

# **Determinants of Potential Customers' Intention to Purchase Smart Phones in Hawassa City, Ethiopia**

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## **ABSTRACT**

*This study is conducted to examine the determinants of potential customers' intention to purchase smart phones in the case of Hawassa city, Ethiopia. The study employed an explanatory research design with quantitative and qualitative research approaches. The required data were collected from 384 selected respondents by adopting a convenient sampling technique. The collected data were analyzed using descriptive statistics such as frequency and mean. In addition, correlation and multiple linear regression were applied. The findings of the study showed that currently, the majority of potential customers were willing to purchase the TECNO smartphone. The regression result indicated that price was the most dominant factor that determined potential customers' intention to purchase smart phones followed by social influence and advertising.*

**Keywords:** *Potential customers; Purchase intention; Smart phones.*

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## **1.0 Introduction**

Smartphones are becoming popular as they are getting improved from time to time by consolidating the most recent advancements. People purchase smartphones since they can use the internet easily and can connect on social media portals such as Facebook, WhatsApp, Instagram, Twitter, Viber, Telegram, YouTube, and others. These features fundamentally draw a delineating line between normal cell phones and smartphones. They also make the use of smartphones easier and user-friendly and increase their utility for the consumers. Generally, a smartphone performs many of the functions of a computer, typically having a touch screen interface, internet access, and an operating system capable of running downloaded apps Kaushal & Kumar (2016).

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The first telephone was invented by Alexander Graham Bell in 1878 and during the 1980s some of the cell phones were first introduced to the public by Motorola. These cell phones were different from the cell phones of today because they were not at all manageable and not cost-efficient by any means. The cost of some of these cell phones was around \$4,000 and the weight was over two pounds. Next, IBM and BellSouth developed the first smartphone in 1993 and presented it to the public Shailesh & Taruna (2016). In the contemporary times, touch screen smartphones were designed and they have now become the basic form of communication. Globally, the demand for smartphones steadily grew as was shown in the fact that five billion people had smartphones in 2017 and it is expected that this figure will increase by 5.9 billion in 2025 GSMA (2018).

Ethiopia is one of the least mobile users in the world. However, the number of smartphone users is increasing from time to time. According to Newzoo (2018), there were 12,014,000 smartphone mobile users available in Ethiopia. The choice of mobile users is diverse due to various factors associated with their purchasing intention. In this situation, it is significant to examine the possible factors which determine the customers' intention to purchase smartphones. Therefore, this study tried to examine the determinants of potential customers' intention to purchase smartphones by selecting the correct respondents and applying appropriate methodology.

## **2.0 Literature Review**

This study tried to examine the determinants of potential customers' intention to purchase smart phones. Purchase intention is a significant measure of actual purchase behavior. According to Zeithaml (1988), purchase intention can be discussed as a predisposition of the customers with regard to their actual purchase action. It describes individuals' inclination in purchase of a product and how they categorize their preferences to the available options.

### **2.1 Purchased intention**

Purchased intention refers to the process that leads a consumer to purchase the specific products. It is a significant measure of the actual purchase behavior of potential customers Nitin (2015). According to Saif *et al.*, (2012), consumers will go through the process of recognizing the product to purchase, then they will find the information about the product, evaluate, and purchase. Thus, it is important to examine the determinants of potential customers' intention to purchase smartphones. This study tried to examine the effect of product features, advertising, pricing, brand name, and social influence.

## **2.2 Product features**

Product features refers to an attribute of a product to meet the needs of potential buyers Lay-Yee *et al.*, (2013). It includes the hardware and software part of a product. Hardware is the description for a tool which will be touched physically. The hardware of a smartphone is the body of the phone itself size and its weight. Color and style also are considered as hardware because it is the physical appearance of the Smartphone. The software on the other hand indicates the operating platform, storage memory, or apps that run the phone. Osman *et al.*, (2012) argued that software features are more important than hardware features in people's smartphone purchase decisions. Customers purchase a mobile phone due to its physical appearance, size and menu organization Ling *et al.*, (2006). Product features can be defined as the attributes of a product that can satisfy consumers' preferences through having the product, using and applying the product Kotler & Armstrong (2007).

## **2.3 Advertising**

Advertising refers to promoting a product or service through newspapers, television, internet or others. Marketers' survival depends on consumer satisfaction and consumer satisfaction depends on their perception and brand preference of the particular brand. In brand preference, advertising plays a major role. According to Moorthy & Madevan (2014), nearly everyone in the modern world is influenced, to some degree, by advertising. Park *et al.*, (2018) found that advertisement using free sample coupons have an enduring effect that increases the purchase propensity beyond the promotion period, thereby contributing to incremental purchases over a longer period of time.

## **2.4 Pricing**

Price refers to the quantity of money charged for a product or service Kotler & Armstrong, (2010). It is one of the most important factors which affects consumer's choice to purchase a particular product or brand. Different scholars proved that price had a significant influence on the purchase intension of the customer Qun, *et al.*, (2012), Lay-Yee *et al.*, (2013). Chew (2012) also argued that price is a significant factor in smartphone purchase intention. Similarly, Hanif *et al.*, (2010) found that the price of a product has played an important role in consumers' intention to purchase.

## **2.5 Brand name**

Brand name refers to the name of a product that identifies the goods and

services of one seller or group of sellers and to differentiate them from those of their competition. Brands are more than just names and symbols. According to Wollenberg & Thuong (2014), the brand name is important to shape consumer's behavior towards smart phones purchasing intention.

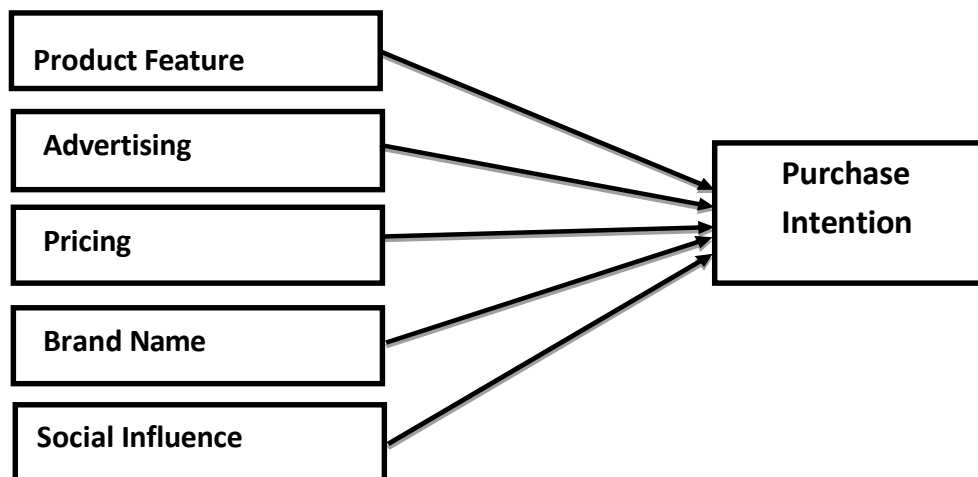
## 2.6 Social influence

Social influence refers to the interference of another person to make a change on his/her feelings, attitudes, thoughts and behavior, intentionally or unintentionally Rashotte (2007). Consumer's decision to purchase a particular product or brand is influenced by many people such as friends, family members, society, and retail store personnel Nelson & McLeod (2005). Social Influence has been found to be an important factors affecting consumer's purchase intention in many studies Qun *et al.*, (2012), Anam (2014), Ibrahim *et al.*, (2013).

## 2.7 Conceptual framework

Based on the literature review, the following conceptual framework has been proposed for the present study. There are four independent factors (Product features, Advertising, Pricing, Brand name, and Social Influence) which influence the dependent variable (Purchase Intension).

**Figure 2.1: Conceptual Framework of the Study**



Source: Adapted from Trivedi and Rava (2016)

### **Hypothesis**

- H<sub>1</sub>: Product feature has significant effect on potential consumers purchase intention.
- H<sub>2</sub>: Advertising has significant effect on potential consumers purchase intention.
- H<sub>3</sub>: Pricing has significant effect on potential consumers purchase intention.
- H<sub>4</sub>: Brand name has significant effect on potential consumers purchase intention.
- H<sub>5</sub>: Social influence has significant effect on potential consumers purchase intention.

### **3.0 Research Methodology**

The research design adopted in this study was explanatory research design. This is due to the fact that explanatory research design is the best when the research question is to identify factors associated or to understand the best predictors of the dependent variable Oleary (2004). The population of this study was potential smartphone customers in Hawassa city. The total population was unknown because the researchers could not obtain a sampling frame. Thus, this study employed the convenient sampling technique. In convenience sampling, the researcher selects participants based on their willingness and availability to be studied. Convenient sampling is appropriate when population elements are selected for inclusion in the sample based on the ease of access Kothari (2012). Since the population of the study is unknown, the formula developed by Cochran (1977) was found to be appropriate for determining the sample size.

$$n = \frac{z^2 p(1 - q)}{d^2}$$

**Where**  $n$  = The desired sample size

$Z$  = The statistics for the level of confidence (1.96)

$P$  = The proportion of potential mobile customers (50%)

$d$  = Marginal error between the population and sample size (5%)

$$n = \frac{(1.96)^2 0.5(1 - 0.5)}{(0.05)^2}$$

$$n \gg 384$$

This study employed a close ended questionnaire as an instrument for data collection. The questionnaire consists of two sections. Section one was centered on the personal information of the respondents while section two was based on the constructs

of the study i.e., the factors related to consumer purchase behavior. A five-point scale, ranging from strongly disagree to strongly agree was used in designing the questions. The reliability of the research questionnaire was tested using Cronbach's alpha coefficient. The data were analyzed using descriptive statistics such as frequency and mean, Furthermore, inferential statistics such as correlation and multiple linear regression were applied.

#### 4.0 Results and Interpretation

The determinants of potential customers' intension to purchase smart phones were identified using multiple linear regression analysis.

**Table 4.1: Results of Regression Analysis Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.826 <sup>a</sup>	0.683	0.679	0.20129

Source: Model output, 2019

According to the model summary of multiple linear regression analysis, the R value of the model as per Table 4.4 was .826 which shows the highest degree of relationship between independent and dependent variables. The adjusted  $R^2$  value of the regression model was 0.679, indicating that 67.9% of variance in purchased intention was accounted for by product features, advertising, pricing, brand name and social influence. The remaining 32.1% of variance in potential customers purchased intention of smart phones was not accounted for by product features, advertising, pricing, brand name and social influence.

**Table 4.2: Results of ANOVA Output**

Model	Sum of Squares	Df	Mean Square	F-test	Sig.
Regression	32.995	5	6.599	162.874	0.000 <sup>b</sup>
Residual	15.315	378	0.041		
Total	48.310	383			

The ANOVA table (Table 4.5) indicated that the multiple regression model itself is statistically significant or not significant. Thus, the model is statistically significant when product features, advertising, pricing, brand name and social influence were included ( $F=162.874$ ,  $p < 0.001$ ). Thus, the overall equation was found to be statistically significant.

**Table 4.3: Results of Multiple Linear Regression Analysis**

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	SE	Beta	t	Sig.
1	(Constant)	0.724	0.126		5.725	0.000
2	Product Features	0.208	0.021	0.304	9.890	0.000
3	Advertising	0.057	0.016	0.120	3.504	0.001
4	Pricing	0.270	0.022	0.461	12.508	0.000
5	Brand Name	0.032	0.017	0.055	1.900	0.058
6	Social Influence	0.234	0.024	0.341	9.791	0.000

*Note: B = Unstandardized regression coefficient (Estimate), Std.Error = Standard Error, Dependent variable = Purchased Intention*

The results of the multiple linear regression analysis indicated that among the five variables which were included in the model, four variables such as product features, advertising, pricing, and social influence were found to be a significant factor determining the purchasing intention of potential customers towards smartphones in the study area.

## 5.0 Conclusion and Recommendations

Smartphone usage has proliferated in recent years. Nowadays, people seem to become dependent on Smartphones due to their convenience, great camera features, and easy application installations. Furthermore, they can do most of the computer functions on the go. In this technology and competitive era, this study aims to explore the determinants of potential customers' purchased intention of smart phones.

Product features have a significant effect on potential customers' purchased intention of smart phones. Therefore, smartphone providers should study what features the users demand, for example: higher image resolution of the camera, better and faster operating system, smarter and lighter design, and any other new innovative product features for both hardware and software. By improving the product features and providing what is demanded, it might help Smartphone providers to improve sales and profit.

Advertising is the dominant factor affecting potential customers' purchased intention of smart phones. Therefore, smart phone manufacturers should provide unique features that other companies are not able to mimic. Additionally, they should design advertisement campaigns introducing new technological features and try to

place their product in the mind of the customer because giving a true and positive picture of product is best positioning. These unique features combined with the right marketing strategy will become competitive advantages and help smartphone companies win this market.

Price is the other dominant factors for purchase decision. Therefore, companies have to maintain competitiveness in order to hold their positions and sustain them through delivering high quality products at honest prices. Social influence also has a significant effect on Smartphone users purchase decision. This is because users are referring to friends, family, and other people around them, though it has less impact on affecting the purchase decision as compared to the other selected variables tested in this study. Therefore, smartphone providers could have more socializing with the targeted market to create positive word of mouth among them to spread it to others.

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