying factors that determine the smartphone buying behaviour of young consumers of Nepal and the impacts of their lifestyle in decision making process. Young consumers were researched believing that they are potential consumers of smartphone in Nepalese market. The aim was to examine the purchasing behaviour of consumers living in Kathmandu, Nepal. This approach was selected due to the reality of Kathmandu city being centralized and its centric attitude being prevailed in all sectors of Nepal.

The result after analyzing the findings based on the survey and interview shows that majority of the consumers were from age group 21-25. A clear majority of the consumers own Samsung followed by iPhone. Better features when compared to similar model is the main reason for purchasing this particular brand (Samsung).



With regards to the first research question, which was to identify the factors that influence consumers to buy smartphone, the finding shows that young consumers are the independent individual decision makers. The second majority of the consumers purchased their smartphone by the recommendation of friends. The result also shows that quality of smartphone is considered to be extremely important factor. Technology is another important factor that motivates them to buy specific smartphone. Inconspicuously, social media has also been playing an important role in the purchase of smartphone.

For a country like Nepal, it is much of a surprise that price is not an important factor when choosing smartphone, especially by middle class family. Purchasing habit of Nepalese consumer has changed progressively with the pace of time. Despite of Nepal being a developing country, there has been a significant growth in the disposable income of Nepalese people in the last few years. Increase in inflow of remittances is one of the reason for increased disposable income. In a span of just one year, there were 4 percent increment (in 2015) in the remittance inflow i.e. US\$455 million to US\$474 million. (Fund, 2016) There is a direct noticeable impact on a country's standards of living with such extensive inflows of remittances. (Endo & Afram, 2011) It can be a positive hint for all the smartphone companies to increase their market in Nepal as this has led to increased consumption.

Moreover, living standard of Nepalese people have raised significantly in the past decade. When compared the living standard of Nepalese people living in Nepal and those residing abroad, more or less they have similar pattern of spending and purchasing habit.

Likewise, majority of the consumers purchased their smartphones from authorized retailer. It is because of trust factor as seller from authorized retailer are considered to be more knowledgeable. Moreover, it is a human temperament to follow the safe side.

Smartphone companies are improving the technology dramatically. But the battery technology in smartphones is not improving at the same pace. However,

the study reveals that battery life of a smartphone is one of the most sought features by the consumers. Therefore, smartphone companies who are willing to take market place in Nepal should consider this.

The smartphone market in Nepal, specifically in Kathmandu city is expanding expeditiously. Nevertheless, there is a high scope for further expansion in this sector as there is spectacular increment in consumer affordability and purchasing habit. Moreover, demand for smartphones persists relatively constant due to the rapidly growing technology. Hence, it can be concluded that Nepal, despite being a country with poor economy, there is much more potential in smartphone market with potential purchasing power of the largest population.

### 6.1 Limitations

Some limitations were encountered. Firstly, Nepal being a country with regular power cut up to 13 hours a day, many people were not able to complete the online survey despite of their willingness. This, to some extent has affected the participation of people and lowered the chances of high participation.

Secondly, for the questionnaire, which was sent through emails and Facebook pages, many people got confused with question 10, which aims to analyze consumer's monthly spending on mobile phone usage thus, provided answers completely different to question.

In addition, 123 people cannot be representative of the entire population of the country. Also, the sample group is from one particular city of Nepal, focused on age category of 18-35 years. Hence, the survey results are not possible to generalize as the sample does not represent all age category that uses smartphone.

## 6.2 Implications for further research

Smartphone market in Nepal is constantly evolving which means new consumers are emerging. Therefore, future research can be conducted with a larger sample which can bring more accuracy in data analysis.

In addition, it would be advantageous to research the impact of gender in relation to purchasing behaviour. It could be interesting to examine how decision making and influencing factors are differed among two genders.

Moreover, in the context of Nepal, there has not been much research conducted in this area. Hence, more in-depth study should be conducted related to this topic.

Furthermore, in this research, consumer's smartphone buying behaviour were examined at only one point in a time. However, consumer's attitudes and behaviours can be explored in detail with a longitudinal study. This would aid to formulate a more complete conceptualization of attitudes and influencing factors of smartphone buying consumers thus, helps to achieve a more in-depth research.

## 6.3 Recommendation to Industry

I believe this study will provide some significant knowledge and information to the smart phone manufacturers to uncover consumers' preferences and anticipate consumer buying behaviour to surmount the smartphone market in Nepal.

Smartphone companies that are interested to establish their market or those who have already set the market but are planning to expand their business in Nepal should focus on their product quality and enhanced features. Companies should come up with various strategies to trigger word-of-mouth as this will help them reach wider audience. Also, smartphone companies should launch smartphone with better battery life as this could be very beneficial for the people who are suffering from daily power cut.

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## Appendix 1. Cover Letter

Dear all,

My name is Sabnam Shrestha and I am a final-year International Business degree student at Turku University of Applied Sciences, Finland.

My research topic is on **“Influencing Factors on Consumer Buying Behaviour of Smartphones”**. The questions in the survey are related to consumer decision making during the purchase of smartphones; spending habits and to determine the reasons why smartphones are popular among young consumers. This survey is intended for young consumers in Nepal.

The questionnaire includes **21** questions, which will take approximately **3 - 5** minutes to complete. Your responses are greatly appreciated and will be confidential.

Below is the link to my survey

<https://www.webpolsurveys.com/S/D8DE0129D14D0936.par>

Thank you very much for your contribution!

Best regards,

Sabnam Shrestha

## Appendix 2. Survey

1. Please select the answer that best describes your age. \*

- Less and 14
- 15–20
- 21–25
- 26–30
- More than 30

2. Please select the answer that best describes your current level of education. \*

- 6–9 class
- S.L.C.
- +2
- Bachelor
- Master
- Others (please specify)

3. How many mobile phone/s do you currently use? \*

- 0
- 1
- 2
- 3
- 4

**4. In future would you like to own one?**

- Yes  
 No

**5. Please select the mobile brand you currently use. (If you have more than one mobile phone, which one do you use most frequently?) \***

- Nokia  
 Sony  
 Motorola  
 LG  
 Samsung  
 Iphone  
 HTC  
 Blackberry  
 Others (Please specify)

**6. In what price band does your current phone fall (at the time of buying)? \***

- Less than NPR 10,000  
 NPR 10,000–NPR 25,000  
 NPR 25,000–NPR 40,000  
 More than NPR 40,000

**7. What is the reason behind choosing your current phone? \***

- Better features (compared to similar model from other brands)

- Priced competitively (compared to similar model from other brands)
- I have been using this brand for long
- Peers/ family members using are satisfied with this brand
- Online/print/visual media reviews
- Catchy and attractive ads
- It was a gift
- Others (please specify)

#### 8. Which phone did you previously own? \*

- This is my first cell phone
- Nokia
- Sony
- Motorola
- LG
- Samsung
- Iphone
- HTC
- Blackberry
- Others (Please specify)

#### 9. How often do you change your smartphone? \*

- Less than 1 years
- 1-2 years
- 2-3 years
- More than 3 years

10. How much do you spend on your mobile phone usage in a month (making calls, SMS, surfing net, etc.)? \*

11. On average what is your personal monthly expenditure?

- Less than NPR 5,000
- NPR 5,000-NPR 10,000
- NPR 10,000-NPR 25,000
- NPR 25,000-NPR 40,000
- NPR 40,000-NPR 55,000
- NPR 55,000-NPR 70,000
- More than NPR 70,000

11. On average what is your personal monthly expenditure? \*

- Below NPR 10,000
- NPR 10,000–NPR 25,000
- NPR 25,000–NPR 40,000
- NPR 40,000–NPR 55,000
- NPR 55,000–NPR 70,000
- More than 70,000
- less than NPR 5,000

12. In your opinion what is the average household income of: \*

Upper class family

Middle class family

Lower class family

13. When you purchased your current phone, where did you obtain the information? \*

- Family and friends
- Mobile phone retail store
- Social media
- Mobile Phone websites
- Magazine and blogs
- Others (please specify)

14. What level of influence did social media (Facebook, YouTube, Instagram, etc.) had when you purchased your mobile phone? \*

- Extremely Influential
- Very Influential
- Moderately Influential
- Slightly Influential
- Not at all Influential

15. Who influence you most in purchase of your mobile phone? \*

- Family
- Friends
- Relatives
- Spouse
- Self
- Others please specify

16. Please rate the features of smartphone on the basis of its importance. \*

	Extremely Important	Very Important	Somewhat Important	Slightly Important	Not Important at all
<b>Style</b>					
Design	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Large screen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Quality headset	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Phone Functions</b>					
Camera quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Resolution	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A sensitive touchscreen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Loud speaker	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Usability</b>					
Internet connection	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Battery life	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>Entertainment</b>					
Games	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
App variety	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Document reading/editing *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Status symbol *	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

17. Where did you purchase your current phone? \*

- Mobile service provider
- Authorized retailer
- Manufacturer retail shop
- On-line shopping
- Others (please specify)



**18. How often do you use following functions of your mobile phone? \***

	Daily	Twice a week	Once a week	Once a month	Rarely
SMS	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
MMS/Video call	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Music listening	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Video/movies watching	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Photo shooting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Web surfing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
E-mail	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Social networking (Facebook/yahoo/google/MSN)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Gaming	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
App/software download	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Maps/GPS	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
News reading	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Documents reading/editing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**19. Based on the above lists, what are the three important functions that you consider during the purchase of smartphone? \***

Function 1

Function 2

Function 3

**20. How important are the following factors when you bought your mobile phone? \***

Extremely Important | Very Important | Somewhat Important | Slightly Important | Not Important at all

Quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Price	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brand	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Social Status	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reparability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Technology	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Memory	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**21. How often do you access the internet in your phone? \***

- Many times per day
- 3-5 times per week
- A few times per month
- Infrequently
- Never

### Appendix 3. Framework of data collection

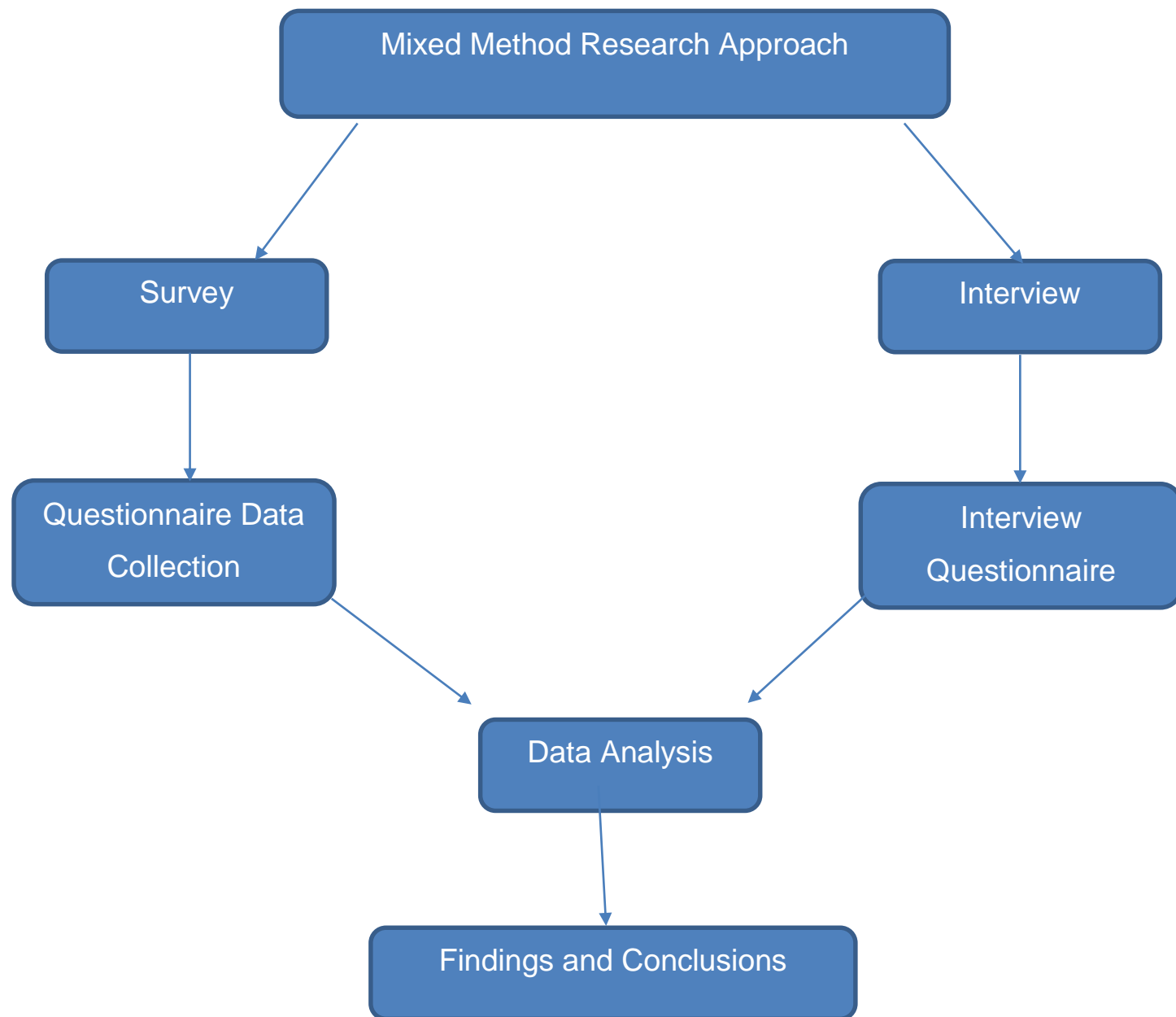


Figure. Framework for data collection

**Appendix 4. Important Features of Smartphone**

Features	Extremely Important	Very Important	Somewhat Important	Slightly Important	Not Important at all
<b>Style:</b>					
Design	43	50	21	7	2
Large screen	13	50	42	16	2
Quality headset	51	49	14	7	2
<b>Phone Functions:</b>					
Camera quality	77	35	11	0	0
Resolution	71	41	10	1	0
A sensitive touchscreen	81	37	4	1	0
Loud speaker	30	46	37	9	1
<b>Usability:</b>					
Internet connection	93	28	1	1	0
Battery life	105	14	2	1	1
<b>Entertainment:</b>					
Games	27	36	41	11	9
App variety	41	57	18	6	1
Document reading/editing *	59	36	21	5	2
Status symbol *	25	41	39	11	7
Total	716	520	261	76	27